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Predecessor Related Factors Affecting Successful Succession in Family-Owned Firms in Bangladesh

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Predecessor Related Factors Affecting Successful Succession in Family Owned Firms in Bangladesh



Thesis Submitted to the Department of Finance, University of
Rajshahi in Partial Fulfillment of the Requirements for the
Degree of

Doctor of Philosophy

By

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June, 2016

Predecessor Related Factors Affecting Successful Succession in Family Owned Firms in Bangladesh



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DECLARATION

I do hereby declare that, the thesis titled “**Predecessor Related Factors Affecting Successful Succession in Family Owned Firms in Bangladesh**”, submitted to to the Department of Finance, University of Rajshahi for the degree of Doctor of Philosophy is exclusively my own and original work. It has not been submitted to any other university or institute for any degree, diploma or for other similar purposes.

Rajshahi
June, 2016



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CERTIFICATE

I have the pleasure to certify that the thesis titled “**Predecessor Related Factors Affecting Successful Succession in Family Owned Firms in Bangladesh**”, is an original work of Md. Shariful Islam. As far as I know, this is the candidate’s own achievement and is not a conjoint work. He has completed this thesis under my direct guidance and supervision.

I also certify that I have gone through the final version of the thesis and found it satisfactory for submission to the Department of Finance, University of Rajshahi in partial fulfillment of the requirements for the degree of Doctor of Philosophy.



Professor Dr. Md. Amzad Hossain
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*Dedicated
to my Father
Prof. Md. Nazrul Islam
Mother
Mrs. Afroza Khanom
and Wife
Dr. Rezwana Haque*

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ABSTRACT

Family owned firms play significantly important role in the new global economy. In every small and medium sized family owned firm succession is a common event though now it is considered as the most critical issue as experienced by researchers. Therefore, a proper succession process is important in the sense that it affords the family owned firms to select the most appropriate leaders to carry on the business successfully. The role of the predecessor is of greater importance during this succession process. Succession planning is the first and one of the most important steps of succession process. The focus of the researchers on the succession is derived from the fact that resistance of the predecessor could be responsible for the lack of succession planning in the family owned firms. Thus this study analyzes the predecessor related factors that affect succession planning and in turn succession process in family owned firms in Bangladesh. Family owned firms located in the northern region of Bangladesh have been studied to achieve the objective of the research.

The study explores the trait, behavior and career related factors of the predecessor as well as external factors that come from within the family or the family owned firm to influence the behavior of the predecessor. The research has used qualitative method to study the trait, behavior, and career related factors of the predecessor that affect succession plan. The study also uses quantitative method in the form of survey to explore the external factors that may have strong influence on the predecessors that affect their succession planning related behavior. The study has approached 229 second or subsequent generation family owned firms located in eight districts of Rajshahi Division with direct interviewing method using the interview questionnaire. SPSS-20 package has been used for data entry and analysis. Descriptive statistics such as frequency distribution, cross tabulation, mean, standard deviation, percentage, etc.; graphical presentations; and factor analysis have been used to analyze the data with an aim to answer the research questions.

Case study method has been used for qualitative research of the study. The present study applies multiple case studies where six cases have been selected, four from Rajshahi district and remaining two from Naogaon district. The outcomes of the six

cases have been compared to test whether the findings from one case replicate in the other cases or not.

Based on the findings a model has been developed to show the predecessor related factors that affect succession planning behavior of the predecessors. A set of trait, behavior and career related factors that have been identified from case studies have been presented in the model. The model also shows important external factors identified from survey that consciously or subconsciously affect the predecessors in succession planning behavior of the same. Findings of the study have been compared with findings of the previous studies. Though most of the findings of the present study agree with previous studies, a few findings of the study do not comply with them. Finally, the study recommends further in depth study on similar issues on family owned firms in Bangladesh.

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ABBREVIATIONS

BBA= Bachelor of Business Administration

BDT= Bangladesh Taka

BSc= Bachelor of Science

BSCIC= Bangladesh Small and Cottage Industries Corporation

BUET= Bangladesh University of Engineering and Technology

CCIS= China Credit Information Services

CDA= Chittagong Development Authority

CEO= Chief Executive Officer

CFB= Center for Family Business

COB= Chief of Business

D&B= Dun and Bradstreet

e.g.= Exempli Gratia

et al.= et alia/ et alii

FB= Family Businesses

FBR= Family Business Review

FCB= Family Controlled Businesses

FIRO= Fundamental Interpersonal Relations Orientation

F-PEC= Family- Power, Experience, and Culture

GDP= Gross Domestic Product

GEC= General Electric Company

GOB = Government of Bangladesh

KMO= Kaiser-Meyer-Olkin

Ltd.= Limited

MBA= Master of Business Administration

MBTI= Myers-Briggs Type Indicator

MP= Member of Parliament

MS= Master of Science

NFB= Non Family Business

NFBP= Nijenrode Family Business Program

NFC= Non Family CEO

OECD= Organization for Economic Co-operation and Development

PhD= Doctor of Philosophy

PIMS = Profit Impact of Marketing Strategy

R&D= Research and Development

RDA= Rajshahi Development Authority

S&P 500= Standard & Poor's 500

SIC= Standard Industrial Classification

SME= Small and Medium Enterprise

SME= Small and Medium Enterprises

UK= United Kingdom

US= United States

WPP= Woven Polypropylene

Chapter 1

Introduction

1.1 Background

In the new global economy family owned firms play significantly important role (Ibrahim, Soufani, & Lam, 2001). Studies in different countries suggest that family firms account for the majority of the whole businesses and contribute strongly in the growth of the national economies (Chrisman, Chua, & Steier, 2005; Gallo, 1995; Ibrahim & Ellis, 1994; Lank et al., 1994; Nordqvist, 2005; Poutziouris, O'Sullivan, & Nicolescu, 1997; Poza, 1995). Family business has started receiving a lot of attention starting from late 90's to date. Prior research has focused on different issues related to the family firms like tax implications on family owned firms (Bjuggren & Sund, 2005) and the differences between family and non-family firms (Naldi, et al., 2007).

In every small and medium sized family owned firm succession is a common phenomenon and it is considered as the most critical issue that is commonly faced by the family owned firms (Ibrahim, Soufani, & Lam, 2001). Therefore, a proper succession process is important in the sense that it affords the family owned firms to select the most appropriate leaders to carry on the business successfully (Ibrahim, et al., 1999; Ward, 1987).

Succession issue is very complex in family owned businesses (Dyer, 1986; Lansberg, 1999; Miller, Steier, & Le Breton-Miller, 2003). Studies in the area of family business also show that such family firms strive for continuity in ensuring competent leadership across generations for the continuity of the business itself (Le Breton-Miller, Miller, & Steier, 2004). Family business literatures also emphasize the importance of formal and well-designed training plans after the joining of the successor in the firm (Dyer, 1986; Ward, 1987). For successful succession in family owned firms it is important to adjust role of the successor and the predecessors (Handler, 1990). The role of the predecessor is of greater importance during the

transition of succession in the firm. Some firms just fail to exist anymore only due to the reason that these firms seem to suffer from 'corporeuthanasia'. This is the term used by Handler and Karm (1988) to describe the owners' act of willfully killing of the business they love by failing to provide in their own life for a viable organization with clear continuity.

1.2 Problem Discussion

Though the owners of family owned firms consider longevity of the business as the most important concern (Nutek, 2004), evidence from previous studies suggest that 30% of family businesses survive into the second generation and only 10% or 15% make it to the third generation (Aronoff, 1999; Kets de Vries 1993; Ward 1987). This higher rate of failure of the family firms has become a concern of the researchers (Aronoff, 1999; Handler 1990; Kepner, 1983; Lansberg, 1999). Most of the researchers commonly believe that there is need for formal succession plans in the family firms and the plan should be long term (Danco, 1982; Kets de Vries, 1993; Ward & Aronoff, 1992; Ward, 1987; Williams, 1992).

The focus of the researchers on the succession is derived from the fact that resistance of the predecessor could be responsible for the lack of succession planning in the family firms. Grote (2003) argues that, this family business failure is caused by human behavior. He also argues that the human behavior is culturally universal. Lansberg (1999) shows that many predecessors are reluctant to empower their offspring in the family business in fear of losing control over the business that ultimately makes the succession planning difficult. Lack of succession planning ultimately affect successful succession and hence the survival of the firm.

One perspective related to succession is based on level analysis, where factors like leadership style, delegation of authority, organizational culture, the organizational hierarchy, founder's health and effect of training and development is taken into consideration for succession process (Handler, 1990). In this analysis, the factors are divided into different categories, known as individual level, interpersonal group level, organizational level and environmental level. The analysis focuses on resistance to succession planning at these different levels. The factors at all

different levels play a major role in the successful (or otherwise) succession in the family owned firms.

Other perspective in succession process is related to the life cycle approach (Handler, 1989). In life cycle approach the role of the predecessor and successor changes with the succession process. The predecessors act as a monarch in the start and in the later stages of succession they act as a consultant to the successors (Handler, 1989). The successful succession is dependent on the timely adjustment of alternative roles at the end of predecessors and successors. Consequently the timely and successful role adjustment is dependent on the capabilities and individual factors of the predecessors and successors.

Different succession models (Brockhaus, 2004; Cadieux, 2007; Lambrecht, 2005) have been developed over a period of time. However, these are the general models discussing the succession problems and do not focus solely on the individual factors. The individual factors are of central importance in the succession process when following either of the approaches discussed in level analysis or life cycle analysis. The level analysis shows that the individual factors related to the predecessors are of utmost importance; if the predecessor has developed a succession plan it will result in the encouraging environment in terms of organizational culture and structure for the successor and ultimately it will support the succession process (Handler & Karm, 1988). If the predecessors, due to the individual factors related to desire of control and authority, have been unable to provide such environmental variables it would be difficult for the predecessors to work on the succession process in a timely manner which will result in the failure of the succession. Similarly the life cycle approach also needs the predecessors to adjust to their new roles in a timely fashion (Ibrahim, Soufani, & Lam, 2001). When moving from one stage to the next stage, if the successors are highly motivated and demonstrating the capabilities needed for the success of the business, the role of the predecessors requires them to adjust accordingly (Handler, 1990). In this case the failure of succession occurs due to the actions of the predecessors. Along with environmental factors, this failure is highly attributed to the individual factors related to the predecessor.

The planning process is necessary for the transfer of ownership and leadership in any business. However, its importance is enhanced in the case of family firms because, as mentioned above, resistance by the predecessors creates problem during this process due to their inability to let go their business to next generation. Therefore, it is important to understand the factors that create resistances among the predecessors to make a sound succession plan that ultimately helps successful succession in the business. Thus this study analyzes the predecessor related factors that affect succession planning and in turn succession process in family owned firms, which should impact successful succession in the specific firm. Family owned firms located in northern region of Bangladesh have been studied to achieve the objective of the research.

1.3 Objectives

The issue under investigation of this research is predecessor related factors affecting successful succession in family owned firms of Bangladesh. To achieve this broad objective the study explores the following research questions:

1. To what extent do succession plans exist in family owned firms in Bangladesh?
2. How do the predecessors' trait, behavior and career related factors affect succession planning in family owned firms of Bangladesh?
3. Which are the external factors that affect predecessors in preparing succession plan in the family owned firms in Bangladesh?

Chapter 2

Literature Review

2.1 Entrepreneurship

Kets de Vries' (1985) shows a different set of characteristics driving the entrepreneur. The key questions of the study are: what are entrepreneurs like? And what distinguishes them from other business people? The study finds that although as a group they are not easy to get a handle on, some characteristics seem to be common to all of them. Entrepreneurs seem to be achievement oriented, like to take responsibility for decisions, and dislike repetitive, routine work. Creative entrepreneurs possess high levels of energy and great degrees of perseverance and imagination with willingness to take moderate and calculated risks. They convey a sense of purpose and by doing so they convince others that they are where the action is. According to the author, whatever it is, seductiveness, gamesmanship, or charisma, entrepreneurs somehow know how to lead an organization and give it momentum.

According to the author, these people are used to run their own businesses as a desire to have control, along with their natural tendencies of dominance. Due to these factors they require submission from the other people working in the organization and hence they develop suspicion about 'authority'. Finally, the entrepreneur's overwhelming 'desire for applause' in part explains the inability to consider succession in dynamic terms and provide for the future of the firm.

Zahra (2005) asks the question: Under what conditions do family firms encourage entrepreneurial activities? To answer this question, the article empirically links several family owned firm related variables to key strategic choices companies often follow to survive, increase revenue, make profits, and achieve growth. Family owned firm related variables explored in this study include whether the founder serves also as CEO, the length of the founder's tenure, the owner family's involvement in the business, and the cohesiveness of the family's culture. The article contributes to the family business literature in two ways. The first is by

exploring several family and ownership-related factors that correlates to entrepreneurial risk taking. Although researchers continue to tout the importance of family-related variables, the exact link between these variables and entrepreneurial risk taking is not well understood. The article offers a glimpse into these relationships, providing an empirical foundation for future research and analyses. The article's second contribution is highlighting the importance of entrepreneurial risk taking within family owned firms, a topic that has not been systematically studied.

Data collected from 209 companies that classified themselves as family owned firms were used to examine the above two competing scenarios and test the hypotheses. Initially, the largest 50 and smallest 50 companies from 20 different manufacturing industries were identified. Thus, 2,000 companies were targeted in the survey. This design introduced a high degree of variability in industry types and structures as well as company size and profitability. Two mailings were used, yielding 497 completed replies, for a response rate of 24.85%. The survey targeted the companies CEO or highest senior executives, who are usually the most informed people about the companies' entrepreneurial and strategic operations.

The survey focused on key managerial activities in order to minimize respondents' faulty recall. Data from secondary references were also used to validate the measures developed based on the survey. Copies of the original survey were sent also to a second senior manager from the responding companies. Two mailings yielded 141 completed responses, which were then matched with original replies from CEOs. Researchers disagree on what constitutes a family business. Consequently, this study adopted a two-step approach to identify family firms. The first step examined companies' responses to the question: "Is this company family owned?" A total of 209 firms responded affirmatively to this question. The second step examined responses received from the survey and classified firms whose equity was owned by a family. This process identified 241 firms. The 209 that described themselves as family owned firms were also identified in the second step. Given these different figures, it was decided to err on the side of conservatism by examining the smaller set of firms (N = 209). Data gathered from the 209 family

owned firms were used to construct the study's measures. Further, secondary sources were used to validate the survey based measures.

Major findings of the study include that the length of a CEO's tenure is negatively associated with entrepreneurial risk taking, especially a family owned firm's emphasis on innovation and venturing in domestic and international markets. This finding contradicts to hypothesis. However, it supports another hypothesis and the results from earlier studies that show that long CEO tenures create a setting in which strategic simplicity and inertia often take hold of the organization and inhibit responsiveness to changes in the environment. Long tenures give CEOs time to institutionalize their systems and processes, possibly reducing a company's ability to adapt and change. Long CEO tenures might also drive competent managers, both relatives and nonrelatives, to seek employment opportunities elsewhere where they can use their talents. This can lead to strategic simplicity, which limits entrepreneurship. Another important finding is that the higher the number of generations from the same owner family that are active in the company, the higher the firm's focus on innovation.

Brush (2008) has mentioned strategies for successful entrepreneurship. In a global business environment successful entrepreneurs must master three key strategies such as (1) develop a clear vision, (2) manage cash creativity and (3) pioneering into the future. In the matter of 'pioneering into the future' the author suggests the entrepreneur to think about the future of the business, the future values of the business and the role of the entrepreneur in this future of the business.

Naudé, et al. (2008) in their work used data from a developing country, South Africa, to empirically identify the determinants of start-up rates across different sub-national regions. It is observed in this study that the most important determinants of start-up rates across South Africa's magisterial districts are profit rates, educational levels, agglomeration as measured by the economic size of a district, and access to formal bank finance. Profits have by far the strongest effect on start-up rates. This, together with the insignificance of unemployment for start-ups, may imply that start-ups in South Africa are mainly opportunity driven, as opposed to being necessity driven. It is also found that access to formal bank finance matter for regional start-up rates, which is not typical for a developing country, and that

market-size (agglomerations) is negatively associated with start-up rates in South Africa, which the authors consider as an unexpected finding which may imply the existence of 'congesting' factors such as increased competition, tougher barriers to entry, monopolistic behavior, and a greater difficulty to be innovative and novel.

2.2 Leadership

Sims, Faraj, and Yun (2009) in their study argue that situational theory of leadership attempts to match a particular leadership style or type to specific external circumstances. The general idea is that one type of leadership will be effective in one situation, but a different type of leadership will be effective in another situation. Historically, situational theories of leadership have been too abstract to apply to specific situations. Nevertheless, the concept of situational leadership retains considerable intuitive appeal. In this article the researchers draw on their previous research about situational leadership during resuscitation in a trauma center, in order to derive a general strategy of how a leader can best develop his or her own personal theory of leadership which best works for their unique circumstances.

Findings show that the core of the strategic approach involves: (1) defining goals for a specific situation, (2) defining potential leadership types, (3) identifying situational conditions, (4) matching a leadership style to the particular situation, and (5) determining how the match between leadership style and situation will be made. The medical trauma center profile provided an interesting example of how leaders considered elements of the situation to guide their own leadership.

Buren and Safferstone (2009) in this paper focused on identifying a successful transitioning of new role of leaders in family owned firms. The research team of the study interviewed 5,400 leaders who are in new roles and then identified the patterns of leaders who were successful and those who were thriving in the new role. The main finding of the study is that leaders new to their roles often try to prove themselves by going after quick wins. In the pursuit of this, they may fall into one or more of five traps that have been identified by the research team. The five traps responsible for failure of the leader that have been identified by the study are that the leader (a) focuses too heavily to details, (b) Reacts negatively to criticisms, (c) intimidates others, (d) jumps to hasty conclusions, and (e) micromanages direct

reports. To escape these traps the new leaders must focus on the team from their individual achievements.

Li and Harrison (2008) in this empirical study explored how and to what extent does national culture influence the composition and leadership structure of the boards of directors of multinational firms? 399 multinational manufacturing firms based in 15 industrial countries were examined. 59 of them are based in Japan, 121 in Western European countries, and 193 in North America. Remaining 26 are based in other part of the world. The data on these firms' board structure and ownership were mainly obtained from the directory of multinationals and checked and supplemented using other sources such as Standard and Poor's Register of corporations, directors and executives, Moody's international and corporate annual reports of the respective firms.

One of the important findings of the study is that national culture can have strong effects on corporate governance. It is also observed that the predictive accuracy of the cultural variables provides strong support for the argument that norms embedded in a society's culture affect organizational structure, at least at the board level. The authors suggested that when considering board composition and leadership structure, it is important to consider national culture norms.

2.3 Women in Leadership

Vera and Dean (2005) intended to determine the extent to which daughters face succession related challenges and discover new areas for study. Qualitative data were gathered via interviews with 10 female family business owners. Respondents encountered employee rivalry, experienced work-life balance difficulties, and never assumed they would one day be the successor. Although participants reported few problems with their fathers upon succession, many experienced difficulties succeeding their mothers. An interesting finding was the daughter's likelihood of being compared with her mother's managerial style.

The majority of the daughters reported having good professional and personal relationships with their fathers. They suggested that the good communication they shared helped them get through the succession process. All the daughters who took over their father's company, with one exception, had a good professional

relationship with their fathers and did not report any conflict between the roles of daughter and businesswoman. In contrast daughters succeeding mothers had more difficult successions than those taking over from their fathers run counter to the research on the general management style of women in the population. In a case study the research finds an interesting finding. The author says, one woman mentioned this issue, noting that her father had early expectations that his eldest son would be the successor (as did the eldest son). Nevertheless, when the father started to prepare for the succession, he decided to make the decision based on who would best manage the company, rather than automatically choosing the first born. The daughter was chosen over the oldest son as most qualified, and it is interesting to note that the father used an objective third party to help with the decision making process. Regarding balance between family and work the research found that it is a difficult issue for the women. Eight out of 10 interviewees stated that achieving balance between work and family life was difficult. The study tried to find issues of gender discrimination. Participants were asked to report if they had ever felt discriminated against or stereotyped based on gender. In the current study, one woman reported being treated differently because of her gender, whereas two others mentioned that they had felt discrimination occasionally.

Most interesting finding of this study is that more women are going to be in a position to help bring other women into leadership positions in family businesses, but this study suggests that women are not necessarily making the succession process easy for their female counterparts. In cases in which the mother was the founder of the company, daughters met with strong reluctance from the mother to give up control, with little, if any, grooming provided to the daughter to prepare her to assume a leadership position. The study suggested that questions asked of daughters in this study should also be posed to sons who take over the family business to see if the challenges they report facing are similar or if there are indeed gender differences between son and daughter successors.

Cole (1997), in this paper, conducted a qualitative study on women in family business. Women and other family members were interviewed on how gender-related issues affect their work. Also included is an extensive literature review followed by a brief discussion of the research methodology. The research results

offer common themes that emerged from the diverse sample of participants. In addition, there is a discussion of implications for practice and research that may be helpful to both family-business members and consultants.

Hisrich and Fülöp (1997) explored the role of women in family business within a Hungarian context and based on that finally provided an indication of the similarities and differences of women entrepreneurs in family businesses and how this reflects their social structure. Since owning and running a family business requires a lifestyle that deeply impacts the women's role in society and in the family, governments need to address some fundamental issues that will help women in this process. This systematic investigation of women entrepreneurs and family businesses in Hungary sheds light on the similarities and differences of women entrepreneurs and family businesses in many different countries, particularly those in a non-OECD country context. Distinct differences exist in the social structures of Hungary and developed countries such as the United States, Canada and the United Kingdom, where most of the research has been conducted. This variation in social structures affects the nature of women entrepreneurs and their family businesses. In particular, research from developed countries shows that human capital variables, education level & area and previous entrepreneurial experience are important characteristics of women entrepreneurs. Women entrepreneurs in Hungary feel that they had both expertise and knowledge on running a business and differed from their counterparts in developed countries.

A second important difference between these findings and earlier research are the conditions, reasons, and motivations for starting a venture. This study of Hungarian women entrepreneurs showed that these three factors differed somewhat from their counterparts in other countries. It appears that these findings reflect the effects of a different social structure, particularly the movement from a controlled to a market economy. To fully understand the importance of these reasons and motivations with regard to performance, future research needs to compare these findings to other Hungarian family businesses or women entrepreneurs in family businesses from other non-OECD as well as developing countries.

Third findings of the study is owning and running a family business requires a lifestyle that influences many aspects of women's lives, their role in society and in

the family, their use of time, their recognition and standard of living, and perhaps most importantly, their role and responsibilities to their families. Given the hours needed by the business, less time available for children and the family may result in more stress on the entrepreneur herself, and create new family problems that did not exist previously. This problem is particularly acute when the woman entrepreneur works in the home as much as she did before starting the venture, with little assistance in household chores from the spouse or children.

Finally, the government and society of Hungary, as well as the governments and societies of other transition countries, must address some fundamental issues concerning women entrepreneurs and women in the work force. The need for part-time employment for women must be addressed, as this would allow women to balance household chores, family responsibilities, and income for a better standard of living. Perhaps some lay-offs could be reduced by changing full-time positions to part-time. Also, retirement plans should be carefully examined to make sure pressures on women entrepreneurs and employed women are not increased with increasing retirement ages. The availability of funds in the form of both equity investment and loans must be examined, as the women in this study reported not having access to funding sources and several were denied bank credit. Finally, the study suggests that since it is apparent that the possibility of becoming an entrepreneur can be developed in the younger generation at an early age, girls should be encouraged throughout their education to think more about starting a venture. Attention needs to be given to developing their self-confidence, positive work morale, success orientation, and the ability to cope with failure and work in a family-business setting. This will ensure that women entrepreneurs will continue to evolve, successfully start new family business and other ventures and contribute to the economy of the country.

Ibarra and Obodaru (2009) investigated into the factors that are responsible for hindering women to move to top of the organizations. The researchers collected ratings of women executives in different firms to study whether women received lower rating than men or not. The researchers were surprised to find that in most of the leadership dimensions the women outperformed men. While in one of the important dimensions the women were lagging behind than men and that was

envisioning or ability of the leader to recognize new opportunities and trends in the environment and developing strategic direction for an enterprise. The authors could not clearly test whether this rating was based on reality or from the perceptions of the people about women. It was found that the women received lowest score from male peers and there was lower number of women in the top positions. Therefore, this perception about women may cause hindrance for women in moving towards top positions in the firms.

Tung (2004) attempted to explore the factor(s) that impede the leadership positions of female executives in global businesses. The study presumed three factors that might be the cause of this slow growth of female in international businesses that are (a) certain host countries may not be receptive to women expatriates, (b) women are unwilling to undertake such assignments, and/or (c) women may lack the mental constitution to endure the stresses and strains associated with living and working in some tough foreign environments. To test these presumptions 160 expatriate managers, 80 male and 80 female from North America, have been studied. The contrasting findings of the study are (1) women are indeed willing to undertake international assignments, and (2) women are equally as successful as men in culturally tough environments, including countries where there is low participation of women in the workforce and/or professional/ managerial ranks. Furthermore, drawing upon this and other studies, an argument is made that women appear to possess certain attributes that may render them particularly suited to succeed in international assignments. It is observed in the study that the women are more prone to take the challenge of international assignments than men and women are less affected by the loneliness in abroad compared to their counterpart men managers. Women are also better able to cope with conflict mediating stresses than male. While, the study did not mention the causes that are responsible for the slow growth of female managers in local or multinational corporations.

2.4 Family Business Definition and Importance

Astrachan, et al. (2002) proposed an alternative method for assessing the extent of family influence on any enterprise, enabling the measurement of the impact of family on outcomes such as success, failure, strategy and operations. This proposed

method, utilizing a standardized and valid instrument, the F-PEC, enables the assessment of family influence on a continuous scale rather than restrict its use as a categorical (e.g., yes/no) variable. The F-PEC comprises three subscales: power, experience, and culture. This article discusses these scales in detail.

The study claims that a definition of family is often missing. This notable absence poses problems, particularly in an international context where families and cultures differ not only across geographical boundaries, but also over time.

Hoopes and Miller (2006) developed model of ownership concentration, owner preferences and competitive advantage. It argues that ownership structure and owner preferences can give rise to resources and capabilities that increase firm profits. The model is then used to explain how successful family controlled businesses (FCBs) differ from firms with less concentrated ownership and less successful FCBs. Because of their ownership concentration and reduced monitoring costs, many FCBs will have a resource surplus. That surplus and the tendency toward long-term investment among some FCBs create unique competitive opportunities under conditions the study specifies.

Miller and Miller (2006) argued that recent research has begun to show that major, publicly traded family controlled businesses (FCBs) actually outperform other types of businesses and thus the study examined the nature of such family businesses in an attempt to explain why some seem to do so well and others so poorly. It begins with four fundamental governance choices that distinguish among different kinds of family businesses: level and mode of family ownership, family leadership, the broader involvement of multiple family members and the planned or actual participation of later generations. Using precepts from agency and stewardship theory, it relates these dimensions to the nature of the resource-allocation decisions made by the business and capability development, which in turn have implications for financial performance. Propositions are drawn about the drivers that make some family businesses great competitors, while leaving others at a disadvantage.

This article aims to tease out some of the drivers that make some major family businesses great competitors while leaving others at a disadvantage. The focus here is on four core governance dimensions: level and mode of family ownership, family

leadership, the broader involvement of multiple family members and the planned or actual participation of later generations. By a family business the study means one that is partly owned by one or more family members who together control at least 20% of the total votes outstanding. The overall pattern of the propositions suggests that FCBs do best when they take advantage of the potential for lower agency costs and elicit attitudes of stewardship among leaders and majority owners. This is most apt to occur when voting control requires significant family ownership, when there is a strong family CEO without complete voting control and accountable to independent directors, when multiple family members serve as managers, and when the family intends to keep the business for generations. Often, these conditions are found in an established family business still being run by its founder. On the other hand, when ownership or control is too concentrated or dispersed, when control is exercised without much ownership and when too many family members clash or drain resources, financial performance suffers. This study shows that such conditions may apply mostly to family businesses in their second generation or beyond.

Lee (2006) investigated the competitiveness and stability of family owned firms relative to firms owned by diverse shareholders. Founding families are present in about one-third of the S&P 500 which is the sample of this study. The study excludes banks and public utilities, whose performance is largely affected by government regulations. Excluding these firms, the sample consists of 403 firms. Out of the sample, 141 firms which are about 35% of the total sample can be identified as family owned firms. Families operate in a wide array of industries, present in about 70% of the two digit SIC codes in the S&P 500. Family owned firms are more prevalent in manufacturing, particularly lumber, wood, rubber, and plastic products and printing & publishing. Many family owned firms can also be found in retail stores, eating and drinking places and other services. Data gathered over the 1992–2002 period confirm that family owned firms tend to experience higher employment and revenue growth over time and are more profitable. Regression analysis also supports that firm performance improves when founding family members are involved in management. Although evidence on the relative stability in employment among family firms over the long run is tenuous, data from

the most recent recession support the role that founding families play in maintaining employment stability during temporary market downturns. The estimation results support that the presence of families helps foster employment, revenue, and income growth. All coefficient estimates for the family firm variable are significant at the 1% level. Families are also found to generate a higher average net profit margin over the 1992–2002 period, although the t statistic is significant only at the 10% level. For the alternative measures of firm stability, the signs for the coefficient estimates of the family firm dummy variable are all negative, indicating higher stability among family firms. Other findings of the study are, larger firms tend to be less stable and perform more poorly than smaller firms. Firm performance also tends to decline with age but improve with more investment in capital. Contrary to conventional wisdom, there is scant evidence supporting that ownership by officers and directors improves firm performance.

Winter, et al. (1998) presented an alternative methodological approach to the study of family businesses with the potential for allowing multi perspective and detailed analyses of the nature and internal dynamics of both the family and the business and the interaction between the two. In pursuit of understanding the nature of family businesses and their internal dynamics, an alternative methodological approach has been presented in the study along with some initial empirical evidence that such an approach has revealed new and different details about the family business. The multi perspectives relative to the interview schedules employed, along with this alternative methodological approach allowed a wealth of analyses and insights into what promotes success or effectiveness in family owned firms as well as an understanding of the impact of the family on the business and the business on the family and the internal operations of each.

Shanker and Astrachan (1996) in this work aimed at defining the family owned firms and exploring the contribution of family firms in gross domestic product and employment of the U.S. economy. Researchers found less quantitative research in the area of family owned firms compared to qualitative research. According to these researchers the reasons of this state are difficulties in defining the family owned firms and lack of readily available information about family owned firms. This study has defined family business from three different views. In a broader type of

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definition they have recognized those as family business in which the family have some degree of effective control over strategic direction and which is intended to remain in family. In the middle level of definition, they have added further criteria that the founder or descendent runs the company. The narrowest definition given by them says that the business should have multiple generations involvement, direct family involvement and more than one member from that family have significant managerial responsibility. The study found that it is difficult to find exact contribution of family firms to GDP but estimates 20-40% considering available factors. Using the broadest definition of family owned firms they found that family firms employ about 59% while the use of the narrowest definition reduces it to 15%.

Astrachan and Shanker (2003) explored the contribution of family owned firms in the economy of United States (U.S.). This study attempted to define the family businesses and then attempted to quantify the existing numbers of them in the U.S. economy. The researchers have created a broad range of possible definitions of family businesses from broad to inclusive to narrow. Their broad definition is very inclusive and requires that there be some family participation in the business and the family have control over the business' strategic decisions. The inclusive definition of the family business in this study require that the business owner intends to pass the business on to another member of his or her family and that the founder or descendant of the founder plays a role in running the business. A family business in the narrowest definition, may involve a grandparent/ founder as chairman, two or three siblings in top management, one sibling with ownership but no day-to-day responsibilities and younger cousins in entry level positions.

The research found that the broader definition of family business numbers 24.2 million that contributes 89% of business tax, 62% of the employment, and 64% of the GDP. The inclusive definition of family business numbers 10.8 million that contributes 39% of business tax, 58% of the employment, and 59% of the GDP while the narrow definition of family business numbers 3 million that contributes 11% of business tax, 27% of the employment, and 29% of the GDP.

Institute for Family Business (2008), in this research report, highlighted the size, scope and breadth of UK family business sector. This report also aims to spotlight issues that family firms face, as well as strategies that policy makers should consider

in order to underpin the ongoing development and growth of the sector. The study finds that family owned firms account for 65% or 3 million of the total 4.6 million private sector enterprises in the UK economy. The vast majority of family enterprises are small and medium enterprises (SMEs). 56% are sole traders with no employees. There are over 1,000 family owned firms with more than 250 employees. These alone account for 20% of the turnover of the overall family business sector. Because family enterprises are more likely to be small firms, they account for a lower share of turnover, employment and GDP than of the total number of firms in the economy, but the share is still substantial. Family enterprises produce around 38% of turnover in the private sector and are twice as important for the economy as private equity backed firms. The study estimates that they also account for around 38% of GDP in the private sector, and 31% of GDP in the overall economy. The contribution of the family business sector to the economy extends beyond its direct contribution to output; it also acts as a crucial breeding ground for entrepreneurial talent and start-ups. Furthermore, it is estimated that family businesses pay around £47bn per annum in taxes to the Exchequer, equivalent to almost 10% of the Government's total tax receipts. If taxes paid by employees of family owned firms is included, this raises the contribution to tax revenues to £73bn or 15% of the total. The business and tax environment has generally been supportive of family business. However, the study suggests that further progress could be made in the development of a more favorable tax regime through extending the scope of business property relief and the protection of business asset holdover relief. The study recommends that measures to improve the succession rate of family owned firms when it comes to passing the firm on from the current generation are also needed.

Flören (1998) reviewed four studies originally conducted by the Nijenrode Family Business Program (NFBP). It quantifies the impact of family business on the Dutch economy, leaving no doubt as to the importance of family business to general commerce and the economy. These results are put in an international context. Differences between family businesses and non-family businesses are also presented in this study.

The study estimates a GDP of 295.2 billion guilders created by family businesses, which amounts to 53.9% of the total GDP (factor costs). Considering some factors the author suggests a safe estimate of contribution by family businesses of at least 40% and at most 60% of the GDP of the Dutch economy. Regarding employment the calculations of the research show that Dutch family businesses generate 2.3 million jobs, representing 63.5% of the total employment created by the private sector, and employing 42.6% of the total Dutch employment. Considering the discussion about the exactness of these data, these results have been interpreted as that family businesses in the Netherlands create between 59%, and 68% of all private sector jobs. Furthermore, family businesses contribute between 39%, and 46% to the total Dutch employment. This adjustment has been shown using a specific method in the research.

2.5 Family Owned Firms' Management Style and Control

Ward (1997) argues that most family owned businesses simply do not grow. This paper explores the reasons for and theories behind business stagnation and proposes a set of “best practices” that can revitalize a firm and enhance its performance. This paper examines the special challenges for growing of a family owned firm and then proposes a growth model for overcoming them. It concludes with a detailed review of the management best practices that can enable family owned firms to implement the model daily while ensuring long-term growth and prosperity. It is found by the study that most well-established family firms do not grow. Several popular theories illustrate the special challenges to growth that are unique to family owned firms.

When asked why their family business does not grow, business owners rank the causes in order of importance as (1) business maturity, (2) limited capital, (3) ill-suited successors, (4) entrepreneurial inflexibility, (5) sibling conflict, and (6) disparate goals & values. According to the author the two most troubling issues are the last two, both of which are primary issues of family relationships. A set of best practices have been suggested in the end. Family owned firms that grow through the decades must address each of the following requirements in order to promote expansion and overcome the special challenges inherent in family firms. Those are (i) assure fresh strategic insights that include promoting strategic experimentation,

budgeting strategic expenses, providing serendipity capital, using independent directors on the board to challenge strategic assumptions, encouraging global experience for next-generation business leaders; (ii) attract and retain excellent non-family managers that includes emphasizing merit in personnel decisions, providing opportunities for the best managers to accumulate personal wealth, assuring career growth opportunities for the best non-family executives; (iii) create a flexible, innovative organization that includes sharing business information openly, championing change and celebrate new ideas, constantly changing some things; (iv) create and conserve capital that includes use of other people's money by managing strategy to be less capital intensive, quickly establishing a share redemption plan and dividend policy, implementing estate plans early; (v) prepare successors for leadership that includes support the successor in developing a culture of change in the business by promoting good mentoring for the successor, setting a date to transfer both responsibility & control to the next generation, and (vi) exploiting the unique strategic advantages of family ownership that includes seeking investments that reward patient capital, building strategy around relationship & concentrating on businesses in which fast decision making is a plus point to the business.

Suárez, Pérez, and Almeida (2001) show that a major challenge facing the family owned firm is the succession process. One reason for this challenge might involve the successor's ability to acquire the predecessor's key knowledge and skills adequately to maintain and improve the organizational performance of the firm. This paper uses two theoretical approaches from the strategic management field to explore this critical process and analyze how it can be managed effectively: the resource based theory of the firm and the emergent knowledge based view. This conceptual framework provides a powerful tool for understanding the nature and transfer of knowledge within the family business, which becomes the basis for developing competitive advantage over nonfamily businesses.

This paper argues that family owned firms have some distinctive assets (commitment, trust, reputation, know-how, and so on) that can bring them competitive success based on the tacitness of the knowledge embedded in these resources. From the discussion in this work, there are several recommendations for practitioners. First, family businesses should focus on what they have traditionally

done well and diversify in related areas using their knowledge of how to perform in certain markets with certain clients and by offering certain products and services. In particular, they should take advantage of their potential to transfer that knowledge between generations at managerial and operative levels. This tacit knowledge embedded in the founder is a strategic asset that a family owned firm can develop and transfer more effectively than a non-family one. The reason is that in the case of a family business, there is a special relationship between successor and predecessor that goes beyond work and includes personal and family issues. However, the appropriate successor training process requires a quality relationship between generations to create an environment that encourages knowledge transference. So, for the owner-manager that means, on the one hand, being willing to appreciate and be proud of his or her successor's achievements and possibilities and, on the other hand, having the flexibility to explore and accept new management approaches. The successor, in return, must appreciate the predecessor's accumulated knowledge and his or her contribution to the firm, not rejecting established work methods and consolidated practices without having considered their value to the firm.

Ward (1988), in this paper, has accumulated findings of three studies of strategies in family owned firms conducted by the same researcher. In the first study, 200 privately owned firms that were at least five years old and that employed at least twenty people in 1924 were selected at random from the Illinois Manufacturers Directory (The year 1924 was selected because 1919 was the earliest date of meaningful data). Interviews at the surviving firms in 1984 documented the family ownership and leadership succession patterns and the evolution of the companies' strategies.

The second study compared the strategies and results of firms that were closely held or family-controlled with the strategies and results of public firms not controlled by families. For this study, the researchers subdivided the PIMS (Strategic Planning Institute, Cambridge, Massachusetts) data base into 300 business units of privately controlled firms and 1,500 units of publicly held firms not controlled by families and studied their strategic profiles to determine the extent to which private companies selected different strategies, competed in different environments, and obtained different results.

In the third study, the researchers recruited twenty family owned firms to apply the strategic planning framework to their own businesses. Each business assessed its industry, market, and environmental threats and opportunities. Each firm also assessed its strengths and weaknesses. As a result of these assessments, the businesses selected strategic alternatives that were most appropriate to their situations. Then, they described their current strategies. In nearly every case, their current strategies were less aggressive than their self-determined strategic potential. Last, each family identified the factors that it believed to have contributed to the conservativeness of its choices. The explanations included questions bearing on estate tax and personal financial liquidity and uncertainty over the eventual success of future family leaders.

This paper begins with an argument urging strategic planning in family businesses. Then, the researcher defines this process for families and identifies the particular questions they must address. Next, the researcher illustrates how family issues often influence the choice of business strategy, and outlines a strategic planning framework integrating family and business. Several unique competitive characteristics of family companies have been suggested that can influence the choice of business strategy. It is concluded by noting the reasons that the researcher believes that explain the reluctance of family business owners to plan and the additional benefits of planning specific to family businesses. The researcher has suggested three steps to start a good strategic planning in family owned firms such as the commitment of the family, assessing the firm's business health and identification of business alternatives. The author also suggests causes of reluctance of the present owner in the family firms that hinders planning. The planning process outlined in this paper often seems threatening to business owners. Many think of planning as a straitjacket that will constrain their instinctive survival skills and limit business flexibility. The nature of the planning process also requires these independent minded business owners to share decisions and private financial statements with others in the company. These statements represent power and information that many owners would rather keep to them. Others object to planning because they think the future is too uncertain to make the effort worthwhile. Rapidly changing markets, an unpredictable economy, and the unclear career interests of

offspring are just a few of the unsettled issues that they foresee. Perhaps the greatest threat is the association of planning with change. This association seems to create nearly unresolvable dilemmas, because change requires compromises.

Livingston (2007) argues that a large stock sale by an insider can be good news for a firm if it increases the potential for meaningful monitoring. The study considers insider sales that represent voluntary releases of voting control by managers who continue to manage their firms, and ask if a manager's willingness to relinquish control is affected by the presence of other block holders. The study found that managers of family owned firms are much more defensive about maintaining their voting control, especially when there are other family members in management.

Lin and Hu (2007) investigated what kinds of family owned firms more likely to have a CEO who is a family member or a professional CEO and examines the performance of the two categories of CEOs. The study used logit model to examine the determinants of the CEO's background. Five variables such as R&D intensity, firm size, advertising spending, cash holdings, and fixed assets ratio have been used to define a firm's operating characteristics.

In this study, the researchers used family owned firms that are listed in Taiwan. The stock market of Taiwan is characterized by weak legal protection for shareholders, high ownership concentration, and a prevalence of family owned firms. The criteria for distinguishing family owned firms the study has used a criteria that consist of (a) the largest group of shareholders in a firm is a specific family, and (b) the stake of that family is no less than 10 per cent of the voting shares. The relationship between the CEO and the largest shareholder family have been tested with the information collected from company prospectuses and "Business Groups in Taiwan", published annually by the China Credit Information Services (CCIS). 232 firms that met the criteria were used as sample for the study.

The results show that firms with low requirements in managerial skills and a high potential for expropriation are more likely to choose a CEO from the controlling family and when a firm requires high managerial skills, using a professional CEO can help firm performance, especially if the family has low cash-flow and weak control. When there is large opportunity for expropriation in a family owned firm,

the firm's performance will be better if the CEO is a family member and the family has highly persuasive cash-flow.

Santarelli and Lotti (2005) analyzed the survival patterns of a group of family owned firms which have already spent at least 25 years in the market. Firms that was registered in the Chamber of commerce in Rimini in Italy during the times 1950-1965 and survived for 25 years have been studied. Single proprietorship firms have been defined as family owned firm in this study. In case of 78% of the selected firms at least one relative of the owner besides the owner himself was involved in the important management positions. Average number of employees during the study of the firms was 7.68 indicating that the firms were small in size. To this end, the study used the Kaplan–Meier product limit estimator supplemented with qualitative information gathered by direct observation and discussions with entrepreneurs. The main findings are that small family owned firms which have reached their 30th year in the market, face a very high risk of sudden exit, increasing with firm age. At the time of retirement of the owner/founder of the family owned firm there is every chance of exit of the firm itself. Further investigation carried out by means of interviews with entrepreneurs identifies problems connected with succession as one of the main causes of the decision to close down.

2.6 Family Owned Firms and Policy Issues

Craig and Moores (2009), in this paper, proposed strategies for the family owned firm sector to gain the attention of policy makers. The strategy builds through influencing social expectations, creating political issues, developing legislative actions which are subsequently implemented and regulated. To achieve this objective, this paper suggests that the family business sector must achieve salience as a community's definitive stakeholders in which capacity they possess, or are perceived to possess, attributes of power, legitimacy and urgency. A few major propositions prescribed by the authors are that for effectively influencing public policy it is important for issue champions to raise societal awareness of the family business sectors' societal and economic contribution, to effectively inform policy decision-makers as to the legitimacy of the family business sector, methodologically

sound, preferably longitudinal, data should be collected, and objectively interpreted, etc.

2.7 Succession in Family Owned Firms, the Predecessor and the Successor

Dunn (1999) presented preliminary findings from three longitudinal case studies forming part of ongoing doctoral research into the activities and dynamics of business owning families as they address the tasks and issues required during their succession processes. Specifically, the paper qualitatively explores the nature, characteristics and effects of family relationship dynamics in three family business systems undertaking the transfer of controlling ownership to the next generation (from father to son).

The purpose of this paper is to expand understanding of the emotional dynamics in a subset of business families observed in the advanced stages of recycling controlling owner type succession transitions. It is to determine what relationship factors contribute to or detract from a family business system's ability to make progress with key succession tasks. A model is presented to describe the sources of anxiety "imperatives" and their management during transition processes. Conclusions are drawn about the characteristics of emotional dynamics in business owning families and how these can, over time, hinder or help families manage these tasks.

During the interviewing process it became clear that the families neither fully understood nor appreciated the scale and scope of the challenges ahead. They also seriously underestimated the time required for a favorable succession outcome, and consequently may have started the major transitional tasks too late. It is also found that progress on key succession tasks is contingent on the following three key factors relating to family functioning: congruence of life cycles, effective individual and family strategies for managing anxiety and the functional effect of the recruitment of outsiders on the maintenance or punctuation of their client's family functioning. The responses made by the families in the case studies suggest that the quality of decisions made in succession tasks was a function of the families' reaction to anxiety, such as whether anxiety was resolved or merely shifted around to another recipient.

Harveston, Davis, and Lyden (1997) argue that research on succession planning in family businesses, especially issues linked to owner gender, has been largely neglected. The present study examines the extent to which differences are evident between male and female led family businesses in succession planning processes. This study on the role of gender in family businesses focuses on the succession planning process. Using data from a national survey of family business owners, the study explores the predictors of the comprehensiveness of succession planning. The results confirm that there are similarities and differences between males and females in the determinants of succession planning. Results suggest that the factors that most influence succession planning processes are those that depend on the gender of the involved owner/manager of the family owned firm.

Howorth and Ali (2001) explored the transferability of theoretical constructs developed in an Anglo-American culture to Portugal. This paper proposes a new conceptual framework for exploring the effects of culture on recognized theoretical constructs relating to family owned firm succession. The study adopted a structured, reiterative, qualitative methodology and provides evidence from three case studies of family owned firms in Portugal. Cultural effects on succession are examined within three Portuguese family firms, which were selected for their ability to generate theory. Much of the extant literature appears to be valid in this context. The methodology includes a description of the three cases.

Notable exceptions include difficulties in applying stages models of the succession process with more than one predecessor and successors at varying stages. Harmonious rather than contentious relationships were commonplace. Daughters were more highly educated than sons and less likely to enter the family firm. Sons joined the family owned firm with little or no outside work experience and low levels of education. These facts are highlighted as concerns regarding the ability of Portuguese family owned firms to compete in the new economy. A conceptual framework is presented as a basis for further research. All of the cases exhibited the expected high levels of interaction between family and business but, interestingly, family values tended to predominate. This was purported to be one of the reasons for the observed low levels of conflict between family and business and between generations. Particularly strong resistance to succession was recorded and attributed

to fear of losing respect, non-acceptance of mortality, and close identification with the firm.

Filser, Kraus, and Mark (2013) aimed to focus on the special variable of the psychological dimension. It attempts to summarize findings and implications as well as suggestions for where potential research gaps are. The paper offers an overview of the limited number of existing articles and their implications that address the psychological aspects of the succession process. Furthermore, the psychological issues identified that cause conflicts during succession are consolidated and categorized. The paper is based on two stage research design. A literature review is conducted on the first stage. Articles that are published in Family Business Review (FBR) between 1997 and 2011 have been reviewed. Articles that have issues related to psychological aspects have been analyzed for the purpose of the study.

The study concludes that, psychological aspects are often used together with other constructs. The authors strongly recommended handling them as an individualized, highly complex topic even if social political and other aspects are often mixed with psychological aspects and, therefore, difficult to discuss and separate. A separation of these factors will help researchers' present findings in a much clearer way. On the limitations of the study the authors admitted that a literature review based study is commonly seen as a post work 'dead body' and recommended further case based study on related field.

The authors sees the implications of the study as business should closely heed three imperative problem areas such as individual, interpersonal and organizational as well as the stage in which conflicts arise such as preparation, transfer/takeover, and continuation if they want to be successful in the succession process.

Seymour (1993) reported that an effect of the quality of the work relationship between the owner-manager and the successor has on the continuity of leadership in the family owned firm. Training of the successor and succession planning were used as measures of leadership continuity. A positive, significant association between the reported quality of the intergenerational work relationship and successor training was found. However, no positive, significant association between the quality of the work relationship and formal succession planning was established.

Levinson (1974), in this classic article, suggested that CEOs not to choose their own successors as the incumbents lack objectivity about the new talents most needed and the abilities the candidates possess. Many incumbents have clear favorites among the candidates and sometimes make promises to place them in the firm. Most of the CEOs have the desire to further extend their influence in the organization even after succession. Furthermore, the author shows that many founders select successors who are bound for failure. The author uses the terms loyal servant, watchful waiter, and false prophet to describe three types of inadequate successors chosen by a founder when he or she is given the chance to choose. The first type is a reliable helper but lacks the leadership abilities so is always in a need of a leader. The second is a star performer from outside the firm, who has to wait for a longer period of time and sometimes indefinitely, for the top position and power to be granted. The false prophet, on the other hand, is a person whose area of competence is not related to the role required and, therefore, is an unrealistic choice for successor.

Levinson (1971) found that the job of operating a family owned company is often grievously complicated by friction arising from rivalries involving father and his son, brothers, or other family members who hold positions in the business, or at least derive income from it. Unless the principals face up to their feelings of hostility, the author says the business will suffer and may even die. The author offers some advice on how relatives can learn to live with their peculiar situation. But the author concludes that the only real solution is to move toward professional management.

According to the author, the firm gives the founders meaning in three important ways. First, in some cases they do have unresolved issues with their predecessors, so they start their own business to escape from the authority of figures heading them. Second, because the new business is their brain child and it represents the "baby" to the founders, those working for that business are considered as tools for shaping the company and nothing more than that. Third, the business represents an extension of them, so that succession issues get mixed up with the founders' own personal concern about their position after succession. As a result, if the predecessor is

involved in the business and there is no new opportunity for him outside the business, the predecessor may hinder entrance of the successor in the business.

Handler (1989) presented the mutual role adjustment model in this study. The fundamental conjecture of this model is that the predecessor and successor both should have the ability to adjust to the changing nature of their role in the business. The longer the time they will take to adjust to the newer role, the delayed would be succession process. In relation to the individual factors related to the predecessors, if they have got better leadership qualities, are used to delegate the responsibility in the organization and have developed a culture of independence, they will be able to make the succession process successful.

The other factor in relation to role adjustment model presented by Handler is that if the leaders are able to disassociate themselves from the business or finds new opportunities to reflect themselves, then the succession process would be successful otherwise the predecessor will be able to move the succession to the level of monarch from the stage of sole operator and the successor will be only able to work as a helper. In this case the individual factor of health conditions of the founder will decide for the next move of the successor. If founder is not in good health, then successor will be able to take over the position of the successor.

The individual factors can influence the role adjustment model both in negative or positive lines. Along with group level factors and organizational level factors, these individual level factors play a central role in the successful succession in the family business.

Churchill and Hatten (1997) proposed a framework for studying family businesses which has succession as its anchor. The framework is built upon stages of the family enterprise which emanate from the biological reality of parent and offspring being separated by age and business experience, but wedded together by “blood” and shared family experience.

The authors have developed a life cycle approach to describe the succession process between father and son in a family firm. They distinguish four stages: (1) a stage of owner-management, (2) a stage of training and development, (3) a partnership stage between father and son, and (4) a stage of power transfer.

First stage of owner management is the stage where the owner is the only member of the family who is directly involved in the business and successor is not directly involved in the business, Second stage is known as training and development stage and it is the stage where the offspring learns from the business. In the third stage the partnership develops among the predecessor and successor. In the last stage actual power transfer takes place where responsibilities shift to the successor.

Owner management is the stage where founder is the person running the complete business and using his/her leadership capabilities tries to build the organizational culture which on the one hand is necessary to run the day to day working of the business and in the long run it is useful for the successful succession of the company leadership. During this stage the founder learns to delegate power and authority to the next generation.

In the second stage, the successor is brought into the organization and he/she starts taking part in day to day activities of the business. Successor learns and develops the ability to run the business while it is the stage for the predecessor where his/her ability to delegate power comes into play.

The third stage is the extension of the second stage where more authority rests with the successor and more strengthened relationship between the predecessor and successor develops. Through all the above three stages the ability to disassociate from the business for the predecessor comes into play however this ability is dominated in the last stage when power is being transferred to the successor. Here also the ability to look for new opportunities for predecessor's own life is really helpful to smooth the process of succession.

Steier (2001) argued that relationships and connectivity play an enhanced role in most models of new economy. This study is based on interviews of next generation entrepreneurs in 18 firms. According to the author, for many firms, strategic advantage resides in the social capital or relational wealth they are able to maintain. This important asset is accumulated over time and not easily traded or transferred. For family owned firms with long term continuity goals, the transfer or management of this largely intangible asset is the most significant activity.

Four different modes of transferring social capital emerged from the data such as unplanned, sudden succession; rushed succession; natural immersion and planned succession & deliberate transfer of social capital. The study also identifies seven means of managing social capital such as deciphering existing network structures, deciphering the transactional content of network relationships, determining criticalities, attaining legitimacy, clarifying optimal role, managing ties through delegation, and division of labor and striving for optimal network configuration and reconstituting network structure and content.

Ibrahim, Soufani, and Lam (2001) showed that the tension and conflict typically plague family firms due to the absence of proper succession plan. Such kind of conflicts can be managed effectively in various ways. The authors describe the solution to such issues in a way where family owned firms can establish clear guidelines and policies concerning family members' involvement in the business, which helps to minimize tension and conflict situations among family members.

The study describes the reluctance of the founder to let go of the business to his offspring and the succession process takes place after the death of the founder. The study employed a combination of case history and study of public documents. The researchers argue that one approach to gain a better understanding of succession is through examining the process that has led to succession to the next generation. This research examines the succession process in Quebecor, a large global family owned firm. First, a study of public documents was conducted. Second, to reduce the amount of data to a manageable form, critical decisions, actions and incidents were identified in chronological order. Third, investigation of each generational period was carried out and a case history was developed. Finally, critical actions and incidents were triangulated to establish validity.

The research suggests that Peladeau's reluctance to plan for succession may be due to his fear of retirement, death and loss of control of the business he successfully built from scratch. It is also suggested that the ascension of the younger son to the leadership role in Quebecor may be due to a number of psychological and organizational factors. First, the younger son seems to exhibit similar behavioral traits and entrepreneurial skills to those of the founder. Second, the selection of the younger son to the leadership position may point to the role that the nonfamily

professional management team might have played in the selection of the successor before and/or after the death of the founder. The study also explored on the daughter's role in the family business. It was found that the daughter's role in the firm was somewhat trivialized. Although the daughter held a number of managerial positions, she was never promoted to a senior executive position like her two male siblings. Furthermore, the research suggests that the daughter was not considered for the leadership position.

Royer, et al. (2008) argues that succession is a challenge to family businesses for a number of reasons, including the need to address the issue of intergenerational handover. This article focuses on one aspect, nepotism, of succession in family business by investigating when family members are preferred as successors. Results from 860 family businesses indicate that specific (tacit) knowledge characteristics combined with a favorable transaction atmosphere, in certain contexts, make a family member the most suitable successor. A conceptual model is presented that outlines when inside family succession is preferred.

Mazzola, Marchisio, and Astrachan (2008) addressed the issue of training next generation family members once they have joined the management team in their family firm. The qualitative analysis of strategic planning processes of 18 Italian family owned firms shows that involving next generation family members in the planning process benefits their developmental process. The findings indicate that this involvement provides the next generation with crucial tacit business knowledge and skills, facilitating interpersonal work relationships between incumbents and next generation leaders and building credibility and legitimacy for the next generation. The comparative analysis of the cases allowed the researchers to identify the five variables that seem to combine in explaining much of the observed differences in the amount and composition of benefits experienced in the 18 firms. The research findings extend current understanding of two understudied topics in family business: the post entry phase training of the next generation and strategic management in family firms.

Cadieux (2007) presumed that the last two steps in the succession process, the joint management and withdrawal phases, differ from preceding phases in that they mark the successor's official entry into the family business as future head and the gradual

retirement of the predecessor. Alone at the helm until that point, predecessors are faced with an important period of transition in their life where their role as leader is replaced by other roles that have not yet been clearly defined in the existing literature. Using a case study research strategy, this article presents a typology of predecessor's roles during and after instatement of the successor from five small and medium sized family businesses that have successfully completed their first generational transfer.

The finding of the study was remarkable. One of the key challenges facing the successors was the task of obtaining recognition as the firm's leader from different groups of actors. The predecessors, by acting as mediators between the successors and other actors in the internal and external environments, played yet another role, that of introducer. Their involvement in this respect is quite remarkable. Some predecessors actually prepared the ground with their employees before their successors joined the firm. In addition, whenever a specific responsibility was transferred, the predecessors systematically directed employees to the successor for all issues relating to that responsibility. It was clear to everyone that the predecessors were gradually handing over the reins to their successors. As far as the external environment was concerned, the five predecessors gradually introduced their successors to customers, suppliers and other players with whom they maintained special contacts as part of a process that varied in terms of its formality. During the appointment of their successors, three predecessors played role of a mobilizer through the attitudes they adopted, although each of them approached this aspect in a different way. Some encouraged their successors simply by allowing them free rein in their decisions, while others took a more hands on approach. They viewed the trust they placed in their successors as a significant and positive reinforce. From this standpoint, the predecessors were able to reassure their successors, confirm their skills, appreciate their learning, support their progress and ultimately, reinforce their self esteem.

Lastly, during the joint reign phase, the study observed that although the predecessors played several of the roles described above, the role of supervisor changed over time. As the successors developed their skills and gained in confidence, the predecessors were called upon to become collaborators. One of the

most important new roles assumed by the predecessors was that related to their new position as chairman of the board. In other words, their role here was as administrator. Although the successors were officially at the helm of the firm, all the predecessors kept a right of veto that would allow them to intervene if they felt a decision would be harmful to the firm. Lastly, even though they were less involved in strategic decisions, all five predecessors continued to receive regular copies of the financial statements and certain other reports they needed to follow cash-flow fluctuations and ask questions where necessary. Although the withdrawal phase is characterized by unilateral acceptance of new leadership, in the five sample firms it was clear that the predecessors continued to hold a special place in the hearts of everyone in the firm. This meant that they played yet another new role, that of symbol. In the eyes of the successors and other people interviewed, the firm was first and foremost the work of the predecessor. It was the predecessor who built it, who worked hard, and who overcame the difficulties that emerged in the process. The predecessors, regarded as heroes, therefore had a role to play even though they were no longer at the helm. They were viewed as the key players in the history of a firm that, in most cases, proudly continued to bear their name. Similarly, all five predecessors played two new roles that allowed them to continue to oversee the organization, the roles of safeguard and observer.

Pontet, Wrosch, and Gagne (2007) examined levels of objective and perceived control held by incumbents and successors in 100 Canadian family businesses approaching succession. Although results suggest that control remains largely with incumbents, indicators of succession readiness were more reliably correlated with the successors' levels of control. Generational differences in the association between succession indicators and actual levels of control are highlighted. Implications of these generational differences and the association between succession readiness indicators and control outcomes are discussed in the study.

This study provides some important insights on family business succession. Although illustrating that incumbent leaders continue to control their businesses even when they are approaching, or beyond, a normative age of retirement replicates previous findings, this study extends understanding by highlighting differences in the succession process by generation. In fact, the finding that an increase in the

successor's authority in the business is not strongly related to a decline in the incumbent's power suggests that the process of succession is more complex than a simple adjustment of roles and responsibilities from one generation to another.

The study finds that when successors join the business, they usually have little authority. Over time, they garner experience, and gain confidence, increasing their control incrementally. In contrast, the incumbents are typically in the position of "maximum" power and control when the successor joins the business. For these individuals, succession is a zero-sum proposition: as they are in the position of having the authority to make all decisions, a shift down from this is not perceived as an incremental change. This difference in vantage points highlights the "cost" of succession for the incumbent and given the relative freedom family business incumbents have from oversight, may help explain why it is so hard for them to cede any meaningful control, even when their designated successor is gaining in competence and legitimate authority. Finally, as the incumbent is typically the head of the business and the family, this dual role may imbue this position with greater personal and emotional value, making it particularly difficult to abandon. However, data also found that some incumbents had made more progress than others in ceding authority, suggesting that not all businesses run into these problems. The study provides an illustration of two possible paths of leadership transition. Panel A presented in the study represents incumbents who are unwilling to cede meaningful authority. In this circumstance, both generations are concurrently occupying the space of "business control," perhaps putting their relationship and the business at risk. In contrast, the progressive decline in control of the "optimal succession" incumbent (presented in Panel B) represents a situation where an incumbent is relinquishing control commensurate with the growth in the successor's abilities and authority. This represents the healthier "mutual role adjustment" (Handler, 1990) pattern that succession should theoretically involve, but seems to be often absent in the empirical data.

Haberman and Danes (2007) investigated power structures and interactions among father-daughter and father-son family business decision teams experiencing management transfer. Analytic induction was the methodology used to test the family FIRO theory. FIRO stands for Fundamental Interpersonal Relations

Orientation. The FIRO theory explains how people relate to each other in a simple, yet profound manner that is easily applied to every aspect of life and work.

Support was found for the theoretical premise of sequential and developmental relationships among the three dimensions (inclusion, control, and integration). The women in the father-son business experienced feelings of exclusion, incidents of higher conflict among family members, which produced less shared meaning and lower levels of integration among family members. On the other hand, women in the father-daughter business experienced feelings of inclusion, resulting in lower conflict that created high levels of shared meaning, collaboration and integration among family members. In management transfer consultations, if the entire family business decision team is not included in information gathering and if the decision team is not observed interacting as a group, with individuals being allowed to confidentially confirm or refute the group interaction data, biased information may be obtained. The study also suggests that for more successful adaptations in management transfers, power structures and interactions need to be reconstructed; failure to do so leads to confusion and conflict, resulting in distrust and lack of fellowship within the management decision team.

Venter, Boshoff, and Maas, (2005) empirically investigated successor related factors that can influence the succession process in small and medium sized family businesses. This study was undertaken in South Africa among 2,458 owner-managers and successors in 1,038 family businesses. These respondents were identified via a snowball sampling technique. A total of 332 usable questionnaires were returned. The dependent variable in this study, namely, the perceived success of the succession process, is measured by two underlying dimensions: satisfaction with the process and continued profitability of the business. The empirical results indicate that the successor related factors that influence satisfaction with the process are, on the one hand, the willingness of the successor to take over and the relationship between the owner-manager and successor, on the other hand. The continued profitability of the business is influenced by the willingness of the successor to take over the business, the preparation level of the successor and the relationship between the successor and owner-manager. The relationship between the owner-manager and successor is in turn influenced by the extent to which

interpersonal relationships in the family can be described as harmonious. Based on these findings, recommendations for successful succession are offered.

Lambrecht (2005) presented an explanatory model for transfer of family businesses to following generations. This research using 10 case studies shows that transfer of family businesses is a lifelong, continuous process, in which the family must address and foster the soft elements of the transfer process: entrepreneurship, freedom, values, outside experience, upbringing and education. Furthermore, a business family can develop into a family dynasty only when it embraces sound governance as a fundamental principle, that is, the individual family member belongs to the family, which belongs to the business. The study identifies a six step process of transfer of ownership in family owned firms which starts with entrepreneurship to studies, formal internal education, external experience, official start of the family firms, written plan and agreement to family business. As a major part the study examines the role of the predecessor in the succession. The study finds that transferors who are masters in the art of letting go the role in the business for the successors significantly increase the chance of a successful transfer. Successors indicated that by receiving room to move, they in turn learned to give room, which smoothens the path to a following successful transfer. However, if the successors were held tightly in the transferors' grip, they could act destructively when they suddenly gained their freedom. The wife/mother often played a leading role in transition, even when she was not active in the family business, as guardian of the family values, advisor to her husband and binding agent between the family members themselves and between the family and the business. The wife/mother could put a negative stamp on the family business. That would be the case if she only had an eye for the family's interests (she would then be acting as mother) and was blind to the business's interests. It was emphasized in a case that active cooperation of the wife/in-laws for both the business and for the family was a positive experience. Because in the family business the wife dealt with the figures, she kept her finger on the pulse of the business. Thanks to her active involvement, she could understand why her husband sometimes had to work long days. The researcher concludes that transfer of the family business to following generations is a lifelong, continuing process. Planning, whereby the financial and fiscal legal

issues are dealt with, is an intrinsic part of that process. Moreover, specialists can be hired to work out financial and fiscal-legal regulations. The other soft elements of the transfer process - entrepreneurship, freedom, values, outside experience, upbringing, and education - must be addressed and fostered by the family as part of the process. Thus, according to the study, succession is not about a process that can be tied up in a fixed time frame. It starts much earlier and never ends.

Massis, Chua, and Chrisman (2008) presented a preliminary model on the factors that prevent intra-family succession based on a review and analysis of the literature. To identify factors that might prevent succession from occurring, the study reviewed the literatures in family business, management, economics, anthropology, history, psychology, sociology and law. Literature review and analysis also identified five exhaustive but not independent categories of antecedent factors for the three direct causes: (1) individual factors, (2) relation factors, (3) context factors (4) financial factors, and (5) process factors.

Individual factors (related to profile and/or motivation of single individuals) have been classified into successor related factors and incumbent (predecessor) related factors. Successor(s) related factors are low ability of potential successor(s), dissatisfaction/lack of motivation of potential successor(s), unexpected loss of potential successor(s) (e.g., death or illness) while incumbent related factors are personal sense of attachment of the incumbent with the business, unexpected, premature loss of the incumbent (e.g., death or illness), incumbent's unforeseen remarriage, divorce, or birth of new children. Relational factors (regarding the relationships with/among family and nonfamily members involved in the family business) are (family members related factors) conflicts/rivalries/competition in parent-child relationship, conflicts/rivalries/competition among family members (e.g., sibling rivalries), perils related to high "consensus sensitiveness" of the family business, lack of trust in the potential successor(s), lack of commitment to the potential successor(s) while nonfamily members related factors are conflicts between incumbent/potential successor(s) and nonfamily members, and non-acceptance of the potential successor(s) among nonfamily members, lack of trust in the potential successor(s), lack of commitment to the potential successor(s). Financial factors (regarding inadequate internal financial resources and excessive

opportunity costs associated with raising external financing) include inability to sustain the tax burden related to succession, inability to find financial resources to liquidate the possible exit of heir(s), inadequate financial resources to absorb the costs of hiring professional managers. Context factors (associated with changes in the political-economic environment in which the family business operates) include change in the business performance, decrease in the scale of the business, loss of key customers or suppliers/decline of the relationship between the potential successor(s) and customers or suppliers. Process factors (related to the absence of good actions or the presence of bad actions that cause succession not to take place) include establishment of the preparatory activities, not clearly defining the roles of the incumbent and the potential successor(s), not communicating and sharing the decisions related to the succession process with family members and other stakeholders, development of successor(s), incorrectly evaluating the gaps between needs and potential successor's abilities, failing to train potential successor(s), late or insufficiently exposing potential successor(s) to the business, not giving the potential successor(s) sufficient feedback about the succession progress Selection of successor(s), not formalizing rational and objective criteria for selection, not defining the composition of the team in charge of the assessment of potential successor(s).

Sonfield and Lussier (2004) argued that there has been limited prior research into generational differences among family businesses. This study compared first, second, and third generation family firms. Contrary to much of the current literature, only two significant differences were found when testing 11 hypotheses. As hypothesized, first generation family businesses do less succession planning than second and third generation family firms, and there are no differences between first, second, and third generation firms with regard to the influence of the firm's founder. Also, first generation firms had the highest use of equity versus debt financing. Although not tested as a hypothesis, demographic analysis indicated fewer first generation firms using the corporation form of ownership.

Neubauer (2003) illustrated the significance of and problems involved with succession in family businesses on the basis of empirical data on Austria and Germany. The paper presents a number of ideas on the systems of the family and the

business from both interdisciplinary and dynamic perspectives and shed light on generation changes in detail. Finally, a number of recommendations are made for future dynamic/systemic research on succession. The study identified four important components of a family owned firm such as family, management, business, and property. The research views family and business as a system. Four major motives identified by the researcher responsible for business transfer from the perspective of the predecessor are (i) ensuring their employees job security (48%), (ii) securing their own retirement fund (26%), (iii) upholding family traditions (27%), and (iv) maintaining the business itself (65%). The study also lists similar factors from successor's perspective where maintaining the business and securing the job is the most important factor (58%) followed by upholding the family tradition (38%) and creating or securing a livelihood (32%).

Murray (2003), based on longitudinal case study analysis, provides a Meta view of the succession process as it unfolds during the generational transition periods in family enterprise systems. The results indicate that the transition period contains a sequence of phases, here called the transition cycle, during which time the system has an opportunity to do the work or tasks required when changing from one archetypal form of ownership and leadership to another. Each phase in the transition period has a distinct task that the system needs to address, and the whole process requires between three to eight years to complete. Three distinct types of transition "journeys" are identified based on the extent to which the system was able to make progress with and achieve the tasks required within the transition cycle. One of these journey types was most likely to lead to continuity of the family enterprise, whereas the other two journey types were more likely to lead to disintegration of the system.

Sharma and Rao (2000) replicated the study that was conducted by Chrisman, Chua, Sharma (1998) in the Canadian and Indian context. Using data from 43 Indian family firms, this study compares the successor attributes that Indian and Canadian family business owners consider most important. The data for this study was collected from 98 members of the Center for Family Business (CFB) at the S. P. Jain Institute of Management and Research in Mumbai, India. Because this is a replication study, researchers modified the Chrisman, Chua, and Sharma (1998)

questionnaire to apply to the Indian context. Over 65% of the firms in the Indian sample were involved in manufacturing, followed by the service sector (18%). In the Canadian sample, too, the highest percentage of firms was involved in manufacturing, though the percentage (23%) was much lower than in the Indian sample. This sector was closely followed by the service (20%) and wholesale (19%) sectors in the Canadian sample. A significant difference was noted in the gender of respondents. Whereas 15% of the Canadian respondents were females, all of the respondents in the Indian sample were males. This provides a first indication of the lower profile and role of women in Indian family owned firms. Despite significant differences in norms and culture prevalent in these two countries, results of this comparative study indicate that both sets of family firm owners rate integrity and commitment to the business as the two most important attributes of a successor. However, compared to Canadian family firm owners, Indian owners rate blood and family relationships higher. Canadian respondents, on the other hand, rate interpersonal skills, past performance, and experience higher.

Further major findings of the study are (i) Based on the prevailing social and cultural norms described in related literatures, the authors expected that the means for relationship between the two generations and compatibility of goals with current CEO would be higher in Indian firms than in Canadian ones. Both of these propositions were largely supported. Researchers proposed that the four related variables respect of actively involved family members, respect of noninvolved family members, trust of family members, and ability to get along with family members would be rated higher in Indian firms than in Canadian ones. This was the case with three of the four variables. (ii) Respect of noninvolved family members was the only variable rated higher and with higher mean values in the Canadian data set. It is interesting to note that whereas in the Indian data set the ranking of this attribute is lower than the attributes related to successors' relationships with the incumbent leaders, this is not the case in the Canadian context. That is, for Canadian managers, the respect of noninvolved family members is significantly more important than successors' relationship with incumbent leaders. This finding leads us to believe that Canadians give more credence to the feelings of noninvolved family members regarding successors than do Indians. (iii) Indian family owned

firms rated successors' gender, birth order, and blood relation with the owning family as being more important than their Canadian counterparts, thereby supporting all three related propositions. The means for each of these three attributes are significantly higher in the Indian data set. (iv) The study tested propositions related to education, within and outside business experience, and desirable skills. Despite suggestions that Indian family firms don't rate education highly, these data sets seem to indicate that the respondents in India rated it higher than their Canadian counterparts. Thus, the researchers' proposition that Indian family firms rate education lower than their Canadian counterparts was not supported. (v) It is suggested by some that Indian family owned firms do not look favorably on taking extensive risks, aggressiveness, and independence (Dutta, 1997). However, a similar negative perception toward these behaviors does not prevail in western culture. The study proposed that in comparison to the Canadian study, these attributes would be rated lower in Indian firms. It came as a surprise to the researchers that the data set failed to support these attributes. In both contexts, these variables were found in the middle category of ratings (i.e., 10-20). Thus, some types of risk taking and aggressive behavior seem to be acceptable in India as well, and (vi) In both data sets, successors' commitment to business was considered one of the most important attributes. Although the findings supported the proposal of the study that the variance of this attribute in Indian family owned firms would be higher than in Canadian firms, the difference was not significant. Thus, family business leaders in both countries want to ensure that their successors are committed to the business.

Stavrou (1998), in this paper, presented a conceptual model that explains the decision process through which the most suitable level of involvement for the next generation in the firm may be assessed. The decision process involves four factors: family, business, personal, and market. These factors set the context for managing intergenerational transitions in family firms. This paper describes a process that uses a conceptual framework that may be helpful to those dealing with or addressing offspring involvement in the firm and eventually succession. It provides a comprehensive method for classifying the issues that offspring might consider when deciding on their involvement in the family business. It also frames the crucial

period during which an initial decision is often reached by next generation family members. One can postulate that family considerations play a very important role in the employment intentions of family members and, therefore, the operations of the family business. Furthermore it is found in the study that business operations appear to influence the employment intentions and relationships of family members. And the various market factors also affect employment intentions of offspring. Finally, the needs, goals, and aspirations of the next generation can influence their desire to seek employment in or outside the family business.

Blumentritt, Mathews, and Marchisio (2012) argued that one of the most significant challenges to enduring family businesses is the process of passing the leadership of firm from one generation to another. This article introduces game theory as a model for examining succession as a set of rational but interdependent choices made by individuals about a firm's leadership. Its primary contribution is demonstrating the application of game theory to understanding the decisions and outcomes of succession events.

Although family businesses are also composed of other important parties, such as spouses, non-successor siblings and relatives, nonfamily managers, and a host of other stakeholders, the games described here are restricted just to CEOs and one or more potential successors. The influence of these other parties has been considered when constructing each actor's strategies, payoffs, and utility functions.

2.8 Other Issues Related to Family Owned Firms

Wang (2006) investigated the relation between founding family ownership and earnings quality using data from the Standard & Poor's 500 companies. Existing literature has documented that financial reporting is of higher quality when firms have stronger corporate governance mechanisms and when there is greater demand for quality financial reporting. This study provides two competing theories of the effect of founding family ownership on the demand and supply of earnings quality: the entrenchment effect and the alignment effect. The empirical results show that, on average, founding family ownership is associated with higher earnings quality. In particular, the study finds consistent evidence that founding family ownership is associated with lower abnormal accruals, greater earnings informativeness, and less

persistence of transitory loss components in earnings. In addition, the results suggest a nonlinear relation between family ownership and earnings quality.

Muske and Fitzgerald (2006), in this study, used Data from the 1997 and 2000 panels of the National Family Business Surveys to examine continuance in copreneurial business relationships. Three groups, copreneurs who continued as a team from 1997 to 2000, copreneurs in 1997 who discontinued by 2000, and couples who became copreneurs between 1997 and 2000, were compared on various characteristics. Findings indicate that those starting copreneurial business relationships were more likely to be older, more educated, and running larger, more successful businesses. Those who discontinued the copreneurial business relationship during the three years of the survey had lower levels of education and success, both financially and in terms of number of people employed, than the other groups.

Litz (2008) compared the family business, and its reciprocal institution, the business family, to a one sided band known as the “Möbius strip.” After explaining the rationale for this comparison, the conceptualization is enriched and then enlarged to accommodate the diverse range of firms identifying themselves as family businesses. Next, a process model is presented to explain the emergence, existence, and decline of the family business interface. The article concludes with a discussion of several research related implications arising from this comparison.

Murphy (2005) in this study extended prior research concerning the perceptions of managers regarding the most important issues facing their firms. Contrary to the evidence gathered on publicly traded companies that shows that ownership issues are deemed most important to financial managers, the most important issues facing private family firms are more short term in nature. Estate and succession planning become somewhat more important once operational and financial issues are addressed. The results found in this study are robust when firm size, age, survey respondent, and family owned firm status are analyzed. Support for commonly accepted family business statistics is found in this study.

A questionnaire was designed asking the respondents to identify the five issues they deemed most important to them, and to rank the topics from one to five with one

being the most important issue and five being the least important issue. 20 pre-identified issues are grouped under six major categories: tax/insurance issues, financial issues, operations issues, family management issues, employee issues, and government regulation. Under each of the six categories, the respondents were given the opportunity to identify any topic not pre-identified. To assess the effectiveness of the questionnaire, a pilot study was initially conducted by sending the survey to 400 private firms. The firms were randomly selected using the D&B Million Dollar Database with the delimiters of private firms and east Tennessee. The D&B Million Dollar Database gathers information on firms that have at least \$1 million in annual sales and at least 20 employees. Given the clarity of the responses received from the pilot survey and a response rate of 21%, only minor modifications to the survey were made. Specifically, the study sought descriptive data such as the number of employees, approximate annual sales, survey respondent, and organizational structure of the firm. In January 2000, the modified survey was sent to 2,300 private firms in the east Tennessee region. The firms were again identified using the D&B Million Dollar Database. However, under the delimiter "private firm," all the forms of organization are included, enabling the researchers to examine sole proprietorships, partnerships, corporations, and limited liability companies. The east Tennessee region was chosen due to the proximity of the firms to the author, and with the hope that the information gathered would assist the AmSouth Center for Closely-Held Firms at the University of Tennessee in Knoxville.

the results of this study generally support the framework established by Shanker and Astrachan (1996), Astrachan and Shanker (2003), and the widely held belief that, as a conservative estimate, family businesses include all sole proprietorships and 60% of all partnerships and private corporations. The study finds that private family firms appear to rank short term issues as a primary concern. Tax, financial, and operational issues are equally important among the survey participants with no single category dominating.

Roessl (2005) formulated hypotheses as to cooperation tendencies and capabilities in family businesses. As a first step, the circumstances under which intercompany cooperation arrangements originate are presented on the basis of an analysis of the relevant literature. Then, these circumstances are compared to cooperation related

characteristics of family businesses, thus identifying factors that hinder or encourage cooperation. This leads to the hypothesis that family businesses tend to be less willing to enter into cooperation arrangements as many characteristics of family businesses have a hindering effect on cooperation.

Gallo, Tàpies, and Cappuyns (2004) reported the results of an investigation into the “peculiar financial logic” of FBs, based on a sample of 305 Spanish firms. After looking at some of the more general differences between the Family Businesses (FBs) and Non Family Businesses (NFBs) in the sample, in terms of company age, sales, employees, capital, and internationalization, the authors compare the financial ratios of the two types of companies. Generally speaking, the FBs are found to be older and to have lower sales, fewer employees, fewer full time employees on permanent contracts, a smaller share capital, fewer shareholders, and a higher proportion of board members among the shareholders. However, when digging into the financial policies implemented in both types of companies, the differences found indicate that personal preferences concerning growth, risk, and ownership control may be the driving forces behind the “peculiar financial logic” of FBs. The authors conclude that while many FBs outshine their NFB rivals in many respects, some of them lack a genuine long-term business policy or a commitment to growth and evolution. If the aversion to risk and loss of control is due to the manager-owner’s personal apprehensions or ambitions, then that manager-owner is, willingly or unwillingly, spoiling the company’s chances of being able to compete in the future.

Getz and Petersen (2004) explored generic and industry specific barriers to inheritance among family businesses within the tourism and hospitality industry. Data from comparable surveys of owners of tourism and hospitality businesses in Denmark and Canada reveal a very low rate of inheritance and a number of industry specific barriers, including those related to location (e.g., remoteness and small town settings result in out migration by children who do not share their parents’ lifestyle goals); nature of the work (long hours, high contact with customers, and hands-on labor make the business unappealing); viability of the business (seasonality of demand, taxes, or inseparability of business and family assets result in low potential for inheritance); and the life stage of parents and children (many owners are in a second career or preretirement enterprise, and children cannot

become involved). A number of hypotheses arise from this research and a framework for examining generic and industry specific barriers is presented, with commentary on how other industries could be examined for these barriers.

Leaptrott (2005) discussed the organizational forces common to the family business from the perspective of institutional theory. Both “old” and “new” institutionalism add useful perspectives for the analysis of family businesses. “Old” institutionalism encourages the study of structural change as a result of environmental pressures. “New” institutionalism focuses on the symbolic nature of organizations. Propositions regarding elements of these theories of institutional theory in a family business context are offered. Parallels between institutional theory and family systems theory are discussed in this study.

The author concludes that Institution theory provides insights for understanding phenomenon in two institutions, the family and the business, that exist in a single organization, the family business. The use of both “old” and “new” institutional theory can help identify the heterogeneity among family businesses. Research in family functioning offers additional ways to measure that heterogeneity. This article does not suggest that institutional theory can be the sole explanation for organizational phenomena present in family business. Differences in factors such as industry membership, business locale, and permanent individual differences in family members participating in the family business can also result in family business heterogeneity. Rather, this article suggests that institutional theory is useful in identifying that portion of heterogeneity present in family businesses resulting from differences in their structure and symbolic nature. The author also comments that the family of today offers a broader function than simply protection of the family reproductive process and the business of today serves to provide more than accumulation of wealth under a system of capitalism, as the fundamental sociological definitions of family and business would indicate. The family business provides an opportunity to extend positive family relationships to the family business. The successful extension of family relationships to the family business has the potential to provide enhanced fulfillment of the higher order needs such as identity, security, and self-actualization for all family members involved in the business.

Niemelä (2004) in this research conducted a study that is based on theoretical and empirical research method exploring inter firm cooperation capability in the context of networking family owned firms by focusing on the role of power. By developing the model of inter firm cooperation capability this study seeks understanding of the concept of power on the affective and cognitive capabilities of networking family firms, and on the competitiveness of the network of family firms. The study suggests that the owner-managers need to have capabilities, such as knowledge and skills, motivation and volition (willpower) and “affection,” when using their personal and institutional power as it affects the model of inter firm cooperation capability.

Fernández and Nieto (2005) studied some aspects of the internationalization strategy of family owned SMEs. After examining the various problems facing family SMEs as regards internationalization, in terms of lack of resources, some mechanisms are discussed to counteract their negative effect. Using a wide sample of Spanish SMEs, the study confirms the existence of a negative relationship between family ownership and internationalization, measured by export activities. The study also analyzes the role of generational changeovers and stable relationships with other firms through shareholding or agreements aimed to promote international expansion. These mechanisms are set out to provide family SMEs with the necessary resources that have proved to be key factors in a successful internationalization process.

Bjuggren and Sund (2005) argues that the succession process of small to medium enterprises (SMEs) creates lifelong dilemmas for entrepreneurs. The study centers around a question ‘who would like to be reminded of his or her imminent mortality by the children’s claim on the family company’? One way to enhance the value of an enterprise is to ensure that family ownership remains, since this will preserve idiosyncratic knowledge. However, there are several important considerations of a transaction cost character that hamper the transfer of ownership of the firm. Especially, considerations of tax consequences can make it very complicated to plan a transfer of the ownership of a SME during the lifetime of the owner. Sweden serves as an interesting illustration of the implications of different tax laws on the choice of succession arrangement since it decided to abolish the gift and inheritance

tax that started January 1, 2005. This article reports on the tax induced contractual difficulties. These difficulties are compared with the relatively less complicated situation that occurs when a country such as Sweden abolishes taxes on inheritance and gifts. Case vignettes are used to illustrate the legal dimension of transfer of ownership. A number of recommendations are provided for how to enhance the family succession process of SMEs.

Jorissen, et al. (2005) analyzed the impact of not controlling for “demographic sample” differences on research results in the area of comparative family/nonfamily business research. Using different statistical methods with and without control for “demographic sample” differences, the results show that controlling for these firm demographics in a bivariate as well as a multivariate framework is very important to discover “real” differences between family and nonfamily firms. The study found “real” differences for export, budgeting, variable reward systems, profitability and gender, educational degree, and tenure of the CEO. Strategy, networking, long-term planning and control systems, perceived environmental uncertainty, growth, and management training, classified by prior empirical research as different between family and nonfamily firms, do not differ.

Heyden, Blondel, and Carlock (2005) argues that the social science and business literatures on procedural justice or fair process attest that improvements in procedural fairness can be expected to improve both a firm’s performance and the commitment and trust of the individuals involved with it. This article examines the relevance of procedural justice for family business. When a family is an influential component of a particular business system, the application of justice is typically rendered more complex than might be the case for nonfamily firms. Different criteria (need, merit, and equality) guide the application of distributive justice among families, firms, and shareholders. This divergence in criterion also lies at the heart of many conflicts inside the family business. In this article, authors argue that the application of procedural justice reduces occurrences of conflict and, in some cases, may eliminate conflict altogether. The study proposes a definition of fair process that extends and enriches the one existing in the literature. It offers five fundamental criteria essential to the effectiveness of fair process in family firms. The study concludes with a series of case studies that illustrate typical questions

faced inside family businesses. The study shows that a lack of fairness in the decision and managerial processes governing these businesses and their associated families is a source of conflict. It describes how increasing fair process practices improve the performance of these businesses while also increasing the satisfaction of those associated with them.

Lane, et al. (2006) posed with few questions as governance reform of publicly held corporations is an important topic these days, but a critical subtext has been missing from this often searing debate. A few of those questions namely, what is the significance of these governance reforms for the publicly held corporation's distant, smaller, but economically robust brethren namely, the closely held, family owned business? Should these family owned entities be held to the same governance guidelines and standards that apply to those firms making up the ranks of the Fortune 500, for example? To put it another way, does one size fit all? The study caution that many of the most popularized corporate governance practices may be detrimental to family businesses. Many of these recommendations may harm family unity or might be too complex for private firms, and many are applicable only to very large, public companies with dispersed ownership. Popular corporate governance practices are focused toward a market model of corporate governance, found prevalently in the United States and United Kingdom, which involves companies with a widely dispersed shareholder base and a majority of independent, outside board members. In contrast, the typical family owned business exhibits characteristics of the control model of corporate governance, found prevalently in continental Europe, Latin America, and Asia, which involves companies with a concentrated shareholder base and family member "insiders" active in management and the board. As a result of these differences, many of the new laws and recommendations may actually be harmful to family-owned businesses.

Craig and Moores (2006) studied innovation in family firms, filling in some gaps in existing literature. The research addresses the idea of shifting leadership, different mechanisms of facilitating communication, and the importance to the firm of technical progress, linking each to innovation. Shifting leadership is addressed through the longitudinal design. Communication mechanisms are monitored through two constructs: scope of information and timeliness of information. Technical

progress is included in an environmental uncertainty factor techno-economic uncertainty. The findings suggest that linkages between established family owned firms and innovation may be substantially stronger than currently assumed by many. The key implications from the empirical analyses of the study are as follows. First, at a basic level, established family firms appear to place substantial importance on innovation practices and strategy. This is potentially at odds with perceptions of the role of innovation in these firms. Second, there are strong observed interactions between innovative strategy and environmental uncertainty associated with technological change, and the scope and timeliness of information acquisition and use. This shows that family firms appear to manage and adjust to innovative strategy. Although such notions are more associated with high-tech firms, it appears that family owned firms exhibit similar relationships and behaviors. Third, the longitudinal analysis generally confirms the static relationships found, thus providing greater validity for the study's findings. In addition, this suggests that family owned firms not only select postures based on environment and innovative strategy, but that they adapt such postures over time. Fourth, the study finds evidence consistent with life stage influencing both the level of innovation and its relationship with information acquisition within family firms. Again, such life stage effects have been observed in high-tech firms, and it is interesting that even in established family firms, these types of differences are observed. All the findings suggest that linkages between established family firms and innovation may be substantially stronger than currently assumed by many.

Hienerth and Kessler (2006) argued that the problems associated with measuring success in small businesses are primarily caused by a lack of comparable data due to the ambiguity of "success" and by subjective biases. Success evaluation is dominated by the estimates of business owners, who tend to overestimate overall success and internal strengths. However, reliable success measurement instruments would be useful for small business owners/managers as well as small business policymakers. The main purposes of this article are to compare various measures of success, to explore the differences in their outcomes, and to analyze whether a model of success measurement using configurational fit can be used to overcome subjective biases. The study is based on a recent survey of 103 small family owned

businesses in the eastern Austrian border region. Analysis of the data confirmed the existence of the measurement problems. Although some individual indicators show significant biases as well as effects due to company age, size, and industry, the aggregated indicator based on the concept of configurational fit seems to be an appropriate means of overcoming most of these drawbacks.

Pieper and Klein (2007) developed a model of family business that accounts for the unique characteristics and diversity of family businesses and addresses the dynamics among family business subsystems. An open systems approach serves as the conceptual foundation of the model. The distinctive features of the proposed model are the multiple levels of analysis and the dynamics and interdependencies among the subsystems, allowing the integration of mainstream theories. The model can serve to discover and explore a relevant research question in the context of family business, which may help researchers advance theory building on family business. Furthermore, the model may help family business practitioners better understand the particularities of family firms.

Blumentritt, Keyt, and Astrachan (2007) argued that nonfamily CEOs (NFCs) are an important part of the managerial efforts of many family businesses though little academic work has focused on these managers, who reside in the dual worlds of business and family. This article presents a study based on interviews with 27 family members and NFCs with the objective of exploring what makes for successful NFCs. The study finds that successful NFCs engagements are characterized by the selection of an individual with both business and interpersonal competencies, and the support of both family business boards and councils.

Zellweger and Astrachan (2008) examined how owners of firms subjectively value their ownership stake in monetary terms. The study utilizes endowment and possession attachment literature to investigate how emotional benefits and costs related to organizational ownership affect emotional value. The study defines emotional value as that part of willingness to accept unexplained by the financial value of the ownership stake and the private financial benefits of control accruing to the owner. The research provides new insight into firm owners' psychology and value considerations where an owner values nonfinancial aspects of the ownership stake.

Chirico and Salvato (2008) presumed that the speed of change in competitive environments has prompted firms to develop processes directed at enabling organizational adaptation. This is captured by the concept of dynamic capabilities. The study focuses on a particular form of business organization, that is, the family owned firm. Specifically, it is argued by the authors that knowledge integration, a dynamic capability through which family members' specialized knowledge is recombined, guides the evolution of capabilities. They present a general framework illustrating factors that affect knowledge integration in family owned firms. The study concludes that only those family owned firms that are able to effectively integrate individual family members' specialized knowledge will be successful in dynamic markets by changing their capabilities over time.

Lambrecht and Lievens (2008) assumed that over the generations family businesses inevitably face greater family complexity. The increasing family complexity can have repercussions for the family and the business. To counteract these negative effects of an increase in family complexity, it has been recommended that business families utilize conventional family and corporate governance methods. Pruning the family tree is an alternative method of handling family complexity. However, this alternative way has been largely ignored in research. This article explores the research question: Why and how do business families prune the family tree, thus simplifying the ownership, governance, and/or management structures of the family business? The research findings indicate that introducing simplicity by pruning can be a worthwhile path to family harmony and business performance and that there is no contradiction between pruning the family tree and governance of the family and the business.

Giovannoni, Maraghini, and Riccaboni (2011) aimed to shed light on the distinguishing features of management accounting in family owned firms in relation to processes of professionalization and succession. The study combines insights offered by the debate on family businesses and management accounting with the empirical findings of a longitudinal case study (Monnalisa). This study aims to contribute to the understanding of management accounting practices within family firms. Particular attention is paid to the interplay between management accounting practices and patterns of organizational transition (e.g., professionalization and

succession processes) in family owned firms. To achieve this goal, the study combines the insights offered by the debate on family businesses and management accounting with the empirical findings of a longitudinal case study concerning an Italian family owned firm, Monnalisa.

By exploring the evolution of management accounting practices within the company and the processes of succession and professionalization, this article shows that management accounting can affect the transfer of knowledge across generations and between the owner family and the management team, thus representing and reproducing the priorities, values, and vision of the entrepreneur. It is observed that although patterns of professionalization both affected and were affected by management accounting change, they were also strongly intertwined with the succession preparation. In the case of Monnalisa, by providing the family and managers with a common language, management accounting practices facilitated internal communication and interaction, as well as the diffusion of a common vision of the business, thereby providing the basis to support the influence of the founder beyond his tenure.

Delmas and Gergaud (2014) has defined Business sustainability in this study as meeting current needs while providing the ability of future generations to meet their own needs. However, few firms invest in practices geared at sustainability. This article investigates into how family ties to future generations via the intention of transgenerational succession can be associated with the adoption of sustainable practices. Using data from 281 wineries in the United States collected through a survey questionnaire, the study shows that ties to future generations, measured as the intention of the winery owner to pass down the winery to their children, are associated with the adoption of sustainable certification.

Findings of the study indicate that anticipation of transgenerational intention is associated with eco-certification adoption and that this effect varies with quality and market motivations. Interestingly, family businesses without intergenerational intention were not motivated by the quality potential associated with eco-certification. It is also observed from the study that motivations varied with the level of commitment to eco-certification. Market motivations, for family businesses with intergenerational intention, were a more significant driver than quality

considerations for higher levels of certification. For other businesses, market motivations were more significant at lower levels of certification.

Zellweger, Nason, and Nordqvist (2011) investigated transgenerational entrepreneurship of families, whereas existing research on the longevity of family firms has focused on the survival of firms. By building on the transgenerational entrepreneurship research framework, the authors argue that by shifting from firm to family level of analysis, one gains a deeper understanding of family firms' ability to create value across generations. The authors find evidence for their argument in that such a level shift reveals extended entrepreneurial activity, which is missed when focusing exclusively on the firm level. The study introduces and empirically explores the construct of family entrepreneurial orientation, which may serve as an antecedent to transgenerational value creation by families.

The purpose of the present study is to offer an alternative to the intra firm succession approach to study longevity of family owned firms, which has dominated literature, and to explore how families become drivers of entrepreneurial activity and growth over time. To answer the questions of the study, the researchers crafted an electronic survey that was sent to respondents from two address data sets: the first data set stems from the Family Firm Institute, Boston, which sent the link to the survey to their members ($n = 1,600$) asking them to forward the link to their family business contacts. One reminder e-mail was sent out to increase the response rate. The second data set stems from Babson College that sent the survey to students and alumni who attended family business classes during the past 4 years ($n = 921$). Again, one reminder e-mail was used to increase response rate. In total, the study received answers from 541 respondents, all family members and owners, resulting in an aggregate response rate of 21%. The researchers then screened the responses for quality purposes and only included data sets in their analysis where respondents had provided answers to all questions. Whereby this measure increased the quality of the study data, it also significantly reduced the number of respondents to 118 data sets (5% response rate).

It is found that, studied families exhibit a significant level of entrepreneurial activity over time, in terms of rearrangements of the portfolio of activities through founding activity, mergers, and acquisitions as well as divestments. The study comments that

just as firms are ambidextrous when able to simultaneously accommodate exploration and exploitation tendencies, the study suggests that business families to be ambidextrous and ultimately value creating across generations if they are able to simultaneously accommodate paradoxical family and business orientations.

Handler (1994) reviewed the research to date on succession in the field of family business management. Five streams of research are highlighted: (1) succession as a process, (2) the role of the founder, (3) the perspective of the next generation, (4) multiple levels of analysis, and (5) characteristics of effective successions. Gaps in the literature and future research directions are also presented. As the study is a literature review in the area of family owned firms, the study concludes that much research progress has been made in the past forty years in the field of family business and the critical issue of succession, but there is still much research to be done, particularly in the areas of international family owned firms and family firms operated by different ethnic groups, the impact of family dynamics on succession processes, factors responsible for effective successions, and the role of gender on succession. The study hopes that in the next forty years many gaps will be filled and a better understanding of what produce effective successions will result. The implications are staggering. While existing statistics offer dim hope that family firms will make it into the second and third generation, research may uncover the factors significant to survival and continuity. The study assumes its goal as to help more businesses pass to the next generation with less avoidance and conflict, and more strategic planning and family involvement in the process.

Chapter 3

Conceptual Framework

3.1 Definition of Family Owned Firms and Their Scope

Family owned businesses are drawing larger attention of the researchers and these businesses are identified under a separate category. Organizational types are generally identified by industry, sector, structure (Mintzberg, 1979), strategy (Miles & Snow, 1978; Miller, 1983), etc. But family owned firm may be viewed as an alternative organizational typology that crosses all these segments (Craig & Moores, 2006). Nordqvist and Boers (2007) added that family firms should not be attempted to classify under the form of concentration or dominant ownership structure such as, sole proprietorship or partnership, state ownership or private, bank or non-bank organizations, etc.

The definition of family owned firm is ambiguous (Hienerth & Kessler, 2006) and scholars have not reached at consensus in fixing suitable criteria for defining family owned firm (Handler, 1989). Shanker and Astrachan (1996) has defined family owned firm from three different views. In a broader type of definition they have recognized those as family owned firm in which the family have some degree of effective control over strategic direction and which is intended to remain in family. In the middle level of definition, they have added further criteria that the founder or descendent runs the company. The narrowest definition given by them says that the business should have multiple generations' involvement; direct family involvement and more than one member(s) from that family have significant managerial responsibility.

Cronqvist and Nilsson (2003) and Andersson and Nyberg (2005) stated that when a descendant or other member of the family of the founder has at least 25% of the ownership and/or control of the firm, then the firm will be regarded as a family owned firm. For distinguishing family firms Lin and Hu (2007) have used a criteria that consist of (a) the largest group of shareholders in a firm is a specific family, and (b) the stake of that family is no less than 10 per cent of the voting shares. By a

family business Miller and Miller (2006) mean one that is partly owned by one or more family members who together control at least 20% of the total votes outstanding. Single proprietorship firms have been defined by Santarelli and Lotti (2005) as family firm in their study. On the other hand, Astrachan and Shanker (2003) have mentioned several criteria for defining family firms. Two vital criteria of them are (i) how much percentage of ownership the founder family has in the firm, and (ii) if the family has strategic control over the firm.

Defining a family is also not easy. Astrachan, et al. (2002) claim that a definition of family is often missing in literature. This notable absence poses problems, particularly in an international context where families and cultures differ not only across geographical boundaries, but also over time.

In this study family has been defined by including founder (or founders in case of multiple founders), their spouse(s), their descendant(s) and spouse(s) of the descendants as of a family. Where the business is founded by more than one person, in that case founders who are siblings have been considered as members of the same family. Family owned firms have been defined by taking two criteria into account. When one or both of these two criteria is (are) fulfilled by the firm under study, it has been treated as a family owned firm. The first criterion that the present research has used for identifying family owned firms is 'if the founder (or the founders of the same family, in case of multiple founders) or descendant(s) of the founder (or founders of the same family) or their spouses hold more than 50% of ownership of the business'. While the second criterion for the same is 'if the founder (or any of the founders, in case of multiple founders) or descendant(s) of the founder(s) or their spouses serve(s) as Chief Executive Officer (CEO) or Chief of the Business (COB).' Therefore, the study considers firms with the following criteria as family owned firms:

(i) If the founder (or the founders of the same family, in case of multiple founders) or descendant(s) of the founder (or founders of the same family) or their spouses hold more than 50% of ownership of the business;

And/or

(ii) If the founder (or any of the founders, in case of multiple founders) or descendant(s) of the founder(s) or their spouses serves as Chief Executive Officer (CEO) or Chief of the Business (COB).

3.2 Role of Family Owned Firms

Family owned firms comprise of a very significant proportion of business throughout the world. Family owned firms play a significant role in the economy of various countries around the world (Flören, 1998). But the contribution of family owned firms measured by different researchers varies because of the varied scope of definition taken by them. Astrachan and Shanker (2003) found in a study that the family owned firms contribute 59% of the U.S. GDP and employ 58% of the U.S. workforce.

The most conservative estimates suggest that the worldwide percentage of business that are family owned, ranges from 65% to 80% (Dreux, 1990). In a study of ownership and control, Faccio and Lang (2002) reported that about 44 percent of more than 5,000 firms in thirteen Western European countries were family-controlled in 1996. The study of Baring (1992) revealed that, in Australia above 80% of private companies and 25% of public companies are family controlled. Institute for Family Business (2008) shows that family enterprises produce around 38% of turnover in the private sector and are twice as important for the economy as private equity-backed firms in the United Kingdom. The study estimate that they also account for around 38% of GDP in the private sector and 31% of GDP in the overall economy. The contribution of the family business sector to the economy extends beyond its direct contribution to output. It also acts as a crucial breeding ground for entrepreneurial talent and start-ups. Furthermore, it is estimated that family businesses contribute equivalent to almost 10% of the Government's total tax receipts. Alam and Furukawa (2009) conducted a study on family owned cane enterprises of Bangladesh and found that about 80% enterprises are inherited to the

entrepreneurs from forefathers. They also found that 30% of the labor forces in those enterprises come from family members. Therefore, family owned firms are playing significantly important role in improving performances of economic variables around the world.

3.3 Family Owned Firms Models

According to some scholars the family owned firm is a system that is compounded by two subsystems; the family and the business (Kenyon-Rouvinez & Ward, 2005; Merker & Strom, 2007). However, Tagiuri and Davis (1992) argue that an additional subsystem should be considered to distinguish between ownership and management as it is assumed that a person does not necessarily have to assume both of the roles. Thus a better accepted three circle model of family firms have been suggested by Gersick, et al. (1997, P. 5-6) which describes a family owned firm as a system of three independent but overlapping subsystems such as business, ownership and family as displayed in figure 3.1.

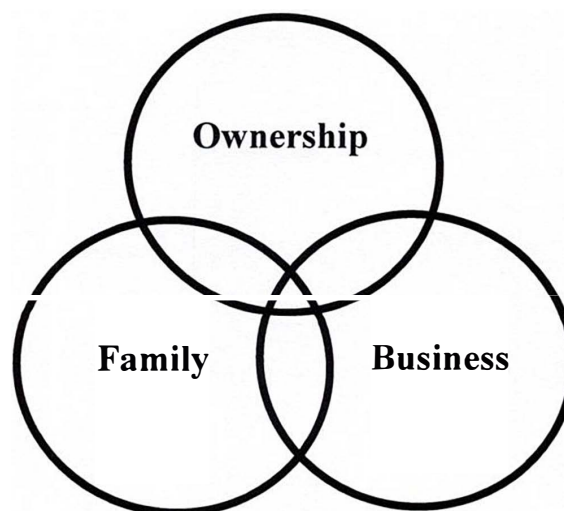


Figure 3.1: Three-circle model of family business (Gersick et al., 1997, p. 6)

Family owned firms have been viewed by Gersick et al. (1997) as a result of actions of a span of time. They suggest including a time perspective into the concept of family owned firms as systems change over time. More specifically, "*families are an endless series of entries through marriage and birth, and departures through divorce and death*" (Gersick et al., 1997, p. 16). Similar to this, managers and/or owners go in and go out of the business, bringing or resulting in changes in the

business and/or ownership circle. Changes also result into the overlapping sections when a person moves from one section to another, affects the features of the family owned firm. Based on this propositions Gersick et al. (1997) developed a three dimensional development model of family owned firms that is presented in Figure 3.2.

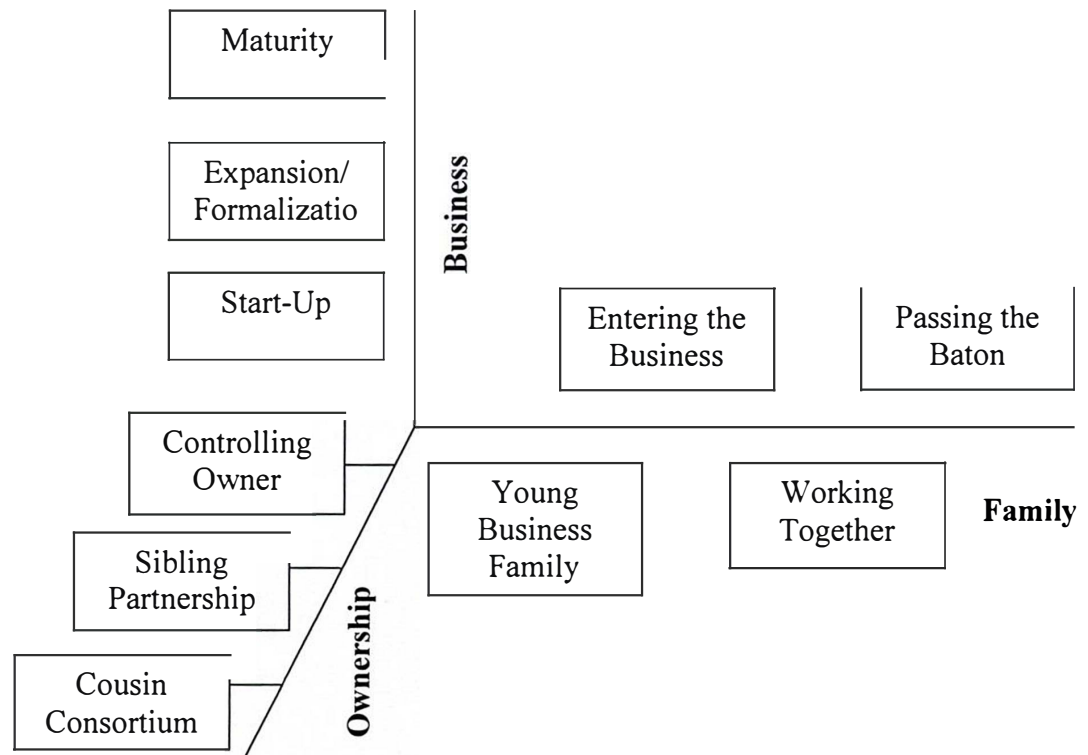


Figure 3.2: The three-dimensional development model (Gersick et al, 1997, p. 17)

3.3.1 Business Axis

Business axis consists of start-up, expansion/formalization and maturity (Figure 3.2). Start-up is the entrepreneurial stage and in this stage the company remains as a business concept. Events such as product testing, building a prototype or evaluating the first sale, etc. are seen as common phenomenon in this phase (Kiholm Smith & Smith, 2004). This involves defining and learning how to enter a market or niche (Beatty & Ulrich, 2003, p. 45). After its start-up, the firm moves on to the expansion stage, which often involves expansion in operational areas such as production, sales, and number of employees. The firm also sees more formalized organizational structures and processes in this phase (Gersick et al., 1997, p. 113). Beatty and

Ulrich (2003) has defined this phase as growth stage. When the expansion phase slows down and moves towards an end, the firm enters its maturity phase and faces declining margins. This stage has not been seen as the final destination of a company. Instead firms try to find ways and strategies to overcome possible inertia and maintain continued growth (Burns, 2005). These are the phases that a company moves from one to another. It must be noted that over time the company may move back and forth between the stages.

3.3.2 Ownership Axis

This consists of controlling owner, sibling partnership and cousin consortium (Figure 3.2). Family owned firms can be explained and distinguished from one another by looking at the dynamics of the ownership circle, while ownership refers to “*voting shares or voting power over a trust (and) voting power controls the direction of a firm*” (Ward & Dolan, 1998, p. 305). We can find different types of firms based on ownership structure. A number of firms are owned by one individual while others are owned by a combination of family members, public shareholders, trusts, and other companies (Gersick et al., 1997, p. 18). As illustrated in figure 3.2, ownership develops over types such as controlling owner, sibling partnership and cousin consortium.

These varying ownership structures are caused by the venture’s financing during start-up. At this stage, required funds of the firms may be financed by other family members and friends (Kiholm Smith & Smith, 2004) or often by banks (Gersick et al., 1998). In addition to single ownership form of management (Ward & Dolan, 1998), partnership form of ownership and management of firms are also seen in this stage. In a number of cases friends becomes partner of the original owners (Kiholm Smith & Smith, 2004). Over time, shares of the partner may be bought out and the single ownership form of business remains.

In the second stage which has been named as sibling partnership, ownership control is shared by two or more brothers and sisters where all or a few of the siblings may remain active in the business (Gersick et al., 1997, p. 39). It is also observed that in a few cases other owners such as non-family or parent generation are involved in the company, while control remains in the siblings’ hands.

Thirdly, in the cousin consortium “*ownership control is exercised by many cousins from different sibling branches; no single branch has enough voting shares to control decisions*” (Gersick et al., 1997, p. 47). This type of structure is seen as a more complex form of ownership dynamics as in this stage family members usually may differ in age and relationships and hence their preferences in the business vary. In a more complex dimension in this stage family members may not physically know each other but they have common interest in the firm as they are connected by the ownership in the company.

3.3.3 Family Axis

As displayed in figure 3.2, the family development dimension includes young business family, entering the business, working together and passing the baton. Out of the four phases the first two focus on the creation and development of the family. During these phases the members learn their dual role of being a part of a business and a family at the same time (Gersick et al., 1997). These phases also involve learning and deciding the extent to which family and business life is involved. Some incumbents might see the family firm as part of the family, while others separate the firm from the family. According to Gersick et al. (1997) this choice might affect siblings at a later stage in deciding whether or not to become involved in the business.

Next stage is working together stage where two or more generations are involved in the firm. The success in communication that leads to success in business and family harmony depends on relationships between the parents and children. Gersick et al. (1997) show that family becomes more complex as additional generations participate in the family firms as their interests vary and those interests have to be satisfied.

During the passing on the baton stage, primary concern of the management is transfer of management roles to the next generation (Merker & Strom, 2007). This stage faces a common problem in finding a suitable successor so that that predecessor or incumbent can let go the business to the next generation (Chrisman, Chua & Sharma, 1998). Bjuggren and Sund (2001) suggest that succession process

is rather complex and thus Steier (2001) suggests that for successful succession, family owned firms should have succession planning.

3.4 Succession in Family Owned Firms

Succession is arguably the most important and critical issue in the family business. A proper succession planning process provides the family owned firms with the opportunity to select the effective leaders who are able to take the business to a new level (Ibrahim et al., 1999).

A study (Ibrahim, Soufani, & Lam, 2001) shows that the tension and conflict typically plague family owned firms due to the absence of proper succession planning. Such kind of conflicts can be managed effectively in various ways. Ibrahim, Soufani, and Lam (2001) describe the solution to such issues in a way where family firms can establish clear guidelines and policies concerning family members' involvement in the business, which helps to minimize tension and conflict situations among family members. Also family councils and family meetings are other ways to communicate among the predecessor and successor(s) on the issue of succession (Suare & Santana-Martin, 2004).

3.5 Modes of Succession

Steier (2001) distinguishes among unplanned and/or sudden, rushed, natural immersion and planned succession. In case of unplanned and/or sudden succession another family member suddenly take over operational responsibilities of the business because of departure of the predecessor or incumbent caused by death and/or other un-anticipated events. Proper transfer of information and experience to next generation cannot occur in such situations. In contrast, in a situation of rushed succession critical information can be communicated to the younger generation. Thirdly, in natural immersion successors are steadily integrated in the firm and as a consequence successors can adjust to structures and relationships of network of the firm. The planned succession, which has been defined by Steier (2001) as the most ideal mode for passing on social capital, the value of social capital is recognized and current generations prepare for hand over the property to next generation.

3.6 Survival and Succession Plan

Evidence from previous studies suggests that 30% of family owned firms survive into the second generation and only 10% or 15% make it to the third generation (Aronoff, 1999; Kets de Vries 1993; Ward 1987). Conflict issue is very common in family business. Davis and Harveston (1999, 2001) identified that conflict within family members increases moderately when business moves into the second generation and increase more during move from the second to third generation.

The difficulties involved in succession of family business primarily arise from founder's passing on the reins of control and authority and then from lack of preparation for leadership among next generation family members. Thus need for succession planning becomes important (Davis, 1983; Handler, 1994; Sonfield & Lussier, 2004; Upton & Heck, 1997). Barry and Jacobs (2006) defines succession planning as a process through which companies plan for the future transfer of ownership and/or top management. According to Lambrecht (2005), family business and succession have a close relationship and planning can be the magic formula for successful succession in family business. Most of the researchers commonly believe that there is need for formal succession plans in the family owned firms and the plan should be long term (Danco, 1982; Kets de Vries, 1993; Ward & Aronoff, 1992; Ward, 1987; Williams, 1992). Sonfield and Lussier, (2004) conducted a comparative study among first, second and third generation family owned firms and observed that subsequent-generation family owned firms can realize the importance of succession plans than the first generation can recognize.

The focus of the researchers on the succession plan is derived from the fact that resistance of the predecessor could be responsible for the lack of succession planning in the family owned firms. Grote (2003) argues that, this family business failure is caused by human behavior. He also argues that the human behavior is culturally universal. Lansberg (1999) shows that many predecessors are reluctant to empower their offspring in the family business in fear of losing control over the business that ultimately makes the succession planning difficult. As a result of this nature of the predecessors, most of the family firms lack a succession plan which could be responsible for the failure of the family owned firms in many instances (Ibrahim *et al.*, 2001). Some other researchers pointed out the dynamics and cultural

issue of the family which might also be responsible for the success or failure of family owned firms (Gallo, 1995; Kets de Vries, 1993). Therefore, more issues may be responsible for the failure of the family firms other than those that have been discussed here.

3.7 Succession Models and Individual Factors

The individual factors related to predecessors have a major influence on the overall succession process. The following section looks at the influence of these individual factors on succession process as mentioned in different succession planning models.

3.7.1 Life Cycle Model

Churchill and Hatten (1997) have developed a life cycle approach (Figure 3.3) to describe the succession process between father and son in a family owned firm. They distinguish four stages: (1) a stage of owner-management, (2) a stage of training and development, (3) a partnership stage between father and son; and (4) a stage of power transfer.

The owner-management is the stage where the business is controlled singlehandedly by the owner or predecessor while successor is not directly involved in the business. Second, training and development, stage is the stage where the offspring gets opportunity to learn the business by visiting the business and taking part in the business. But successor does not get any significant responsibility yet from the predecessor. In the third stage the partnership develops among the predecessor and successor. In the last stage actual power transfer takes place where responsibilities shift to the successor.

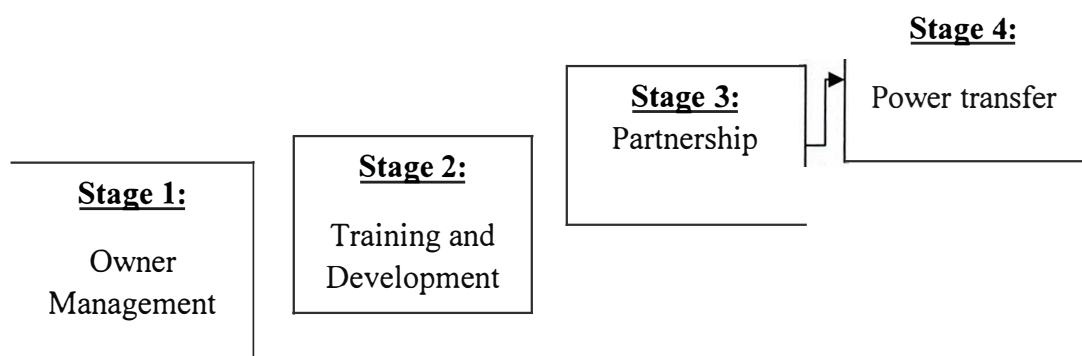


Figure 3.3: Life cycle model (Churchill & Hatten, 1997)

Through all the above stages the ability to disassociate from the business for the predecessor comes into action, however, this ability is dominated in the last stage when power is being transferred to the successor. Here also the ability to look for new opportunities for predecessor's own life is really helpful to smooth the process of succession. These individual factors are focused here due to the scope of the study, however it should be taken into consideration that these are not the only factors which ensure the successful succession of the family business but other group related factors and organizational related factors are of equal importance.

Organizational life cycle models are based on the assumption that the organization develops the managerial capabilities of the predecessor, and organization develops in such a manner that ownership and management become separated (Morris, et al., 1997). This model typically ignore issues of succession and fail to consider the distinct nuances inherent in family-owned and managed firms.

3.7.2 Mutual Role Adjustment Model

The mutual role adjustment model (Figure 3.4) was presented by Handler (1989). The fundamental conjecture of this model is that the predecessor and successor both should have the ability to adjust to the changing nature of their role in the business. The longer the time they will take to adjust to the newer role, the delayed would be succession process. In relation to the individual factors related to the predecessors, if they have got better leadership qualities, are used to delegate the responsibility in the organization and have developed a culture of independence, they will be able to make the succession process successful.

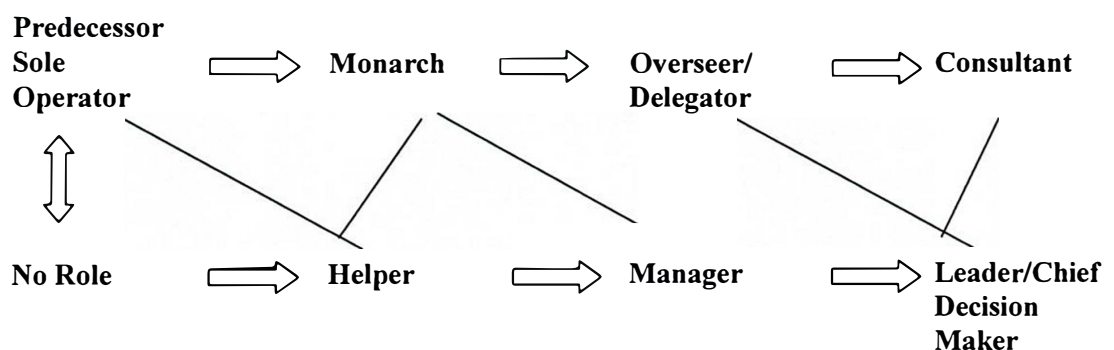


Figure 3.4: Mutual role adjustment model (Handler, 1989, p. 194)

The other factor in relation to role adjustment model presented by Handler (1989), is that if the leaders are able to disassociate themselves from the business or finds new opportunities to reflect themselves then the succession process would be successful. Otherwise the predecessor will be able to move the succession to the level of monarch from the stage of sole operator and the successor will only be able to work as a helper. In this case the individual factor of health conditions of the founder will decide for the next move of the successor. If founder is not in good health then successor will be able to take over the position of the successor.

The individual factors can influence the role adjustment model both in negative or positive lines. Along with group level factors and organizational level factors these individual level factors play a central role in the successful succession in the family business.

3.7.3 Six Stepping Stones to the Transfer of Family Business

This model was developed by Lambrecht (2005) on the basis of empirical research where different family owned firms were taken into consideration. The first stepping-stone is entrepreneurship. During this step, the transfer of professional knowledge, management values, leadership characteristics, and the soul of the family business are passed to the following generations. Lambrecht (2005) distinguished three life stages of the child that influenced the transfer of professional knowledge. In the first stage, the business is like a playground for the child. In the second stage, possible successors perform light activities in the family business and in the third stage (s)he performs work that was more serious in the family business. In this way, potential successors at a young age learn the secrets of the product and the tricks of the trade.

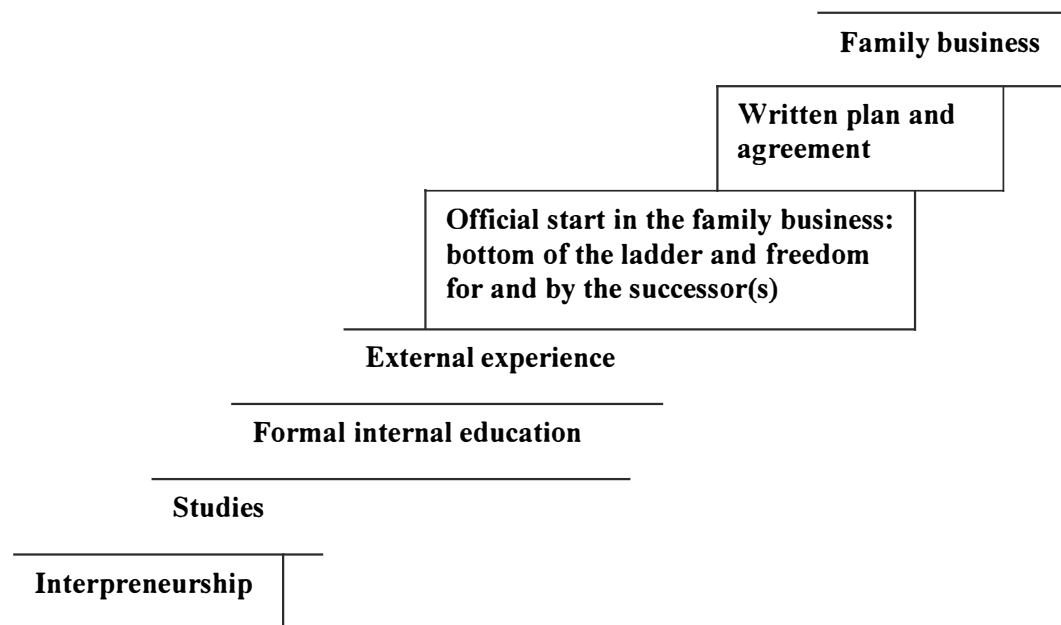


Figure 3.5: Stepping stone model for family business transfer (Lambrecht, 2005)

Second stepping stone for the successful transfer of the business consists of the studies. It is argued by Lambrecht (2005) that before taking a full time entry in the business most of the successors are encouraged to earn an advanced degree. In a number of cases, successor and the family prefer studies that may help them in the business. In other cases, potential successors are free to choose a discipline that does not fit in the business directly or indirectly.

Larger family owned firms sometimes provide formal internal education for family members at a young age (Bibko, 2003; Tiff & Jones, 1999). This formed the third steppingstone. During this stage the successors learn about the major contacts of the business and are indulged in the meeting to have the proper understanding of the business. During this stage the capabilities of potential successors are judged by the predecessor.

The fourth stepping-stone defined by Lambrecht (2005) is the acquisition of outside work experience in other companies. This provides the potential successors with knowledge and worldly wisdom. This helps them in achieving self-confidence that ultimately helps them in successfully running the business in later part of their life.

The fifth stepping-stone is the official start of the successor in the business. Lambrecht (2005) distinguishes between beginning at the bottom of the ladder and freedom for and by the successor. Before the successor gets to a management position, he/she generally passes through the various departments in the business. This helps the successors to gain necessary confidence of employees and other stakeholders, and discover the business, the sector, and the customers.

The sixth stepping-stone relates to the written planning and agreements. This helps achieving successful succession in the family owned firms. However, written plans are not an absolute guarantee for a successful transfer because it may be accompanied by poor planning and selection of successors that could prove costly for the business and the family.

3.8 Phases Involved in Succession

On the basis of above discussion, the generalized succession process can be categorized into following general steps in relation to the individual factors related to predecessor.

3.8.1 Pre-Business Involvement Phase for Successor

During this phase, the predecessors are with all the decision making powers and act as a monarch. At this stage the unconscious leadership development of the potential successors starts. The business place is like home to them. They observe the predecessors acting in the business environment as a leader and learn to act and behave as a leader for the business. This is the phase when the potential successors are completing their basic education. The role of leadership from the predecessors' point of view continues throughout the succession process. However the nature of this leadership changes with the different phases in the succession. The leadership is an over arching factor on all the other factors. So, role of leadership starts with the very first phase and continues till the last factor.

3.8.2 Development Phase for the Successor

During this second phase, the successor has completed the higher education and is provided with a responsible role and position in the family firm. Here the role of the

predecessors changes. The leadership takes the form where it has to delegate the authority so that the decision making capabilities of the successor can be developed. Successors are trained through different departments and they learn to conduct the business and get to know the culture of their own organization. Also during this phase, they are encouraged to develop the experience by working on different managerial positions either within the organization or outside the organization.

3.8.3 Transfer of Power and Authority Phase

This is the last phase of the succession process. During this phase the decision making power is delegated to the successors to a larger extent. This is the most crucial phase of the business succession, because this is the phase where predecessors have to decide about their future role for the organization. The leadership quality here changes to a role where they are able to let go the organization they once created or owned. If they are able to find new opportunities for themselves through new venture creation or simply by retirement the succession process will see success. If not, they can reflect and find a role for themselves in the organization by acting for the organization in different ways. They can become the member of board of directors or they can act an advisor for the firm.

3.9 Identification of Predecessors' Trait, Behavior and Career Related Factors from Literature

In this study the predecessor means the present incumbent or the present owner of the respective family owned firms from whom the ownership of the business is in the process of transfer to the next generation, i.e., the successor. There is an agreement found among most researchers, both presenting lifecycle models and role adjustment models, that succession is more of a process than an event (Churchill & Hatten, 1997; Handler, 1990). Succession is not simply a single step in time and space which takes place at once; it is a multistage process that exists over time, beginning before heirs even enter the business. Furthermore, the effectiveness of succession is not limited to whether a successor has been chosen; but the entire process of succession also depends on the individual nature of the predecessor and successor as well.

The role of predecessor is of utmost importance during the succession process. The predecessor is the one who is the centre of power and authority in the organization during the succession process. Hence this study of individual level factors related to the predecessor attempts to reveal the reasons for the success or failure of the succession process.

Individual level factors which affect the succession process either positively or negatively can be categorized into two different groups such as, i) Successor related factors, and ii) Predecessor related factors. As this thesis studies predecessor related factors affecting successful succession in family owned firms, the following section discusses the predecessor related factors that have been studied by previous researchers with a focus to develop a model that the present study tends to test by empirical study. The following section discusses the factors that have implications to predecessors. The major reason for this kind of consideration is that the study is focusing on predecessor related factors which lead to successful succession and hence both internal and external factors have been taken into consideration.

3.9.1 Causes of Failure in Succession and the Predecessors' Role

3.9.1.1 Predecessors' Link to Reality

The factor which may hinder the successful succession of the family business is that the business may become the founder's link to reality and the way of dealing with conflicts that he learnt during his childhood. 'In a symbolic way, he unites with the enterprise' (Zaleznik & Kets de Vries, 1985) to boost his superego by reaping the sense of authority, self esteem and power that was denied in past.

Levinson (1971), identifies three important ways the firm gives the founders meaning about reality. First, in some cases successors have some unresolved issues with their predecessors that motivate the successors to start their own business to escape from the authority of the predecessors (Collins, Moore & Unwalla, 1964). Second, because the new business is their brain child and it represents the "baby" to the founders, they consider people including successors working in the business as nothing more than tools for shaping the company as per their dream. Third, the business represents an extension of them. Thus the predecessors mix up succession

issue with their own personal concern about their position after succession. As a result, if the predecessor is involved in the business and there is no new opportunity for him outside the business, the predecessor may hinder entrance of the successor in the business.

According to Handler (1989), if the leaders are able to find new opportunities to reflect themselves, then the succession process would be successful, otherwise the predecessor will be able to move the succession to the level of monarch from the stage of sole operator and the successor will be only able to work as a helper. On the other hand, according to Churchill and Hatten (1997) the ability to look for new opportunities for predecessor's own life is really helpful to smooth the process of succession.

Therefore, the first two ways discussed by Levinson (1971) can be explained by the factor *capacity of self reflection* of the predecessor, while the third way discussed by the same can be explained by the factor predecessors' *opportunity of new life*. And the study hypothesizes that these two factors related to predecessor may affect successful succession in family owned firms in Bangladesh.

3.9.1.2 Homo-social Reproduction

Another type of failed succession occurs as a result of 'homo-social reproduction' (Hall, 1986; Kanter, 1977). The cause of this failure is that predecessor often tries to reproduce the organization's future leader in his or her own image. The predecessor also wants that the successor will follow the predecessor's original fashion in operation of the business. Different approaches have been discussed in literature for the predecessor to overcome such a problem and lead to successful succession such as 'helping' the entrepreneur to become more self-aware and/or 'encouraging' the predecessor shift himself from the current business by starting a new venture, etc. (Zaleznik & Kets de Vries, 1985). This can be explained as ability of the predecessor to disassociate him/her from the existing business. However, if the original business is to continue without him/her, a successor may be necessary, and the quality of the relationship between the leader and the successor will be a critical determinant of the succession process.

Similar arguments have been presented by Sonnenfeld (1991) who shows that leaders' who plan to stay in the business forever lead the business to problematic succession. He argues that things become more complex at later stages as time and retirement pressures are felt in the firm. Often this results into loss of their status, power and absence of future mission. In other words, predecessors find it difficult for them to disassociate from his or her original business that lead to failure in achieving successful succession in the business.

Handler (1989) shows that if the leaders are able to disassociate themselves from the business, then the succession process would be successful, otherwise the predecessor will be able to move the succession to the level of monarch from the stage of sole operator and the successor will be only able to work as a helper.

Therefore, from the above discussion it is evident that the ability of the predecessor to disassociate him/her from the existing business may affect successful succession in family owned firms. Therefore, the study hypothesizes that the predecessor's *ability to disassociate from the business* affects successful succession in family owned firms in Bangladesh.

3.9.1.3 Authority, Trust and Desire for Applause

According to Kets de Vries' (1985), founders of family owned firms commonly have desire to dominantly control their firms. They require submission from the other people working in the organization and they develop suspicion about 'authority'. They usually bear a strong distrust for the world around them. From this behavior the founders who are entrepreneurs in turn form a structure of a spider web where all the authority lies with them. Thus, through the business, they seek to confirm their 'paranoia (Kets de Vries & Miller, 1984) by protecting their little world, the business, from the outside forces. Kets de Vries (1985) also finds connection of the said desire of the predecessor for authority and trust with their strong 'desire for applause' that in part explains the inability of the predecessor to consider succession in dynamic terms. Similarly Lansberg (1999) shows that many predecessors are reluctant to empower their offspring in the family business in fear of losing control over the business that ultimately makes the succession planning difficult.

A few more studies link the failure of the succession with the desire of the predecessors or incumbents for authority. Sonnenfeld (1991) presents various types of retirement styles of founders where two results into failed succession. According to him 'Monarchs' do not leave until they are forced out or die. 'Generals' also leave office only when forced out, but they plan a return to power often to rescue the company from an inadequate successor. 'Ambassadors' plan a succession and they leave the firm willingly and act as advisors to the firm. 'Governors' rules for a term and then they move on to pursue other ventures. The first two of these four results into problematic succession, while the remaining two helps in successful succession in family owned firms.

Furthermore, many founders select successors who are bound for failure (Levinson, 1974). He uses the terms loyal servant, watchful waiter, and false prophet to describe three types of inadequate successors chosen by a predecessor or incumbent. The first type is a reliable helper but lacks the leadership abilities. As a result he remains as a loyal servant and always seeks help of a leader. The second is a star performer from outside the firm. But he has to wait for a longer period of time and sometimes indefinitely, for the top position and power in the firm. The false prophet which has been identifies by failure (Levinson, 1974) as the third type of inadequate successor chosen, is a person whose area of competence is not related to the role required and, therefore, is an unrealistic choice as a successor for the firm.

Cadieux (2007) shows that until the point of reaching the last two steps in the succession process, the joint management and withdrawal phases, predecessors are faced with an important period of transition in their life where their role as leader is replaced by other roles. Therefore, an essential part of succession is delegating roles of the predecessors to successors. Without delegation of power and authority it is not possible. On the other hand Lambrecht (2005) shows that predecessors' ability of letting go the role that is played by him or her in the business to the successors significantly increases the chance of a successful transfer.

From the above discussion, it is evident that ability of the predecessor to delegate power and authority is an important factor for achieving successful succession in family owned firms. Therefore, the study hypothesizes that predecessors' *ability to delegate power and authority* affects successful succession in family owned firms in Bangladesh.

3.9.2 Leadership and Predecessor

Predecessor's behavior as a leader in terms of succession is a complex issue as it is not only multifaceted, but also dependent upon the overall system in which leaders operate. A good way to study the underlying dynamics of leader behavior is by focusing on leader personality (Church, Waclawski, & Burke, 1996). Further, in succession planning, the personality characteristics of predecessor are of critical importance. For understanding individual characteristics necessary for the successful succession, the Jung (1981) theory of psychological types has been used. Jung (1981) attributed personality differences to two processes, namely the way a person typically perceives various situations and the way one employ his or her energy. The first process consists of four functions known as thinking, feeling, sensing and intuition. The second process consists of characteristics, namely extraversion and introversion.

Thinking helps to assess information through logic. Feeling is the function that is influenced by one's personal and group values in analyzing information for decision making (Campbell, 1971). Sensing is the function through which one collects and analyzes information by using primarily one's five senses. Lastly, intuition is a process that provides for perception beyond the capacity of the five senses (Myers & McCaulley, 1990).

Extraversion, which is part of second process of personality differences attribution of Jung (1981), is an outward turning of psychic energy. Extrovert leaders welcome appreciations and approvals of their works or actions from outside world. Introverted leaders, in contrast, look towards their inner world, rely on enduring concepts, and prefer to maintain privacy (Myers & McCaulley, 1990).

For a better understanding of Jung's (1981) theory of personality, it is helpful to combine two other functions such as perception and judgment that have been defined by Myers and McCaulley (1990). Perception helps strengthening an attitude of exploration and analysis, while judgment stimulates ability of organizing and reaching conclusions. The dynamics of the theory come from the combination of these sets of functions. According to Myers & McCaulley (1990) leaders' specific behavior is determined by the dominant function in each set of the individuals. The other functions are of equal importance but are dominated by that particular function.

Successful leaders have been categorized on the basis of the above functions. McCaulley (1994) shows that extraversion and introversion is of almost equal importance among leaders even though extraversion seems to slightly predominate over introversion. It is also argued by the same researcher that leaders have consistently a judging rather than a perceiving orientation. Porter, Peacock, and Rabinowitz (1994) argues that in leadership positions thinking types are in majority over feeling types, while McCaulley (1994) shows that even though a significant number of top managers rely on their intuitions, the majority are sensing types.

The effectiveness of leadership in a business is crucial, especially during the succession process. In relation to the individual factors related to the predecessors, if they have got better leadership qualities, they will be able to make the succession process successful (Handler, 1989). Predecessor must judge the successor on the basis of appropriate values, skills and motivations. Predecessors with strong leadership ability help the successors in developing the effectiveness of the later for the business. In this case the role of the predecessor is more of a mentor (Bowes, 1991). To increase effectiveness of the succession process a predecessor with strong leadership ability ensures open communication between him and the successor about the current operations and future state of the business (Lansberg, 1999). Houde (1995) and Kram (1985) shows that the predecessor plays a vital role in introducing the successor in the firm. One step ahead Cadieux (2007) reveals that the predecessors, by acting as mediators between the successors and other actors in the internal and external environments, play yet another role, that of introducer. The study of Cadieux (2007) finds that the predecessors' involvement in this respect is

quite remarkable. According to this study predecessors create grounds with employees so that the joining of the successors becomes easy. During transfer of specific responsibilities to successors, the predecessors systematically direct employees to the successor for all issues relating to that responsibility. That help to become evident to others that the predecessors are gradually handing over the reins to their successors. As far as the external environment is concerned, it is also found that, predecessors gradually introduces their successors to customers, suppliers, and other players with whom they maintain special contacts as part of a process that varies in terms of its formality.

Furthermore, succession can be more effective when the two generations have respect and understanding for each other. According to Seymour (1993), high trust and mutual support characterize a high quality work relationship between owner-manager and successor. Such a relationship is based on open communication and the willingness to acknowledge each other's achievements (Seymour, 1993). According to Lambrecht (2005) for a predecessor, leadership means the ability to let go. Transferors, who are masters in the art of letting go, significantly increase the chance of a successful transfer.

Therefore, from the above discussion it is evident that leadership leads to success or failure in succession process and as succession planning is a part of succession process, the study hypothesizes that *leadership* is a predecessor related factor that affects successful succession in family owned firms in Bangladesh.

3.10 External Factors that may Influence the Predecessors in the Succession Process

In the previous sections the study has identified trait and behavior related factors of the predecessor that may be important during succession process and thus those factors have been considered for examining in this study. While a number of studies also reveal the fact that the predecessors are influenced by external factors and that guide them towards a particular type of behavior in the succession process. Cadieux (2007) shows that predecessors create grounds with employees so that the joining of the successors becomes easy. As far as the external environment was concerned, it

was also found that, predecessors gradually introduce their successors to customers, suppliers, and other players with whom they maintained special contacts as part of a process that varies in terms of its formality. This shows that the predecessor is concerned about the acceptance of the successor to a few groups of stakeholders.

In other studies researchers have identified a number of external factors that influence the behavior of the predecessor during succession. Lambrecht (2005) shows that the wife has influence on the predecessor and that affects success or failure of succession. Massis, Chua, and Chrisman (2008) show that along with other factors predecessor related factor such as personal sense of attachment of the predecessor with the business, even his/her unforeseen remarriage, divorce, or birth of new children affect success or failure of succession of a family owned firm. Researchers also find that relational factors regarding the relationships with/among family and nonfamily members involved in the family business also affect succession of the business. According to this study major relational factors include conflicts/ rivalries/ competition in parent-child relationship, conflicts/ rivalries/ competition among family members (e.g., sibling rivalries), perils related to high “consensus sensitiveness” of the family business, lack of trust in the potential successor(s), lack of commitment to the potential successor(s), conflicts between incumbent/potential successor(s) and nonfamily members, and non-acceptance of the potential successor(s) among nonfamily members, lack of trust in the potential successor(s), lack of commitment to the potential successor(s). Sharma and Rao (2000) show that compared to Canadian family firm owners, Indian owners rate family relationships higher. In other words Indian predecessors are concerned about the likes and dislikes of the family members. Researchers propose that the four related variables such as respect of actively involved family members, respect of noninvolved family members, trust of family members, and ability to get along with family members are highly important factors that influence the predecessors.

Therefore, previous studies show that the predecessor is influenced by a varying number of external factors during succession process. These factors may control the

behavior of the predecessor in the succession of the family owned firms in Bangladesh. As these are external factors, it is also important to consider a survey so that the study could explore external factors that might influence the predecessor during succession process.

3.11 Theoretical Framework

On the basis of the frame of reference, discussed above, a preliminary model (Figure 3.6) has been developed to examine predecessor related factors that affect successful succession in family owned firms in Bangladesh. This model has been tested by the empirical data collected from family owned firms in Bangladesh as furnished in following chapters.

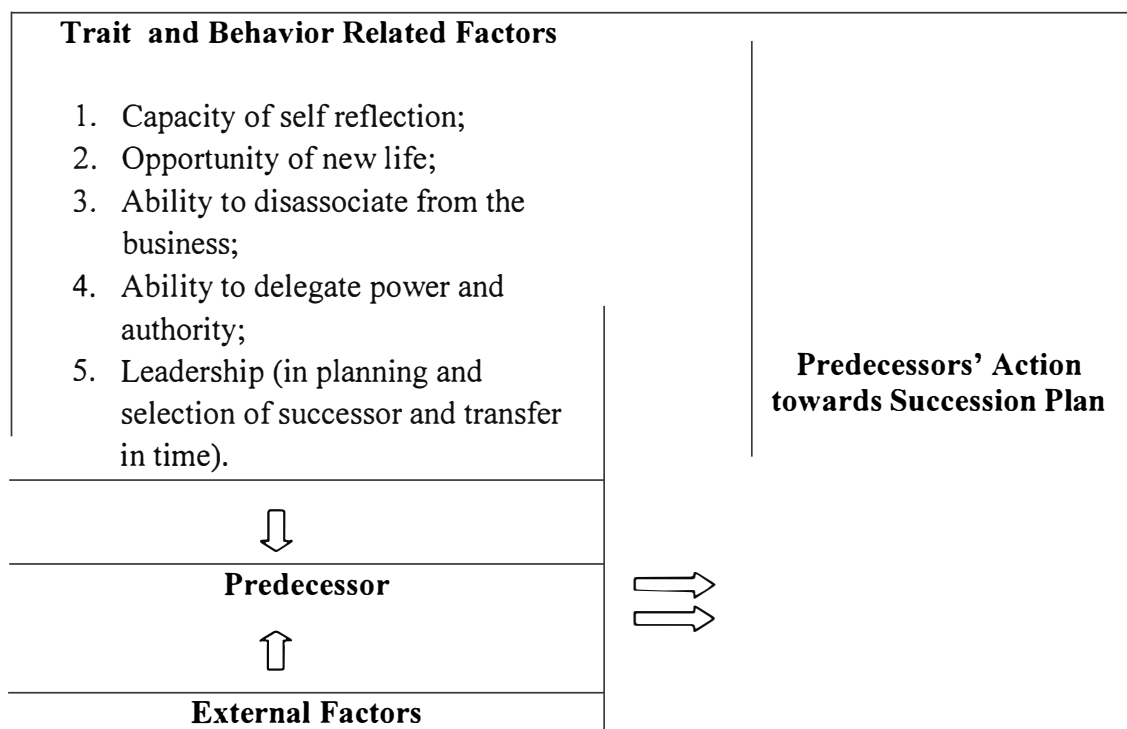


Figure 3.6: Preliminary model of the study

Chapter 4

Methodology

4.1 Method of Research: Quantitative and Qualitative

Two types of research methods are widely used in the research of business, quantitative and qualitative research method. These two types of methods are used based on nature of research as these two methods of research are different in features, techniques used and way of looking at outputs generated by them. Quantitative research results into standardized data while qualitative research generates non-standardized data (Saunders, Lewis, & Thornhill, 2007). Again, while quantitative research produces thin abstraction or description, thick or thorough abstraction or description results from qualitative research (Ponterotto, 2006). Qualitative research seeks to discover and describe the complex nature of human experience. In addition to this, qualitative data that are collected ideally are exhaustive and rich and at the same time are analyzed and understood holistically (Walker, Cooke, & McAllister, 2008).

Researchers in the area of family business largely use qualitative method (Shanker & Astrachan, 1996). They argue that qualitative approaches can be used as tool to have deeper understanding of the problem in family business because the human dynamics involved in family business could be adequately studied only with qualitative methodologies (Haberman & Danes, 2007). Therefore, qualitative method of research is the most appropriate method for this study.

Again, a number of studies in the area of family owned firms have used quantitative method when the researchers felt that appropriate based on nature of the study. It is observed from the literature review that researchers in the area of family business have used quantitative method to study those issues which are not related to individual trait and/or related to general matters of the family owned firms to receive a broader picture to generalize the theory in family businesses (Astrachan & Shanker, 2003; Flören, 1998; Institute for Family Business, 2008; Lin & Hu, 2007).

The study aims at exploring the trait, behavior and career related factors of the predecessor as well as external factors that come from within the family or the family owned firm to influence the behavior of the predecessor. The present research has used qualitative method to study the trait, behavior and career related factors of the predecessor that affect succession plan. The study also uses quantitative method to explore the external factors that may have strong influence on the predecessor that affect their succession planning related behavior. As the external factors are not related to trait, behavior and career of the predecessors, a sufficiently large number of data is required understand their relation with the predecessors' studied behavior on succession planning. According to Saunders, Lewis, and Thornhill (2007) survey methods suit better to answer 'what?' questions. The first and third research questions of the study such as '*In what extent succession plans exist in family owned firms in Bangladesh?*' and '*Which are the external factors that affect predecessors in preparing succession plan in the family owned firms in Bangladesh?*' respectively are 'what?' type questions. Therefore, case studies are not suitable for this part of the research and hence quantitative method (survey) has been applied. It is found from review of literature that there is no study on Family owned firms and existence of succession planning in Bangladesh, the present study has conducted a survey to explore the condition of succession plan in family owned firms of the studied region of Bangladesh. This part of the research is also quantitative in nature. On the other hand the second research question is 'how?' type. A qualitative research method has been used for answering this question. The specific qualitative research approach that has been used for this part of the study and justification for use of the research approach have been discussed in related following section in this chapter. Therefore, the research has used a mix of both quantitative and qualitative method for data collection and analysis.

4.2 Strategy Used for Quantitative Research

4.2.1 Location of Survey

A quantitative study has been conducted on the family owned firms located in eight districts under Rajshahi Division. Districts covered in this research are (i) Rajshahi

(ii) Chapai Nawabgonj (iii) Naogaon (iv) Natore (v) Bogra (vi) Jaipurhat (vii) Pabna, and (viii) Sirajgonj. Family owned firms from these districts have been selected using convenient sampling.

During selection of sample, the study considers factors such as control of the family in the business in terms of ownership and generation(s) involved. The present research covers small, medium and large family owned firms in different industries. Industrial policy 1999 of the Government of the Peoples Republic of Bangladesh (GOB) defines small firms as enterprises employing fewer than 50 workers and/or with a fixed capital investment of less than BDT 100 million while, medium sized firms as enterprises employing between 50 to 99 workers and/or with a fixed capital investment of between BDT 100 million and BDT 300 million. Firms that employs 100 workers or more and/or have fixed investment of capital of more than BDT 300 million belong to large firms (GOB, 1999). This study uses the criteria set by the Industrial Policy 1999 for classifying the family owned firms into small, medium or large.

4.2.2 Sampling Method and Sample Size

As there is no previously constructed database of family owned firms in Bangladesh, the study had no specific idea about the population. The study collected the name of the firms in each district enlisted in the Chamber of Commerce of that district. Lists of firms, which are working in the BSCIC area, have also been collected from BSCIC offices. Afterwards the survey team went outside BSCIC and prepared a sample frame of family owned firms of the respective districts. In the first phase of the survey, the study surveyed each of the enlisted firms to identify the family businesses. During identifying family businesses, special care has been given so that the criteria of family business considered in the present study are fulfilled.

From the first phase of the survey the study identifies 1489 family owned firms out of which 865 firms fulfill criteria for the study and the family business definition of the study. The study approached with the questionnaire for data collection while 743 firms responded and 122 declined to participate in the interview. 514 family owned firms out of total 743 are in first generation while the rest 229 family businesses are

identified as second generation or subsequent generations. The study has approached with the interview questionnaire to those 229 second or subsequent generation family owned firms with direct interviewing method. Here, it should be noted that 'generation' means the generation of business, not the generation of family.

4.2.3 Method of Data Collection

A formal questionnaire has been used for conducting the survey. The questionnaire was tested through pilot survey conducted on 15 family owned firms located in Rajshahi metropolitan city. Expert opinion has also been invited after preparing the questionnaire. On the basis of pilot survey and experts' opinion several modifications and corrections have been made. A Bangla version of the original questionnaire was prepared for the convenience and better understanding of the respondents.

After finalizing the questionnaire, 16 interviewers, all with bachelor degree, were selected for data collection. They were trained well. Two interviewers for each district were assigned for collecting data. Close monitoring of the interviewers were maintained during the survey.

4.2.4 Analysis of Data

After data were collected emphasis was given in editing and recording the collected data for analysis. SPSS-20 package has been used for data entry and analysis. Descriptive statistics such as frequency distribution, cross tabulation, mean, standard deviation, percentage, etc.; graphical presentations; and factor analysis have been used to analyze the data with an aim to answer the research questions.

4.3 Strategy Used for Qualitative Research

4.3.1 Study for Qualitative Research

Case study method has been used for qualitative research of the study. Case study is considered as the best strategy of research when 'how?' and 'why?' questions are asked about the set of events (Chetty, 1996). Saunders, Lewis, and Thornhill (2007)

argue that ‘the case study strategy also has considerable ability to generate answers to the question ‘why?’ as well as the ‘what?’ and ‘how?’ questions, although ‘what?’ questions tend to be more the concern of the survey strategy. For this reason the case study strategy is most often used in explanatory and exploratory research’ (P.139). The second research question, *How do the predecessors’ trait, behavior and career related factors affect succession planning in family owned firms of Bangladesh*, deals with ‘how?’ questions and, therefore, case study is the most suitable strategy for finding the answer of this question of the present study.

Yin (2003_a) differentiates between ‘single case’ study and ‘multiple case’ study. A single case study is that where only one case is studied while, in a multiple case study more than one case are used for the study. Yin (2003_a) argues that multiple case study is preferable over single case study. The justification for using the multiple case studies is to check whether the findings in the first case replicate in the second or subsequent cases (Saunders, Lewis, & Thornhill, 2007). The present study applies multiple case studies where six cases have been selected, three from Rajshahi district and remaining three from Naogaon district. The outcomes of the six cases have been compared to test whether the findings from the one replicate in the others or not.

4.3.2 Case Design and Selection of Cases

One of the areas where the qualitative research differs from quantitative research is the process of sampling. Marshall (1996) argues that the most commonly used sampling method in quantitative research is random sampling or probability sampling. The purpose of quantitative sampling is to draw a representative sample for the population. Though the optimum sample size depends on the parameter of the phenomenon under the study, however in case of quantitative sampling it is better to have a larger sample size because it increases the chance that the sample will represent the population. While in case of qualitative research random sampling is not appropriate because ‘random sample provides the best opportunity to generalize the results to the population but is not the most effective way of developing an understanding of complex issues relating to human

behavior'(Marshall, 1996, P. 523). Polkinghorne (2005) argues that the experience of people is the area of study that qualitative methods aim to deal with. Qualitative inquiries focus on describing, understanding and clarifying human experience. For this unique nature of qualitative research the cases are not selected with an objective of fulfilling the representativeness of the population but with an objective of collecting a series of intense and full description of experience of the participant on the phenomenon studied.

Though in a study Neergaard (2007) reveals that qualitative researchers use convenience sampling in more instances compared to purposeful or judgmental sampling, it is suggested to use purposeful sampling because the qualitative researchers' concern is not how much data have been collected from how many sources but how rich description have been collected about the experience (Polkinghorne, 2005). Patton (1990) suggests selection of 'information rich' cases for conducting in depth study of a particular phenomenon and defines 'information rich' cases as those 'from which one can learn a great deal about issues of central importance to the purpose of the research' (p. 169). Purposeful sampling can serve the objective of collecting adequate reflection of the experience of the phenomenon. Yin (2003_b) suggests selecting cases that ensure exemplary outcomes. Exemplary cases are those which 'reflect strong, positive examples of the phenomenon of interest' (Yin, 2003_b, P. 13).

Therefore, for the purpose of ensuring exemplary case design the current study had to conduct preliminary assessment of suitability from available cases which granted access to the research. The six cases that have been used in this study, four from Rajshahi district and the other two from Naogaon district, have been selected in such way that they ensure exemplary outcomes. Those family owned firms have been selected where the predecessors have a significantly long experience of handling the business. To ensure that, those businesses have been selected which have passed at least 20 years under the leadership of the predecessor. Another criterion that has been used to select family owned firms is that the age of the predecessor which is around 50 years. The study used those family owned firms where the elder offspring of the incumbent is aged above 20 years. Cases with these

criteria have been used as the study presumed that a family owned firm with these set of features may have available environment to study the factors to achieve the objectives of the research.

4.3.3 Method of Data Collection

Qualitative data may take the form of either interviews, observations and/or documents (Patton, 2002; Polkinghorne, 2005). While, Chetty (1996) argues that in case study approach data can be collected by using a variety of methods and added that 'these include documentation, archival records, interviews, direct observation, participant-observation and physical artifacts' (P. 74). Though there are a wide variety of sources of data collection for qualitative case study research, interviews are considered as the main source in this format of research (Yin, 1994). Therefore, in the present study interviewing has been used as primary means of data collection. Semi structured questionnaire was prepared with an objective to use them as a guideline to conduct the interview session. Because the fact that the interviewees are the predecessors and it was difficult to manage more than one session of interview with them, the study requested a comprehensively long session of interview from them. Five out of six interviews have been audio taped with permission of the predecessors of the respective firms. In one case permission to audio tape of the interview session was not granted by the interviewee and hence the interview was transliterated on the spot. In all cases interviews have been conducted in the business or factory premises of the respective cases.

4.3.4 Analysis of Data

Walker *et al.* (2008) focuses on the importance of extra care during qualitative data analysis because of the non-standardized nature of data collection in qualitative studies. Qualitative research lacks rules regarding the volume or kind of data to be collected and the specific mathematical formula to tell the researchers and readers about the message generated from the data. As a solution to this problem Walker *et al.* (2008) suggest the model presented in Table 4.1.

Table 4.1: Model of qualitative analysis

Level	Step	Processes
1. Description	1	Read and reread the transcripts of each interview while referring to field notes taken during that interview. Identify relevant discourse from each participant's transcribed interview.
	2	Summarize identified relevant discourse from each transcript to produce the core information of each interview. Present summary to participants at a second interview to confirm that the essence of their experience has been captured.
2. Analysis between participants to generate themes	3	Generate common themes via microanalysis 1. Broad extraction of core information. 2. From broad extraction, generation of themes. 3. Summary of themes generated.
	4	Points of tension identified from common themes.
3. Findings- Critical and cultural analysis	5	Label standard and divergent meanings.
	6	Explore the explicit and implicit meaning looking for connection to broader cultural, historical and political influences.

The first and second descriptive step involves eliciting the core information from the participants' interviews. Useless contents such as interviewer's questions and comments are deleted. This process is continued unless the core information from the participants' interviews is created (Walker *et al.*, 2008). Step 3 is used for extracting themes from the interviews of each participant and summarizing the themes extracted. Step 4 involves meaning making from the abstract generated from the tasks performed through step 1 to 3 and according to Walker *et al.* (2008) this step produces the greatest challenge for the researchers. In step 5 the standardized and non-standardized meaning of themes are identified and labeled. In addition to this, the study attempts to understand the meaning of the issues such as gaps or silence of the participants. That is the experience of the interviewees is considered for analysis in this step of analysis. Therefore, in this step observation is used to analyze the phenomenon. In the final step of level 3 the cultural, historical and political dynamics are considered to have a better understanding on the responses of the participants.

Therefore, the model covers analysis of data collected from both interviews and observations. The first four steps cover analysis of data collected from interviews while step 5 provides guidelines for analysis of data collected from observation of the researchers. Since in the 6th and final step, the explicit and implicit meaning looking for connection to broader cultural, historical, and political influences are analyzed, this step has been used in cases where these factors are applicable.

Chapter 5

Analysis of Qualitative Data

In this chapter case study on six family owned firms located in Rajshahi and Naogaon district has been presented. Name of the firms that have been studied are Sopura silk mills ltd., Soron garments, Gorgeous tailors, Basundhara enterprise, Mirjan auto rice mill, and Rahman traders.

5.1 Case 1: Sopura Silk Mills Ltd.

5.1.1 General Information

Sopura silk mills ltd., a leading firm in manufacturing and marketing of silk products in Bangladesh, was established in the year 1978 as a sole proprietorship firm. The firm was converted into private limited company in the year 1991. All shares of the firm belong to single family of the founder who is presently working as the managing director of the firm. Factory head office and showroom is located at B-74 BSCIC Industrial Estate, Sopura, Rajshahi, Bangladesh. On the date of interview the factory was operating 10 looms, though once the number of looms was 100. Number of looms has been reduced as the business has changed its strategy from production by its own to outsourcing from other manufacturers and marketing them to local and international markets. At present number of workers in the own factory and showroom is 300. The firm has its showroom in 3 cities in the country- 2 in Rajshahi (1 at BSCIC industrial estate with the factory complex and the other at Sonadeeghi more), 4 in Dhaka (1 each at Dhanmondi and Santinagar, and 2 at Gulshan), and 1 in Chittagong (CDA avenue GEC more).

Table 5.1-a: Basic information about Case 1

1. Name of the firm	Sopura silk mills ltd.
2. Year of establishment	1978
3. Number of business line(s)	1 (manufacturing and marketing silk products)
4. Number of branches	1 (factory cum showroom)
3. Generation(s) involved	First and Second
4. Offspring of the predecessor	2 sons and 1 daughter
5. Education of the predecessor	Matriculation
6. Education of the successors	Elder son: MBA Younger son: BSc., MS and PhD (From Newcastle University) Daughter: Masters in Political Science from Rajshahi University
7. Contact	Email: sopura@librabd.net Website: www.sopurasilk.net

5.1.2 Persons Interviewed

Mr. Mohammed Sadar Ali who is the predecessor and founder Managing Director of the firm has been interviewed on 6 January, 2014.

5.1.3 Analysis of the Interview**(a) Capacity of Self Reflection:**

Mr. Mohammed Sadar Ali (Hence forth as Mr. Ali) came from a very poor and needy family. During interview session he expressed this background of his life on a number of occasions. He said,

“I was born in a small village of Nawabgonj. All of my family members were poor. There was heavy poverty in my family.... I did really well in my matric examination. I secured full marks in mathematics. I remember, people came to see me for my good result. I had a dream of higher education. But due to poverty I could not pursue higher education. I could not manage fees for admission in college” (he wept).

For a man from this level of poverty it is difficult to have a dream of a silk factory with 100 looms (at present 10 looms) and outlets in many foreign countries. But Mr. Ali was a good student and had a dream and he could reflect what he dreamt. Another reflection of the founder has been observed by the study. Mr. Ali has high level involvement in social activities. For these social activities Mr. Ali is known as “father of 100 kids”. He was nominated for “Sada moner manush” in 2007. This involvement of Mr. Ali in social activities was influenced by his mother. He said,

“....But I saw my mother helping the other poor despite her poverty. I was influenced from this trait of my mother.”

Therefore, Mr. Ali bears an inner thirst for helping people. That trait has been transmitted from his mother. And he successfully has reflected that feature in his life and made it a part of character of his firm also.

He thinks himself as successful businessman. He recalled an event where SME foundation organized a program where they displayed life story of successful entrepreneurs. He said,

“In that program they showed the life story of a Japanese and of a Korean entrepreneur. Then they showed my story. How I became a successful businessman from a poor young man....I am proud of sericulture. I was born in a village of Chapai nawabgonj and sericulture is a pride of my locality. In my childhood I heard from my grandmother about it. Till then I used to think about the heritage of my village. I have been successful. I took sericulture to the international market. I have arranged exhibitions on sericulture in many countries though in the recent time the market of sericulture is shrinking for many reasons.”

He is a social worker. He has his own theme of social welfare. He has made his factory a way to help people. The study finds an intention to help needy people in his own creative manner. He said,

“I search for needy intelligent students. I take responsibility of their education....I work with physically impaired people. I want to abolish beggary from the society. I bring them in my factory and give them jobs according to their ability....I have some themes. I believe in education of mothers. If I can create educated mothers, they will not take many kids; they will raise voice against tortures, etc. Again, if I can create educated mothers, I can create skilled workers....I want to help people. But publicity hinders my work. Now-a-days I work in silence.”

From the above discussions it is evident that Mr. Ali has good ability to reflect himself. He came from a poor family of a small village. But he wanted to expand the heritage of sericulture which he was influenced from his grandmother. He was successful. He was influenced from his mother to help people. He designed his firm in a manner where he made the method of helping people institutional in his organization where he deployed disabled people and he has regular participation in welfare activities.

(b) Opportunity of the Predecessor of New Life:

The study did not find expansion of the business in recent times. In addition to that Mr. Ali did not start or does not have any plan to start any new business. Instead he is still busy with his original firm and the production of the firm has been reduced in the last two years though the business has changed its style by introducing outsourcing and enhancing trading business by marketing products outsourced from other manufacturers. Therefore, the study did not find opportunity of the predecessor of new life in a new business. Rather the opportunity of Mr. Ali in his old business has been reduced. Therefore, the study tried to explore whether Mr. Ali has created new opportunity of his life in other ways or not. The study finds Mr. Ali's heavy involvement in social activities. He said,

“For a long time I have had a practice. I search for needy intelligent students. I take responsibility of their education. Many of them are now studying in medical

colleges, Dhaka University, Rajshahi University, renowned colleges, etc. Many of them are in different professions now. They have an agreement with me. They will not tell anyone that I helped them but they will help another 10 similarly needy students.”

He added,

“I work with physically impaired people. I want to abolish beggary from the society. I bring them in my factory and give them job according to their ability. I am doing this for the last 30/32 years. Most of the workers who operate looms in my factory are dumb. A few of the workers are orphans. I also bring ‘hijra’ in my factory, give them the right to dress according to their proper gender and give them work. I have achieved reasonable success in changing their social position in Rajshahi. I also have program for the drug addicted people. I help them in receiving treatment and then give them jobs.”

“I have some themes. I believe in education of mothers. If I can create educated mothers, they will not take many kids; they will raise voice against tortures, etc. Again, if I can create educated mothers, I can create skilled workers.”

But he does not like publicity. He said,

“I want to help people. But publicity hinders my work. Now-a-days I work in silence.”

He is also very religious. At one stage he said,

“I have conducted hajj for about 10 times. I go to Saudi Arabia in every alternate hajj season. I go there for my business for aftermath. I earn for my next life there.”

The research clearly notices an opportunity of new life of Mr. Ali that was created alongside his business. That life is associated to well being of the society and earning for life after death and these two are interrelated. And by this way he has already achieved goodwill as a social activist in Rajshahi. Thus the study concludes that Mr. Ali has created high level of opportunity of his new life while the size of the business has been retrenched over years.

(c) Ability of the predecessor to *Disassociate from the Business*:

Mr. Ali is very much associated with his business. He maintains regular office hours. He works hard, thinks in depth and plans well for his firm. He still works for developing new improved variety of sericulture. He said,

“This firm has given me everything and I shall never give it up.... I still pay equal times as previous for my firm. But now I feel less pressure as production has been reduced. Now I pay more time for supervision of production, activities of showroom and performance of overall business.... I did not give the responsibility of production to others as it is the heart of the business. My elder son looks after outsourcing and marketing activities. He is good in those activities.”

Therefore, the study finds high level of involvement of Mr. Ali in his original business. The study did not find plan of Mr. Ali to disassociate him from the business. In other words, the study observes that there is lack of disassociation of the predecessor from the business.

(d) Ability of the predecessor to *Delegate Power and Authority*

From the study it is observed that Mr. Ali has clear assessment about which responsibilities to be delegated to others and which to retain with him. The factory was started with a single loom and during those days he used to sell his products by himself from door to door. At one stage when the factory gradually expanded to 100 looms and showrooms in a few countries around the world during heydays of sericulture products of Bangladesh, he had to delegate those basic works by deploying workers. The study also finds his ability to delegate power and authority in management related works. But those delegations are well assessed by him. He has introduced his elder son in the management of the business in 2002 after his MBA. He is responsible for managing supply chain management of the firm. He is also responsible for managing every external thing other than the factory. Mr. Ali has also introduced his daughter in law, spouse of the elder son, for managing the showroom. Mr. Ali says,

“I want that my daughter in law should not only be my son’s life partner, but also a business partner.”

It is observed that Mr. Ali is satisfied with the performance of his elder son and the daughter in law. He showed his dependence on them for the roles that they perform in the firm. But when it is asked why he did not give his son the responsibility of the factory, he replied,

“He is still not sufficiently prepared to manage production. It is very difficult He will not be able to handle production as efficiently as he can handle the government offices and external problems.”

Therefore, Mr. Ali is satisfied with the responsibilities he has assigned to his son. But still he does not want to give responsibilities like production to his son and he believes that his successor will not be able to handle that properly at the moment. Therefore, Mr. Ali uses planned and calculative approach in the delegation of power and authority.

For office management and accounting, he has employees and a General Manager is responsible to look after those tasks. He said,

“I don’t spend that much time for accounting. My General Manager looks after them and he is very honest.”

This part of interview shows that Mr. Ali has ability to delegate power and authority not only to his successors but also to his managers whom he thinks reliable enough. Thus the study infers that the ability of Mr. Ali to delegate power and authority is high.

(e) Leadership of the predecessor:

The study intended to examine the leadership skill of Mr. Ali. It is observed that Mr. Ali has ability to help his sons in handling challenges. He recalled a story about his younger son. He said,

“My younger son went to Australia for a Master degree after graduating from BUET. After a few days in Australia he mailed me that he wants to come back to Bangladesh as he could not like the subject that he was studying. Then I went to him and consulted with him and helped him to shift to another department for a subject that he prefers.”

In another part of the discussion Mr. Ali said,

“I have observed that he (younger son) does not want to work in a firm and wants to join the business. But I notice that he finds it difficult to adjust to the business environment in Bangladesh. Now I am concerned with this matter..... I am thinking about a separate business for him.”

These stories of Mr. Ali implies that if he has such good leadership in case of family matters, he has done similar to his elder son during his early days in business. It is implied that Mr. Ali helped his elder son with his leadership to learn how to face challenges in business. He said,

“I introduced him (elder son) in the business slowly so that he can learn different works of the business gradually and does not get frustrated when facing bigger challenges.”

It is also observed that Mr. Ali is concerned about the probable conflicts in the family and for avoiding such situations he has declared the succession plan in the family and that is well established in the family. According to him, there is no conflict about the succession and the share of ownership is already distributed. To avoid conflict among the successors he has decided to start a new business for his younger son. He said,

“I always keep in mind that one day I shall not be here and I have made plans for that.”

Therefore, Mr. Ali has good leadership skills. He has motivated successors towards his end, i.e., bringing them in business. He is always concerned about conflicts among successors and thus he managed that part well enough and thus the family

does not have conflict related to succession. He introduced his elder son in the business well ahead and he trains the successor by giving him challenging assignments. He also helps the trainee successor so that he does not become afraid of the job related challenges.

(f) *About succession plan*

The study finds a formal well documented succession plan from the predecessor. Mr. Ali has divided the ownership of the firm into 525 shares among which 250 remains for Mr. Ali as Managing Director, 150 for his wife, 50 for each of his two sons and 25 shares for his daughter. On the plan that is registered he has mentioned that after his death, his elder son will replace him as Managing Director of the firm.

Therefore, it is observed that the predecessor has already identified his elder son as the successor of the firm. The study tried to know whether the selection of the successor was methodical or not. Mr. Ali said,

“There was a plan to bring my kids into the business from my early years. Because I have seen that if offspring are not involved in the business, that business does not last for long.... I wanted my elder son to join the business and he showed his interest by taking part in my business. My younger son did not. He went abroad for higher studies. But the elder son did not leave the business. He showed his dedication and he has proved his ability to perform his role successfully. I hope that he will run the business successfully after me.”

From this part of interview it is observed that there was a hidden wish of Mr. Ali to select his elder son as successor and as he responded positively and later he was tested and was proved successful, Mr. Ali has finally selected his elder son as the successor of the business. The study also infers that the selection of successor in this case has been methodical.

Table 5.1-b: Summary of predecessor related factors and succession plan in Case 1

Predecessor related factors and succession plan	Outcome
<i>Capacity of Self Reflection</i>	High
<i>Opportunity of New Life</i>	High
<i>Ability to Disassociate from the Business</i>	Low
<i>Ability to Delegate Power and Authority</i>	High
<i>Leadership</i>	High
<i>Succession Plan</i>	Written well planned
<i>Level of succession</i>	Advanced level

5.2 Case 2: Soron Garments

5.2.1 General Information

Soron garments is engaged in manufacturing and wholesale trading of readymade garments. It is located at Majeda super market in Naogaon. The age of this business is approximately 55 years. The number of permanent employees is 50. The business is presently owned by Mr. Shahjahan Ali Sazu. The business was established by his grandfather that was continued by his father and then by him. It was first established during 1960s having many ups and downs in its life.

The predecessor has 1 son and 1 daughter. The son who is the elder offspring of the predecessor is 20 years old and the daughter is 18 years old. The son is studying in the Bachelor of Business Administration (BBA) program in England while the daughter is in the intermediate level of education.

Table 5.2-a: Basic information about Case 2

1. Name of the firm	Soron garments
2. Year of establishment	Early 1960s
3. Number of business line(s)	1
4. Number of branches	1
5. Generation(s) involved	3 ^r
6. Offspring of the predecessor	1 son and 1 daughter
7. Education of the predecessor	Secondary School Certificate
8. Education of the successors	Bachelor of Business Administration

5.2.2 Persons Interviewed

Mr. Shahjahan Ali Sazu, henceforth as Mr. Sazu, who is the existing owner of the business and predecessor has been interviewed.

5.2.3 Analysis of the Interview

(a) *Capacity of Self Reflection:*

Mr. Sazu succeeded the business from his father while his grandfather was the founder of the business. He was involved in the business from his childhood and his father trained him in the business. Mr. Sazu said,

“The business was first established by my grandfather and then my father continued in the business. This business had many ups and downs. The business was shut down during the riot of 1965. It was again affected during 1971. My father restarted it again after independence. I was with my father and I used to assist him. Father taught me everything of the business. I started participating in the business from then and that was in my childhood.”

Though the business was originally established by his grandfather, he was emotionally attached to this business and he wanted to reflect himself from that business. He wanted to get established from the business of his grandfather and he wanted to contribute in employment and economy in the society. He said,

“I wanted to get established with this business. I always wanted that the business will create employment and will play a positive role in economy.... I always wanted to live well and help people to have a good living. I wanted to love people. I wanted to create a good position for myself in society.”

Though Mr. Sazu feels that he could do better if he would have higher education, he is happy with what he has achieved from the business. Mr. Sazu said,

“Actually there is no end of dreams. But I am happy for what I have achieved so far.”

From this part of interview with Mr. Sazu it is observed that, Mr. Sazu has ability to reflect himself within the limit of what he has. But it is found that Mr. Sazu remained limited to his grandfather’s business. Though he wanted to contribute in the economy, he could not expand his business beyond the regional boundary. Therefore, ability of Mr. Sazu of self reflection has been graded as moderate.

(b) Opportunity of the Predecessor of New Life:

Mr. Sazu does not have involvement in any other social activities. The study did not identify any other interest of Mr. Sazu. He has established a cooperative agency business with other three partners. That business was established in 2013 and that is completely separate from Soron garments. This new business may create opportunity of new life for the predecessor but as it is very new, that opportunity has not been created yet. As he says, *“I don’t have any plan to get involved in politics”* that also reflects non-existence of opportunity of new life for him. Therefore, the study finds low opportunity of new life of Mr. Sazu.

(c) Ability of the predecessor to Disassociate from the Business:

It has been observed that Mr. Sazu is highly associated with the business and he failed to disassociate himself from the business. He could not introduce his successor to the business and he manages the business by himself. Even he feels that he should retain power and responsibilities to himself. He said,

“I work as the chief of the business. Actually it is important to keep all responsibilities to myself. None of them can be delegated properly otherwise.... I never want to delegate the administrative responsibilities to others as upon this everything of the business depends.”

Mr. Sazu is holding a leadership position of Naogaon garments owners’ association. He said, *“I am the president of Naogaon garments owner association.”* That also indicates that he is very much associated with the business as the garments owner association is related to his business.

(d) Ability of the predecessor to Delegate Power and Authority:

The study attempted to identify ability of Mr. Sazu to delegate power and authority. It has been observed that Mr. Sazu has resistance in delegation of power and authority. He has delegated only those power and authorities which he feels he is bound to delegate due to volume of his tasks. He said,

“I work as the chief of the business. Actually it is important to keep all responsibilities to myself. None of them can be delegated properly. But a few of them

such as marketing have to be delegated. I have given the responsibility of procurement and marketing to others.”

He feels that CEO position of the firm is not to be delegated. He feels that everything of the business depends on that position. Thus this position should not be delegated. He said,

“I never want to delegate the administrative responsibility to others as upon this everything of the business depends.”

It is found from the study that Mr. Sazu has delegated procurement and marketing related responsibilities to his brothers and relatives. Therefore, he relies less to his employees. Again he did not delegate accounts related matters to others. He manages that part of the responsibility with help of his one long tested employee who is not from his relatives.

Again his expectations of performance from his employees are also low. He said,

“I never expect that my employees will fulfill 100% of my expectations from their work. I expect achievement of 65-75% of my expectations from them.”

When it was asked “do you take the responsibility back?” he replied,

“Yes. I always monitor after giving any responsibility to anyone. I take them back if I find that they failed to achieve the desired target. But I provide them with all support if they are in any sort of trouble as it is my responsibility.”

From above analysis the study concludes that Mr. Sazu has lower ability of delegation of power and authority to his employees.

(e) Leadership of the predecessor:

Mr. Sazu has been found as a good leader in terms of managing the employees. He trains and helps his employees in every respect. He said,

“At the beginning, none had experiences. I trained my employees in the procurement of materials and other activities personally myself. Later they learnt more of those works and are now experienced.”

He also has confidence on the skill of his workers. The predecessor discusses business related matters with his son. Intention of this is to keep the successor associated with his business. In response to a question intending to know whether his son is willing to join the business after finishing his education, the predecessor said,

“I discuss business related matters with my son. The opinion of my son is that it is important to have higher education. But it is not likely that he has to work elsewhere. He thinks that he can do well in whatever he does after taking proper education.”

Therefore, the study concludes that Mr. Sazu has good (ranked as moderate to high) leadership ability. He does not want to bring his son immediately in the business while he wants to bring him in his business when he will feel importance of him in the business. Mr. Sazu keeps motivating his successor towards that end. Mr. Sazu is also a good leader to his employees. His leadership ability has not been graded as high but moderate because of his low ability to delegate power and authority to his employees.

(f) About succession plan

There is no written succession plan but the successor of the business has been identified. The predecessor said, *“I want to see my son as the successor of the business.”* But he has not introduced his son in the business yet. He feels that he is progressing towards the end of bringing his son in his business. And in that process he is now educating his son in business administration. He said,

“Education is something that I lack in and for that lacking I could not do many things. My educational qualification is up to secondary school certificate and it is very difficult to progress in business with this little education. That’s why I decided to educate my son in Business Administration. I want him to join my business and expand it after finishing his studies.”

Table 5.2-b: Summary of predecessor related factors and succession plan in Case 2

Predecessor related factors and succession plan	Outcome
<i>Capacity of Self Reflection</i>	Moderate
<i>Opportunity of New Life</i>	Low
<i>Ability to Disassociate from the Business</i>	Low
<i>Ability to Delegate Power and Authority</i>	Low
<i>Leadership</i>	Moderate to high
<i>Succession Plan</i>	Well planned but not in written
<i>Level of succession</i>	Not started

5.3 Case 3: Gorgeous Tailors

5.3.1 General Information

Gorgeous tailors is one of the leading tailoring firm in Rajshahi. It was established by the present owner in the year 1987 which was transferred to Rajshahi Newmarket in the year 1992. This is still the main unit of the firm. The second unit of the firm was established in the year 2004 at Rajshahi Development Authority (RDA) market. The main unit is fully dedicated to customer based tailoring while the second unit has both customer based tailoring and a showroom of readymade garments.

The firm is in the succession process. The main unit is managed by the younger son of the predecessor while the second unit is managed by the elder son. The predecessor's role is limited to monitoring activities of both units. Official transfer of ownership has not yet been taken place in either of the units of the firm. The study also did not find any documented plan of succession in this case or any legal documents such as will of the predecessor for distributing ownership in his absence. Summary of general information of the firm follows:

Table 5.3-a: Basic information about Case 3

1. Name of the firm	Gorgeous tailors
2. Year of establishment	1987
3. Number of business line(s)	1
4. Number of branches	2
5. Generation(s) involved	First and Second.
6. Offspring of the predecessor	2 sons and 1 daughter. Daughter is the second in sequence. Two sons are involved in the business. The daughter is married and has no involvement and probable ownership in the business.
7. Education of the predecessor	Under matriculation.
8. Education of the successors	(i) Elder son is MBA graduate. (ii) Younger son is BBA student.

5.3.2 Persons Interviewed

The predecessor (Mr. Alif) and the elder son (Mr. Arif) of the predecessor were available for interview.

5.3.3 Analysis of the Interview

(a) Questions to examine *Capacity of Self Reflection*:

It has been observed that Mr. Alif (predecessor) has capacity of self reflection. He feels that he has become what he wanted to be. He knows what a person could achieve in a life and he is happy with what he has achieved. He is happy with achievements in business and life. In response to the question ‘what was your dream of life’, Mr. Alif replied,

“I fixed my business career to an upper level as my goal in life when I achieved a target. I always had a target to do better. I had goal to reach to the top in tailoring business. In the early stage of my career I was a worker. At that time my target was to become a cutting master. Then I became a cutting master. At that time I started to think about a tailoring shop of my own. Then by the grace of Allah I became the owner of my own shop. I got goodwill among the customers. Then I decided to buy a possession at Newmarket as I wanted to take a leading position. In this way I always re-fixed my target.”

He thinks that he has been able to achieve “100%” of his target. During interview it was never noticed from Mr. Alif to express dissatisfaction in general about achievements in his life. In response to the question ‘are you successful in your life’ he replied,

“I am successful in my goal. I am successful because I am successful not only in business but also in my life because I have been able to give my kids higher education..... My friends also echo the same by saying that Alif you are a successful man. You are successful as a businessman and as a father. Truly I am successful.”

The study finds similar response from Mr. Arif (elder son). When he was asked “do you think that your father is a successful person?” he replied,

“Of course. It is very difficult to find a successful person like him. If you don't observe him you will not understand how successful he is!”

Mr. Arif was very confident while he was talking about his father. From the discussion with Mr. Alif and Mr. Arif the study infers that Mr. Alif has a high ability of self reflection.

(b) Questions to examine *Opportunity of the Predecessor of New Life:*

The study finds that the predecessor did not establish any new business after the original business to create new opportunity in his life. But the study finds other opportunities of his new life that give him a passage to quit from the original business by finding successors for replacing his position in the business. Over the years he has created his position in a political party involved in national level politics. That political party is also a wing of a religion based society where he has long been involved and now secures top position in the party and the society. Mr. Alif says,

“I am linked to the society of ‘Atroshir peer’ since 1985. I have comprehensive involvement with it. At the initial stage I was not that much involved though. Later when I entered into business, I started to gradually give more time to that religious society and now it is at the highest level. Now I spend a major part of my time in the activities of that community. That organization has a political wing which is registered as a political party in the Bangladesh Election Commission. Its name is Bangladesh Zaker Party and I am president of Rajshahi city corporation committee, Joint secretary of the Rajshahi divisional committee and member of central committee. This year I have collected the nomination paper for MP election (2013) of the national parliament of Bangladesh.”

From this it is observed that, Mr. Alif has already stepped into a new life into national politics. It has been observed that he is not interested in leadership in business related associations. Mr. Alif says,

“I am a member at Rajshahi Newmarket tailors’ association. I received offers several times to receive nomination for the president’s position. But I am not interested and I don’t have time for those positions.”

Therefore, Mr. Alif has taken politics in local and national level as his next career and he shows lesser passion to remain in business related organizations. He has achieved significant progress in the new life and he is progressing further from local politics to national level. Therefore, the study infers that the predecessor of the business has high opportunity of new life.

(c) Ability of the predecessor to *Disassociate from the Business*:

The predecessor pays less time and has delegated many responsibilities to his sons. His younger son wants to remain in the business and now he is in charge of the main unit. At the beginning of the succession process, the predecessor used to rely more on his elder son. But as the elder son wanted to have a bank job, the predecessor gave him responsibility of the second unit. According to Mr. Alif, *“they are like the owners of the two units.”* Though the predecessor has delegated most of the responsibilities to his two sons, he still monitors them and regularly visits the two units. A few major decisions are still at the hand of the predecessor. But he discusses those issues with his sons. Mr. Arif says,

“My father is getting older now. Once he used to pay full time to business. During those days he used to give time from the opening to the closing of the showroom. At present he visits the Newmarket branch in the morning, then leaves to visiting the RDA market unit and then leaves for home. Again visits the branches in the evening. During these works he does party related works. Sometimes there are major events from the party and those days he cannot visit the branches. Now-a-days his time for business has been reduced to half.”

From this part of the interview with Mr. Arif it is observed that the predecessor has the ability to disassociate himself from the business. But it is noticed that still he keeps major decisions in his hand. When Mr. Alif was asked why he could not delegate power of those decisions to his successors, he said,

“I discuss those matters with my sons. Sometimes I accept their suggestions. I was becoming dependant on my elder son. He was capable of handling serious matters of the business. But later he joined a bank. Then I had to bring my younger son. But I think he is still learning and he is not in a position to handle those matters.”

Therefore, the predecessor wants to disassociate from the business. But his decision about the future of the business is fully dependant on his two sons. He does not rely on professional managers. He was in process of disassociation and he was thinking about his elder son to give most of the responsibilities of the business. Later due to changed situation he had to introduce his younger son who is still in the training process. Thus he could not disassociate himself 100% from the business. The study infers that, though the predecessor could not disassociate him in full from the business because of successors' career related decision; he always pays efforts to achieve disassociation. Therefore, the study concludes that the predecessor of the business has high ability to disassociate from business.

(d) Ability of the predecessor to *Delegation of Power and Authority*:

Delegation of power and authority has been evident in this firm. Most of the operations are, at present, supervised by the successors. The predecessor monitors the performances of the successors. In special situations he performs some activities related to operations though those are not performed regularly. Mr. Arif says,

“The delegation of power has been gradual. Once he (predecessor) used to do the works of tailoring. At present this has come down to monitoring and in some cases purchasing of a few specific type of raw materials.”

The most sensitive function of the business, i.e., maintaining accounts has been given at the control of the successors. Mr. Arif adds,

“The responsibility of accounts is fully on us. We look after that part. In addition, supervising the managers to workers to customers, these are all our responsibilities. Father has delegated these areas on us in full. He does not even interfere in these matters. We feel that there is no difference between our role and an owner's position in a business....”

As the predecessor does not interfere in those matters and the successor asserts his position like the owner, this indicates that the predecessor has successfully assigned those responsibilities to his successors and he feels confidence on his successors about their performances on those assigned roles in the business. But a few roles are still at the control of the predecessor. Mr. Arif says,

“The only difference is that he has kept a few things in his hand such as selection and firing of employees, salary related matters, expansion of business, decoration of business, etc.”

When it was asked ‘did the predecessor ever took back any responsibility from you’ Mr. Arif said,

“... I should add that before I joined my present job in the Bank, I had full authority in procuring raw materials, especially for the readymade unit. But after joining the Bank, father does it by himself. He used to take me to Dhaka for purchasing cloths. He showed me all such as from where to buy, how to select good quality cloths, how to deal with price and payments, etc. Now I have to remain busy in the bank that’s why he has taken that responsibility back. I can understand this.”

Therefore, it is observed from this part of interview that Mr. Alif has good ability to delegate power and authority to his successors. He has delegated powers and authorities to his successor(s), not to employees. Again, once he took back delegated authority from his successors. But that retrenchment of delegation of authority was because of the successor’s involvement elsewhere from the business. That did not happen due to the fact that the predecessor was not confident or satisfied with the performance of the successors. By considering all these, the study infers that the predecessor of this firm has high ability to delegate power and authority to his successors.

(e) Leadership of the predecessor:

It is observed that Mr. Alif has ability to deal with the workers well. He trained the workers according to his way of doing business. Mr. Alif says, *“My customers like my firm because I have a different style and customers like that style. So, if you want to work here, you have to follow that style.....”*

When the interviewer asked Mr. Arif ‘Did you see him to train the workers?’, he replied,

“There is nothing to train the workers. Usually they come here as experienced workers. But my father wants them to follow his way of work and he trains them in

his way of tailoring..... My father helped them by cutting the forma with his own hands. Those workers used to do the job of cutting following that forma.”

It is observed that the predecessor has ability to successfully handle succession related conflicts. He is proactive in this matter. There was no conflict between the successors. Despite the predecessor discuss the matter with the sons. Mr. Alif says,

“I was planning about my elder son. But later he joined a bank. My younger son is fully associated in the business. So, I talked to my elder son and tried to convince him by saying that, Arif you are in a job. You have earnings from the job. But your younger brother will not be in a job and he is looking after the business mostly. He also has a family. So, he should get a bit more advantage than you from the business....”

It is found that the successors have no conflict on this issue and the elder son (Mr. Arif) has also accepted that proposal of his father. He said,

“In this case we don't have any conflict and my father's role in this is very high. He tries to convince us towards his end and we respect him.”

It is noticed that the predecessor motivates successors towards the business. Mr. Arif says,

“He motivates us in the business. He encourages us to remain in the business. Before I joined the job, I noticed that thing several times. When I decided to join the job, he showed his frustration. Now he encourages my younger brother. When my younger brother joined the firm, he (my father) became much more confident and now he has reduced his time in business.”

Therefore, finally the predecessor got his successor. He wanted his elder son. He was giving him training personally. While, later he found that his planned successor is interested in a job than remaining in the business, he had to replace his planned successor with his younger son. He was disappointed but did not give up efforts to find a successor for the continuation of the business. And he was successful in his second effort to motivate his younger son to get involved in his business.

Despite of success of his business, the predecessor did not think of taking the business in the national level or going beyond that because he could not think about expansion of his business with professional management. He fixed the limit of the expansion of the business to the capacity of his two sons. When the predecessor (Mr. Alif) was asked, ‘why did you limit the scope of the business only within Rajshahi when Bangladesh is doing very good in exporting garments in Europe and United States and in other countries?’, he replied,

“Expansion of business to that level is only possible when there is proper manpower. Actually, I did not think of a second unit of my business before my elder son finished his Masters level education. I had the ability to expand the business by opening more branches but I did not have manpower to supervise those new branches. I know if I rely on outside employees, I shall not be successful in the long run.”

Mr. Arif said,

“When I finished my Masters, he opened the second outlet at RDA Market and gave responsibility of the second outlet to me.... We still advise our father that we should open another branch in another location. In response father says, who will look after that unit? You are busy with your work. Without supervision that unit will be problematic. Expansion is not the only thing to consider. You must ensure the right person in charge, who must be either of you, in that unit.”

Therefore, Mr. Alif has a clear idea about optimum size of his business. He was not influenced by his sons to expand when he saw that his elder son is not able to pay 100% of his time to his business and thus he did not expand the size of the business beyond capacity of supervision.

It has been observed from above interview that the predecessor of the business has good leadership ability. He has good vision about his business. He can lead his business, workers and successors well. But he could not successfully convince his first choice of successors to keep him in his business as the next leader of the business. Considering all these matters, the study infers that the predecessor has moderate to high leadership ability.

(f) About succession plan

It is observed that the predecessor has a succession plan which is not written but has been developed depending on situations. The predecessor wanted his elder son as successor and introduced him in his business and trained him up. But later when the predecessor found that his elder son wants to join a bank as an officer, he was disappointed and later he brought his younger son in the business and now his plan about the business is more centered to his younger son. Mr. Alif said,

“My plan was to bring Arif into my business. I wanted to see him as the successor of my business. I brought him into the business too. He was well involved. I enabled him to do post graduation in business administration. Later he joined a job. Then I had to find a replacement. I introduced my younger son into the business. He is fully active in the business now and I am developing him that way. He also wants to remain in the business. He will not be in any job. I plan that both of my sons will have ownership. But my younger son will remain in management of the business.”

Table 5.3-b: Summary of predecessor related factors and succession plan in Case 3

Predecessor related factors and succession plan	Outcome
<i>Capacity of Self Reflection</i>	High
<i>Opportunity of New Life</i>	High
<i>Ability to Disassociate from the Business</i>	High
<i>Ability to Delegate Power and Authority</i>	High
<i>Leadership</i>	Moderate to High
<i>Succession Plan</i>	Well planned but not written
<i>Level of succession</i>	Super advanced level

5.4 Case 4: Basundhara Enterprise

5.4.1 General Information

Basundhara Enterprise has been in the line of trading business in Rajshahi for over last 35 years. It is local dealer of over 10 Bangladeshi and foreign manufacturing companies' products. Recently it has been involved in manufacturing business. It has introduced its own factory for manufacturing woven polypropylene (WPP) bags at BSCIC Industrial Estate, Sopura, Rajshahi. At present the firm is owned by two partners. Mr. Ranajit Kumer Mondol owns 75% and Mr. Shushen Saha owns 25% of the firm. The business was started by the father of Mr. Ranajit Kumer Mondol. As Mr. Ranajit Kumer Mondol owns majority of the firm, the study considers the firm as a family owned firm of Mr. Ranajit Kumer Mondol. At present about 135 workers are directly involved in the business.

Table 5.4-a: Basic information about Case 4

1. Name of the firm	Basundhara enterprise
2. Year of establishment	1978
3. Number of business line(s)	2 lines (i) dealership of goods of 10 companies, and (ii) manufacturing of its own goods.
4. Number of branches	1
5. Generation(s) involved	Second generation only
6. Offspring of the predecessor	2 daughters (age 22 and 18 years respectively) 1 son (age 11 years)
7. Education of the predecessor	Masters
8. Education of the successors	Successor not selected with precision

5.4.2 Persons Interviewed

Mr. Ranajit Kumer Mondol (Henceforth as Mr. Mondol) was interviewed as predecessor of the firm. Mr. Shushen Saha, who is the partner of the predecessor, was also available for interview.

5.4.3 Analysis of the Interview

(a) Questions to examine *Capacity of Self Reflection*:

It has been observed that the predecessor has lack of ability of self reflection. Though he has been able to achieve a position in the line of his business, he is not satisfied with his level of achievement in business. By analyzing his position, the predecessor feels that he should have started going ahead with his business related plan much earlier and due to his late in decision, he has not been able to reach to his desired position in business. The predecessor said,

“I had a dream that I shall have a big industry which will see success. But that should have been started 10 years earlier. I have started a manufacturing unit but I think if I live another 15 years from now, then it will achieve a level. I think I have achieved about 20% of my business related goals.”

It is also observed that the predecessor had to change his career at an earlier stage of his life. He wanted to build a career as a politician which he failed to make it successful. He said,

“Once I was involved in students’ politics. Later I thought I shall not be able to achieve anything significant from politics. Then I decided to get involved in business. Now I have no involvement of any sort in politics.... I have no interest in any formal social organization. But I love to help people.”

Despite of failure in achieving success in business related goals or in achieving career goal, it has been observed that Mr. Mondol has been successful in achieving goal about his life. About his life and level of achievement in that respect he said,

“I love to travel and spend time with friends. I had a dream of having my own home and a car. In that area I am 100% successful.”

Therefore, Mr. Mondol has not been successful enough in reflecting himself in business and career. Despite that he has been able to reflect himself well enough in his personal life related issues. Hence the study infers that Mr. Mondol has low ability of self reflection in business.

(b) Questions to examine *Opportunity of the Predecessor of New Life:*

No opportunity of new life of the predecessor has been observed in case of Mr. Mondol. He is neither involved in any social activities nor in a business related associations. He is neither involved in politics nor has he any plan to start a political career again. Instead he has left his political career where he was involved before his business career. He said,

“Once I was involved in students’ politics. Later I thought I shall not be able to achieve anything significant from politics. Then I decided to get involved in business. Now I have no involvement in any sort of politics.... I have no interest in any formal social organizations. But I love to help people.”

Mr. Mondol has started manufacturing operation recently. But that operation along with the original trading operations of the business is looked after by him from the same office as all operations are under the same roof. The manufacturing unit is a small part of the overall business and the study observes that the new operation is not separate from the original business. He is also not sure about the success of his new venture, i.e., the manufacturing unit. He thinks that he has been late in introducing the new venture. That should have been done earlier. He said,

“We had a plan that we shall bring our own product in the market. But we think that we have been late in our step. If we could have brought the product 10 years earlier, then we could have been more successful. The good thing that would have happened is that probably our kids would show interest in joining this business as they would feel that it’s a prestigious business and it has prospect. But I notice that our kids don’t show any interest as well.”

Therefore, the predecessor is associated with the business and low opportunity of the predecessor’s new life has been observed in this case.

(c) Ability of the predecessor to *Disassociate from the Business*:

Lack of ability of the predecessor to disassociate from the business has been observed. He is closely associated with the business. He wants to live long to achieve his business related goal and before that he does not want to bring successor of the business in it. Therefore, he wants to achieve his remaining goal in the business. He said,

“I have achieved 20% of my business related target. But I believe, I shall achieve 180% of it. I don’t want to die before that. This is the determination of my life When it will be achieved, then probably I shall bring my son or daughter into business. Then I shall think about a potential one from my son or daughter or son in laws.”

He also said,

“.... but I prefer to handle anything than giving it to others. When I shall see that, it is not possible for me to handle, then I shall look for others.”

All these indicate his lack of ability to disassociate him from the business.

(d) Ability of the predecessor to *Delegate Power and Authority*:

It is observed that Mr. Mondol has ability to delegate power and authority to his partner and subordinates. Works of his firms are managed by managers who have been assigned responsibilities. He said,

“I have a manager for each sector. They are legal employees. They are responsible for their department.”

But it is noticed that Mr. Mondol is very cautious in his selection of those managers and he believes in them. He said,

“They (managers) are selected from our nearest ones such as my own relatives, brother or son of my friends. The benefit is, they are very reliable. Our investment in

every sector is very high. A little mistake will cause huge loss. That's why we have to take this caution in the selection of people."

From this part of discussion, it is observed that Mr. Mondol relies more on known people than on paper based skill of unknown people. His monitoring on the managers is also very close. Mr. Mondol did not delegate accounting related responsibility to managers. But his partner looks after that and he is fully confident on him. Mr. Mondol said,

"...but I was never happy in giving the accounting to others. I have given that responsibility to Shushen (partner). I don't like that others take that responsibility."

Dependence of the predecessor on his partner has been observed. At one stage Mr. Mondol said,

"Shushen is my partner. We are together from the beginning. I shall not be able to do anything without him and he will not be able to do anything without me."

From above discussion it is evident that Mr. Mondol has high ability to delegate power and authority to his reliable employees and partner.

(e) Leadership of the predecessor:

It is observed that Mr. Mondol is good in managing the workers. Before giving any responsibility he makes the workers understand the job well. He said,

"Sometimes they make mistakes. Often I get tempted and become rough on them. But it is normal that they will make mistakes. Later I talk to them softly and try to give consolation. I think my workers are not disobedient to me."

He is cautious about corruption of the workers but in this case he has his own method of reducing chance of corruption from the workers. He tries to assess their need by taking the respective workers' personal and family related matters into consideration. He also tries to fix salary so that they don't become corrupted

because of insufficient salary. Again Mr. Mondol tries to maintain counseling with the workers to reduce their propensity of corruption. Mr. Mondol said,

“..... A person becomes corrupted only when he does not earn according to his need. Before selection we examine their needs, number of family members, how many of them earns, etc. When we see that the salary that we shall offer will be enough for him, we select him for the job.”

It has been observed in the study that Mr. Mondol trains the workers closely by him. He maintains close relationship with the workers. He rebukes them for mistakes and again later brings them close to him. He is cautious about corruption and follows a good strategy in selection of employees to reduce corruption. He is also good in deciding pay structure of the workers. All these make the workers reliable. Therefore, the study observes that the predecessor has high leadership ability in managing employees. But as the predecessor has not even thought about successor and he does not motivate his offspring or spouse to join in his business, the study could not examine leadership ability in succession related matters. Because of this limitation the study infers that the predecessor has moderate to high leadership ability.

(f) About succession plan

During the interview it has been observed that the predecessor does not have succession plan and thus he does not motivate the potential successors in the business. It is observed that Mr. Mondol wants to continue the business till his death; while he does not want that his offspring will continue the business. When the interviewer wanted to know whether the predecessor had taken any initiative to make the offspring interested in the business, Mr. Mondol said,

“No, I never did. My plan was, I shall carry on the business and if the situation ever brings them into the business, they will be in it.”

In response to another question he said,

“Actually I get less time. I spend my whole day in the business. If I spend more time in business, I shall be able to ensure more return. Hence, I cannot pay enough time to my home and I cannot discuss business with my kids.”

Summing up the previous two comments and from observation it has been clearly observed that the predecessor has no plan to bring his offspring in his business. Atually Mr. Mondol is not satisfied with the achievements from the business and he does not want to associate his offspring with the business. This might be a result of lack of Mr. Mondol’s satisfaction in the business. The study tried to explore the causes of this situation. Mr. Mondol said,

“We are not yet in full fledged production related business. We are mainly in distribution business where profit margin is very low. Earlier this type of business used to generate a handsome profit. At present, the situation has been changed. Cost has increased. In some cases we are incurring losses. We are not happy and we don’t want that our successors remain in this business.”

He is also not sure about the success of his new venture, i.e., the manufacturing unit. He thinks that he has been late in introducing the new venture. That should have been done earlier. But his successors are not interested even in this new venture. He said,

“We had a plan that we shall bring our own product in the market. But we think that we have been late in our step. If we could have brought the product 10 years earlier, then we could have been more successful. The good thing that would have happened is that probably our kids would show interest in joining this business as they would feel that it’s a prestigious business and it has prospect. But I notice that our kids don’t show any interest as well.”

When the study asked, whether thinks or not that if he does not find a successor, the business will be closed down after his death, he said,

“You are right. Actually my elder offspring is a daughter and my son is 11 years of age. I never want my son to be in this business. I am really fed up in this business.”

This business will last my life. I don't want it to continue in the next generation.... I want that they will be in good jobs.... I have a partner in the business. If he wants he can continue it with his next generation after my death."

All these parts of the interview reflect the dissatisfaction of the predecessor in the existing achievements of the business and that de-motivates him in bringing his offspring into the business and results into non existence of any succession plan. Instead he plans a job related career for them. As a result he does not inspire the potential successors to join his business. Mr. Mondol said,

.....I had a dream that one of my kids will be a doctor, but that did not happen. My elder daughter could not get admitted into medical college for shortfall of a few grades. And I am not hopeful about my son. Based on his present age, I think at his time we shall not be able to retain the same passion."

It is noticed that Mr. Mondol is less concerned about his son. He was more concerned about the career of his elder daughter though the causes of this could not be identified. At one stage the predecessor said, only 20% of his business related dream has been achieved. In response to the question, 'what will you do if you see that rest part of your goal has been achieved?', he said,

"Probably I shall bring my son or daughter into business. Then I shall think about the potential one from my son or daughter or son in laws."

In conclusion it can be said that the interview with Mr. Mondol shows a complex behavior of the predecessor where the predecessor lacks in capacity of self reflection, lacks in opportunity of new life, lacks in ability to disassociate from the business while existence in ability to delegate power and authority and good leadership skills within the business set up but the business clearly lacks a succession plan and there is no identified successor in the business. The predecessor is not happy with this business. He is not the founder. That might be a cause. He may have less respect for this business or that might in turn result into the situation of the business having no succession plan.

Table 5.4-b: Summary of predecessor related factors and succession plan in Case 4

Predecessor related factors and succession plan	Outcome
<i>Capacity of Self Reflection</i>	Low
<i>Opportunity of New Life</i>	Low
<i>Ability to Disassociate from the Business</i>	Low
<i>Ability to Delegate Power and Authority</i>	High
<i>Leadership</i>	Moderate to High
<i>Succession Plan</i>	Not planned
<i>Level of succession</i>	Not started

5.5 Case 5: Mirjan Auto Rice Mill

5.5.1 General Information

M/s Mirjan auto rice mill is located at Kathaltoli in Naogaon. Name of the founder/predecessor of the business is Mr. Md. Mokbul Hossain Mukul. Since 1985 he used to process rice by taking rice mill of other owners for rent. Later in 2004 he established his present automatic rice mill. Age of Mr. Md. Mokbul Hossain Mukul is 55 years having two sons and one daughter. Elder son is 25 years, second son is 18 years and daughter is 13 years old. The rice mill has 4 supervisors, 10 full time operating workers and 30 casual workers.

Table 5.5-a: Basic information about Case 5

1. Name of the firm	M/s Mirjan auto rice mill
2. Year of establishment	1985
3. Number of business line(s)	1
4. Number of branches	1
5. Generation(s) involved	1 st
6. Offspring of the predecessor	2 sons and 1 daughter
7. Education of the predecessor	Post graduation (M.Sc)
8. Education of the successors	1. Elder son, Master of Business Administration, AIUB, Dhaka. 2. Younger son, Intermediate.

5.5.2 Persons Interviewed

Mr. Md. Mokbul Hossain Mukul (Henceforth as Mr. Mukul), who is the founder of the business. He is the predecessor for the purpose of the study.

5.5.3 Analysis of the Interview

(a) Questions to examine *Capacity of Self Reflection*:

Mr. Mukul's father was a prominent businessman of Naogaon during the Pakistan period who was the owner of one of the two automatic oil mills of the then East Pakistan. But Mr. Mukul did not carry on oil milling business. Instead he analyzed the available raw materials and market feasibility of Naogaon and the whole Bangladesh and he decided to run a rice processing business. Therefore, he has the ability to reflect himself through his own business idea.

He has a clear vision about optimum size of his business. In reply to the question asked to know about his dream regarding his business, he said,

"I am happy with the present size of my business. At present it is not large...it is medium... and I prefer to keep it medium in size. I don't have any plan to make it larger than this."

He added,

"There are many automatic rice mills around this region. I am afraid of this condition."

Therefore, it is evident from the study that Mr. Mukul has a clear vision and he has become what he wanted to be. He established his own business deviating from his father's line of business. He started by outsourcing and then established his own factory. He is happy with his present size of business and he knows why he does not want to make his business bigger. Based on these factors the study concludes that Mr. Mukul has strong ability of self reflection.

(b) Questions to examine *Opportunity of the Predecessor of New Life*:

The study did not observe any opportunity of new life of the predecessor. Mr. Mukul did not establish any other new business. He is fully involved in his rice mill business. He is not involved in politics. Even he is not involved in business associations. According to him, *"I don't like politics. I am busy with my business. Nothing else attracts me other than my business."* Though it is found that he is

associated with a local club, that club is not a big part of his life. He is president of that club. In his young age he used to play on behalf of that club and he likes the club. But the contribution of the club to his life is low and as it is a local club, the study finds that the scope of the club to create opportunity for Mr. Mukul of a new life is very low. Therefore, the study finds low opportunity of Mr. Mukul of new life.

(c) Ability of the predecessor to *Disassociate from the Business*:

Lack of ability of Mr. Mukul to disassociate from the business has been observed in the study. When asked, whom do you want to see as the successor in your business, he replied, *“My elder son... I shall provide for both of my sons. But I shall not bring them into business until I have the ability to look after the business myself.”* He did not introduce his successor(s) to the business. He is associated with the monitoring of every sort in activities of the business. In response to a question related to delegation of power and authority he said, *“I have delegated nothing. I have retained everything to myself.”* He works in his factory from early in the morning to late evening. Therefore, Mr. Mukul shows a close attachment in the business and it has been observed that he wants to retain comprehensive attachment with the business as long as possible. Thus the study finds low ability of Mr. Mukul to disassociate from his business.

(d) Ability of the predecessor to *Delegate Power and Authority*:

Mr. Mukul provides contradictory statements in response to questions intended to test his ability of delegation of power and authority. When it was asked which responsibilities he has retained with him, he said, *“I am involved with planning only. I make plans and they (workers) execute my plans.”* Later it was understood that he has kept operations, accounts and other important matters to himself. When it was asked ‘which responsibilities have you delegated to others’, he said,

“I have delegated nothing. I have retained everything to myself. But during my early age I used to procure rice from source riding on my own bike which is not a case now. Now my quality manager performs those tasks. But I still negotiate with the

suppliers. I personally deal with the financial matters and I personally negotiate selling.”

By analyzing these two contradictory statements it is found that Mr. Mukul supervises every major activities of his business. He has assigned managers who perform tasks like procurement of raw materials or marketing of finished goods. He has delegated those tasks as it has become difficult for him to perform them. Despite he supervises those tasks.

It is found that Mr. Mukul has delegated those tasks to his employees who are not his relatives. He relies on skill of his employees. He said, *“I tell the seller of rice that I am sending my employee. Give him the type of rice that he wants. I shall pay through banks.”* Therefore, he has confidence that his employee will be able to procure his desired quality rice.

But he does not believe his employees on financial matters. In response to the question ‘which responsibility do you not like to delegate’, he said, *“I shall keep financial matters and marketing in my control.”* He does not want to give financial matters to his employees because he thinks that his employees are not honest enough in this respect. He is much cautious on this matter.

Therefore, it has been observed that Mr. Mukul has delegated a few power and authority to a few of his trusted employees. Still he does not believe in their honesty. And Mr. Mukul retained most of the important matters of the business with him. Even he did not give up continuous monitoring of those tasks which he has delegated to others. Thus the study concludes that Mr. Mukul has low ability to delegate power and authority to his employees. But as he has not introduced his successors in business, his ability to delegate power and authority to his successors could not be studied.

(e) Leadership of the predecessor:

Good leadership ability has been observed in Mr. Mukul. He has ability to motivate his subordinates towards his end. He has trained his employees personally. When it was asked whether his employees were expert at the time of their recruitment, he replied, *“No no... I have trained them as per my need.”*

He has confidence in his employees (except of a few things). He said,

“Definitely I have to keep confidence. But I keep monitoring them. For example today one of my employees is in Bogra for purchasing rice... another in Chapainawabgonj for purchasing bran. I am monitoring both. Has he finished purchasing rice? How is the quality? Has he paid the money? I am monitoring these over phone.”

Therefore, though he said, he does not believe his employees in financial matters, he has a few employees whom he believes, but he keeps monitoring them so that they remain on track as he wants. He added,

“I talked to Salekur. I shall talk to him again in the afternoon. He is purchasing three trucks of rice there. I have told him, I shall take rice from you... I don't know the seller. Purchase rice accordingly....If Salekur fails, it will be a problem. So, I am gearing him up from here. It is motivating him. He is feeling that the master is supervising him. If I remain careless about him, he will also become careless about the assigned work or he will make a deal with the seller for his own benefit. To avoid that possibility, I am also monitoring price by contacting to different sellers over phone.”

The above quote shows that Mr. Mukul leads his employees well. He keeps them motivated by guiding them, repeatedly talking to them, giving them advice or by putting some moral pressure on them. When it was asked ‘did you ever take back any responsibility from your managers’, he replied, *“I never had to take back responsibility from anyone.”* Therefore, Mr. Mukul has ability to lead them in such way that they fulfill his expected outcome and hence he did not have to retrench back any responsibility given to his subordinates.

Mr. Mukul has ability to work with his subordinate managers as a peer. He did not maintain distances with them in the work environment. That helps him to motivate his subordinate managers to work towards his end. He said,

“I deal with my four managers like friends in the evening. I sit with them at tea every evening. We discuss that day’s business related matters; we make next day’s business plan... everything. What we did wrong, what right, shall we purchase rice or not, we discuss these types of decisions together.”

He also has the ability to create interest about his business in his successors. Though his planned successor is taking higher education in Dhaka at a private university, he talks to him every evening over telephone. Mr. Mukul discusses with his son about progress of education and about his business. He entertains suggestions from his son about his business. That helps building interest in his son about his business. Mr. Mukul said,

“My elder son talks to me about business. I discuss with my elder son every evening after dinner instead of watching television. We discuss our business. He takes news of my business; I take news of his study. He has already got mentally involved in the business. He gives me suggestions, if necessary, about the business.”

From the above discussions, the study concludes that Mr. Mukul has high leadership ability. He leads well his employees as well as his successor towards his end. He keeps them motivated towards the end of the business.

(f) About succession plan

The predecessor does not have any written succession plan. He is unconsciously thinking about his elder son as successor of the business. Despite that he is not sure about it as he could not ignore the second son as successor. When it was asked, “whom do you want to see as successor of the business?”, he said, *“My elder son... I shall provide for both of my sons. But I shall not bring them into business until I have ability to look after the business himself.”* It is clearly visible from this statement about the fact that Mr. Mukul still did not make a plan about who will succeed his business. A complex setup of mind has been observed from here too. He probably wants his elder son in his business as successor. But he could not decide about the role of his second son in the business. Therefore, the study concludes that Mr. Mukul does not have made a succession plan yet for his business.

Table 5.5-b: Summary of predecessor related factors and succession plan in Case 5

Predecessor related factors and succession plan	Outcome
<i>Capacity of Self Reflection</i>	High
<i>Opportunity of New Life</i>	Low
<i>Ability to Disassociate from the Business</i>	Low
<i>Ability to Delegate Power and Authority</i>	Low
<i>Leadership</i>	High
<i>Succession Plan</i>	Not planned
<i>Level of succession</i>	Not started

5.6 Case 6: Rahman Traders

5.6.1 General Information

M/s Rahman traders was established by Mr. Md. Aatur Rahman in 1985 at Puthiapara, Nawhata, Paba, Rajshahi. Before starting this business Mr. Md. Aatur Rahman worked in a business as employee in manager position. During 1990s he opened a rice mill and later in 2011 he established the Nawhata Jute Mills of which 75% ownership belongs to him and 25% to his partner who is not a member of his family. Mr. Md. Aatur Rahman is now holding the Managing Director position of the jute mill. Number of workers in his newly established business is about 300 at present.

Table 5.6-a: Basic information about Case 6

1. Name of the firm	Rahman traders
2. Year of establishment	2011
3. Number of business line(s)	3
4. Number of branches	
5. Generation(s) involved	First and Second
6. Offspring of the predecessor	2 sons
7. Education of the predecessor	Higher Secondary Certificate
8. Education of the successors	Bachelor Graduate (BBA)

5.6.2 Persons Interviewed

Mr. Md. Aatur Rahman (Henceforth as Mr. Rahman) who is the founders of the firms and predecessor for the purpose of the study was available for interview.

5.6.3 Analysis of the Interview

(a) Questions to examine *Capacity of Self Reflection*:

The study finds strong capacity of self reflection of the predecessor who is the founder of two businesses of his family. In his early days he worked as employee in a different firm where he learned how to manage a trading based firm. Later he established his own business. He had a dream of a manufacturing based business and established the Jute mill to fulfill his dream. He said,

“I worked in a trade business of another owner for about 3 years after finishing my study in 1982. Later I started my own trade business. I continued with that trade business for the next 24/25 years but I had a dream of a manufacturing unit where I shall be able to create employment for about 1 or 2 thousand people. This thought became prominent in later 1990s. I was successful in forming sufficient capital base from my previous trade business. Then I started a traditional rice mill. Later, one of my relatives proposed me of a Jute mill. With his help, I established Nawhata jute mill.”

Mr. Rahman was not inspired by his father to build the career of a businessman. His father did not encourage him in building a business career. Instead it was his own choice. He said,

“My father had a small business but he did not encourage me in his business. I developed my own business.”

It has been observed that Mr. Rahman has a good vision about his life and career. Mr. Rahman said about his dream and achievements of those dreams,

“I did not have a dream of becoming a millionaire or becoming an owner of an industry. Instead, in my locality there is lack of opportunity of employment. Many people of this locality have to go to other cities for job. If there are a few like me in north Bengal, we could create employment in this region. I dream that, one day I shall not remain but my factories will. Thousands of workers will work in those factories and will earn for their food. I want to remain as their mean of earnings. I have no other dream than this.”

Mr. Rahman feels that he has not been able to finish his task yet. He said, *“I think in this age I have achieved 60% of my dream.”* Therefore, Mr. Rahman has clear idea about the goal of his life and career and he wants to contribute more by adding more achievements in his career and life. The study infers that Mr. Rahman has high capacity of self reflection.

(b) Questions to examine *Opportunity of the Predecessor of New Life:*

The predecessor, at the time of interview, was holding the position of vice-chairman of Poba Upozilla. According to him, he accepted to take that position on request of the local leaders as that position has fewer responsibilities. Local leaders convinced him and he was not willing to take that position initially. According to him,

“I have to sit for a meeting a month and in the age of mobile phone I can manage the responsibilities of that office from my factory.”

He added,

“I am the president of a local college. Besides, I have to solve local ‘Shalish’ related problems. I choose my times for those activities according to my leisure. Usually, I give time for those matters on my off days.”

Therefore, as Mr. Rahman is involved in local politics and he is holding a responsible top position of his Upozilla, it may be considered as opportunity of his new life. But it is clearly found that he has not taken that career seriously yet. It is also found that he gives much priority to his business career and he gives time for politics on his leisure. He is in politics not from his choice but on pressure from his friends and relatives. Priority of his business has been observed when he was talking about understanding with his wife.

“I cannot give much time for my family. My wife is a housewife. She looks after family matters. She knows, I am a businessman... I don’t have enough time for family matters. She has accepted all these things. Usually I don’t face any problem.”

Therefore, priority of his business is observed everywhere from these comments. Actually the study observes high opportunity of new life of Mr. Rahman within his

business career. He started his trading business which was his original business that was established in 1985. His jute mill has been established in 2011. Actually Nawhata jute mill has created new opportunity of life for him. In response to the question on his ability to delegate power and authority, Mr. Rahman replied, *“At this moment I have a manager to supervise my other businesses.”* That shows that Mr. Rahman has not been involved in his original trading business at the time of interview. In response to another question Mr. Rahman said, *“As I have come to manufacturing by establishing Nawhata jute mill, that trading business is now a bit less attended.....”* This shows that Mr. Rahman is now giving most of his time to the jute mill unit. Even Mr. Rahman feels that he has the ability to build a few more industries like the one he has at present. He said, *“I have a bigger dream. If we (partners) can work together, we can build a few more industries like this. I guess we can and it will happen.”*

Therefore, Mr. Rahman has made him more involved in his new business (Jute mill). He is thinking about similar more manufacturing based business units. Thus the study considers high opportunity of new life of Mr. Rahman in his new manufacturing based businesses.

(c) Ability of the predecessor to *Disassociate from the Business*:

The study finds that Mr. Rahman is strongly associated with his new business, i.e., the Nawhata jute mills, while the original business, i.e., the Rahman traders is now less attended by him. After establishment of the new venture he has been able to disassociate him of the original business that still exists. Therefore, he has strong ability to disassociate him from business. This became evident when Mr. Rahman said,

“Rahman Traders is now about 20 years old. As I have come to manufacturing by establishing Nawhata jute mills, that trading business is now a bit less attended, but I feel I have the ability to look after both of the businesses.”

Though he said, he has the ability to look after both of his businesses; in reality he has already disassociated himself of the trading business. In response to another question Mr. Rahman said,

“At this moment I have a manager to supervise my other businesses.”

Therefore, after the establishment of Nawhata jute mill Mr. Rahman has disassociated himself largely from his original trading business. He said, *“I have been busy after the establishment of the factory (Nawhata jute mills).”* That indicates greater association of the Mr. Rahman with his new business and disassociation with his old business in recent times. In response to a question to know whether the predecessor has any plan to reduce his workload, he replied,

“No no no. In my lifetime, if I am physically fit, I shall extend my workload. I shall not reduce my work. Never.”

Here Mr. Rahman is thinking about his new venture, not about his old business. Therefore, the study concludes that Mr. Rahman has high ability to disassociate himself from business when he finds a new business opportunity.

(d) Ability of the predecessor to *Delegate Power and Authority*:

Mr. Rahman has delegated many of his responsibilities to his employees/managers. He has shown satisfaction with their performance. He said,

“At this moment I have manager to supervise my other businesses. I was very careful during their appointment. They are working there for a long time. I monitored them closely after their appointment. I regularly observed their performance. The present workers’ performance is satisfactory.”

Despite the fact that Mr. Rahman had to delegate a few power and authorities to his employees or managers, he does not believe in their ability or honesty. He said,

“But it is not possible to depend on them in full. I cannot rely on them cent percent when I have to buy raw materials in bulk quantity. I don’t believe that my managers/employees will carry the business on behalf of my family honestly in my absence.”

But it is found that Mr. Rahman could delegate power and authorities to his successors with more confidence as he said,

“There is no such problem in the case of my sons. It is the business of my sons. They are everything of the business in absence of the father. Sons must possess more attachment with the business than the employees.”

It is also observed that Mr. Rahman takes back delegated power and authority from his employees when he finds lack of efficiencies to assignees. A contrast has been found in case of a manager who is now delegated entire management of his original trading business. He has assigned entire power and authority to his that manager of trading business. He said,

“But the manager that I have in my trading business is efficient. I have assigned almost all responsibilities to him of that business. He is working for the last 15 years. I have trained him personally. During his initial years he used to make a few mistakes. But I kept patience and now he has become an expert. He supervises that business. Actually I don’t have time for that business and I have to depend on him.”

Considering the contrasting behavior of Mr. Rahman that he has successfully delegated power and authority of his original business to one of his employees and in contrast he cannot rely on other employees or managers in full when he assigns power and authority to them, the study concludes that Mr. Rahman has moderate to high ability of delegation of power and authority.

(e) Leadership of the predecessor:

Mr. Rahman has good leadership ability. He was successful enough to train his employees or managers. He said, *“I have trained my managers/employees myself.”* Despite Mr. Rahman is not confident on his employees’ dedication to the business or on their honesty. This is a clear indication that Mr. Rahman has been unable to lead his employees to feel that the business belongs to them. He said,

“But it is not possible to rely on them in full. I cannot rely on them cent percent when I have to buy raw materials in bulk quantity. I don’t believe that my managers/employees will carry the business on behalf of my family honestly in my absence.”

He added,

“Employees don’t consider the business as theirs. Employees of our region do not have this mental set up. In this region differentiating between the business entity and the owner is not possible. That is the cause of this mental set up of the employees of our region.”

Mr. Rahman has a ‘we’ feelings which indicate a good leadership skill of him. About support from his managing director of the jute mill unit, he said,

“...and we two have been successful to keep the business established and now we wish to see the business ahead.”

Mr. Rahman evaluates skills of workers and gives right responsibility to right person. But he keeps close supervision to lead them towards successful operation of the factory. He said,

“The General Manager of the jute mill looks after the production side while I look after supply chain. I believe everyone again I don’t believe anyone. My General Manager understands production related matters better than me. But I visit the factory regularly to monitor whether the wheels of the factory are moving or not or whether the employees are working or not.”

Mr. Rahman believes that his elder son will be able to be successful in business and he wants him to be in his business as successor. But there is probability that his younger son may also become interested in the business. So, there is probability of future conflicts and Mr. Rahman has plans to manage that conflict. He will give ownership to his both sons to avoid conflict among them. He said,

“Because of their age, I did not have to face any such problem yet. I have plans to give ownership to both sons. But management will remain in the hands of my elder son.”

Mr. Rahman has started informally introducing his elder son in the jute mill. The successor has not been given any specific assignment but Mr. Rahman brings him in factory on his vacation and lets him spend his time in the factory. Mr. Rahman said, *“Yes. When he visits Rajshahi on vacation, he spends most of his time in the factory. Before his intermediate studies I did not take him to business. Now I am bringing him into business.”*

Mr. Rahman added,

“I think, if he learns different tasks of the business, later he will be able to perform them easily. It is his time to compare theories he has learned in BBA with practical situations here in the factory.”

In response to question “do you give him any specific tasks?”, Mr. Rahman replied,

“No. I did not assign him any specific task yet. He observes the operations in the factory according to his interest and choice. Sometimes he tries to understand the machines of the factory. Sometimes he observes the workers. I did not assign him any big responsibilities like procurement of raw materials or marketing. Because he has not finished his education yet. I have a plan that, when he will finish his study, I shall train him on each and everything of my business personally.”

By considering different aspects that have been mentioned in this section, the study considers a moderate to high leadership skill in Mr. Rahman.

(f) About succession plan

Mr. Rahman has a clear succession plan. Though the plan is not in written form, Mr. Rahman has been able to conceptualize the plan clearly and implementation of the succession plan has been started. He said, *“We have already selected our successor and we are training him up.”* He plans to bring his elder son in the business as the successor though ownership of the business will be shared by both of his sons. Mr. Rahman said, *“I have plans to give ownership to both sons. But management will remain in the hand of my elder son.”* He added, *“I always had a wish that I shall be*

in business and I shall make my business large enough and my elder son will carry the business forward.” He is educating his elder son in business administration and he feels that education in business administration will help him in better management of his business by him. He wishes that his younger son will be a doctor. He said,

“My younger son is now 15 years old and I want to make him a doctor... I don't want to bring my younger son into business. My elder son will be a businessman and my younger son will be a doctor. This is my wish.”

Thus his succession plan is pretty clear though it is not written. He considers his elder son as successor of his business. But the study finds an exceptional event here in this case. As a result of introduction of new venture by Mr. Rahman he has already assigned almost all power and authority to his manager and at the moment the original trading business is run by the external manager. No intention of Mr. Rahman has been observed to discontinue that operation or to give that operation to his son. Instead Mr. Rahman has been planning to introduce his son in the jute mill business. The study observed that Mr. Rahman is training his son in the Jute mill business related matters. Considering the present role of the successor in the business, the study concludes that succession has been started in the business though the succession is in initial level.

Table 5.6-b: Summary of predecessor related factors and succession plan in Case 6

Predecessor related factors and succession plan	Outcome
<i>Capacity of Self Reflection</i>	High
<i>Opportunity of New Life</i>	High
<i>Ability to Disassociate from the Business</i>	High
<i>Ability to Delegate Power and Authority</i>	Moderate to high
<i>Leadership</i>	Moderate to high
<i>Succession Plan</i>	Well planned but not written
<i>Level of succession</i>	Initial level

5.7 Impact of Predecessor Related Factors on Succession Plan and Succession

It is observed from table 5.7 that in four cases there is succession plan and out of them three already have achieved a level of succession, one in super advanced level, one in advanced level and one in initial level. One has succession plan but no progress in succession has been achieved. The remaining two has no succession plan and reasonably no achievement in succession have been observed in those cases.

Table 5.7: Summary of predecessor related factors and succession plan

Predecessor related factors	Sopura silk mills ltd.	Soron garments	Gorgeous tailors	Basundhara enterprise	Mirjan auto rice mill	Rahman traders
<i>Capacity of Self Reflection</i>	High	Moderate	High	Low	High	High
<i>Opportunity of New Life</i>	High	Low	High	Low	Low	High
<i>Ability to Disassociate from the Business</i>	Low	Low	High	Low	Low	High
<i>Ability to Delegate Power and Authority</i>	High	Low	High	High	Low	Moderate to high
<i>Leadership</i>	High	Moderate to high	Moderate to High	Moderate to High	High	Moderate to high
Succession plan related information						
<i>Succession Plan</i>	Written well planned	Well planned but not written	Well planned but not written	Not planned	Not planned	Well planned but not written
<i>Level of succession</i>	Advanced level	Not started	Super advanced level	Not started	Not started	Initial level

The impact of predecessor related factors on succession plan and succession in these six firms have been discussed in the following section.

5.7.1 Capacity of Self Reflection

Table 5.7 shows that, capacity of the predecessor of self reflection is high in case of Sopura silk, Gorgeous tailors, Mirjan auto rice mill and Rahman traders. The capacity of self reflection is moderate in case of Soron garments and low in case of Basundhara enterprise. It is observed from the table that in case of Sopura silk capacity of self reflection of the predecessor is high and there is existence of succession plan with achieved advanced level of succession. In case of Soron garments capacity of self reflection of the predecessor is moderate and there is existence of succession plan. But no progress in succession has been achieved in this case. In case of Gorgeous tailors there is high capacity of the predecessor of self reflection. There is existence of succession plan and super advanced level of achieved succession in this firm. In case of Basundhara enterprise there is low capacity of self reflection of the predecessor. This firm has no succession plan and no progress in succession has been achieved. Mirjan auto rice mill shows high capacity of self reflection of the predecessor with no existence of succession plan and no progress in achieved succession. In case of Rahman traders the predecessor has high capacity of self reflection. The firm shows existence of succession plan and initial level of achieved succession.

It has been observed that firms have succession plan and they have achieved a level of succession in those cases (Sopura silk, Gorgeous tailors, and Rahman traders) where the capacity of self reflection of the predecessor is high. In the case (Soron garments) where there is succession plan but no progress of succession has been achieved, the capacity of self reflection of the predecessor is moderate. Mixed observation has been achieved in cases where there is no succession plan and no progress in succession has been achieved. In one case (Mirjan auto rice mill) of those two cases capacity of self reflection of the predecessor is high, while in other case (Basundhara enterprise) it has been found low. Therefore, high capacity of self reflection of the predecessor does not guarantee existence of succession plan and achievement of growth of succession in the firm. But a high capacity of self

reflection of the predecessor may be a required factor for existence of a succession plan and for an achieved progress in succession.

5.7.2 Opportunity of New Life

It has been observed from table 5.7 that in case of Sopura silk, Gorgeous tailors, and Rahman traders opportunity of the predecessor of new life is high. On the other hand the opportunity of the predecessor of new life is low in case of Soron garments, Basundhara enterprise, and Mirjan auto rice mill. In case of Sopura silk opportunity of the predecessor of new life is high while there is succession plan and there is advanced level of succession. In case of Soron garments opportunity of the predecessor of new life is low though there is existence of succession plan but succession has not been achieved. In Gorgeous tailors a high opportunity of the predecessor of new life has been found. This firm has existence of succession plan and super advanced level of achieved progress in succession. Basundhara enterprise and Mirjan auto rice mill have low opportunity of the predecessor of new life. These firms do not have any succession plan and achieved progress in succession. In case of Rahman traders opportunity of the predecessor of new life is high. There is existence of succession plan and the achieved initial level of succession.

It has been observed from the cases that the firms have succession plan and the firms have achieved a level of succession in those cases (Sopura silk, Gorgeous tailors, and Rahman traders) where the opportunity of the predecessor of new life is high. In the case (Soron garments) where there is succession plan but no progress of succession has been achieved, opportunity of the predecessor of new life is low. Low opportunity of the predecessor of new life has also been found in those cases (Mirjan auto rice mill, and Basundhara enterprise) where there is no succession plan and no progress in succession is achieved.

Therefore, from the cases of Sopura silk, Gorgeous tailors, and Rahman traders it can be inferred that a high opportunity of the predecessor of new life may cause existence of succession plan and that may also result into progress in succession in the tenure of the predecessor in the family owned firms. By analyzing the cases of Soron garments, Mirjan auto rice mill, and Basundhara enterprise, it can be inferred that chances of existence of succession plan become lower when the predecessor has

low opportunity of new life. The possibility of achieving progress in succession is even lower in those cases where there is low opportunity of new life of the predecessor.

5.7.3 Capacity of Self Reflection and Opportunity of New Life as Interdependent Factors

According to Handler (1989), if the leaders are able to find new opportunities to reflect themselves, then the succession process would be successful, otherwise the predecessor will be able to move the succession to the level of monarch from the stage of sole operator and the successor will be only able to work as a helper. Therefore, predecessors' two factors *capacity of self reflection* and *opportunity of new life* are interdependent. In this section the interdependence of the two factors have been tested from the outcomes of the cases of the study.

It has been observed that in case of Sopura silk, Gorgeous tailors, and Rahman traders the predecessor has high capacity of self reflection and high opportunity of new life. Sopura silk has written well planned succession plan which achieved advanced level of succession. Gorgeous tailors has not written but well planned succession plan and achieved super advanced level of succession. Rahman traders has not written but well planned succession plan but achieved initial level of succession.

Contrast to these three cases, the predecessor of Basundhara enterprise has low capacity of self reflection and low opportunity of new life. The firm has no succession plan and no progress in succession. The predecessor of Mirjan auto rice mill has high capacity of self reflection and low opportunity of new life. The firm has no succession plan and no progress in succession. The predecessor of Soron garments has moderate capacity of self reflection and low opportunity of new life. The firm has not written but well planned succession plan but no progress in succession.

Therefore, firms with predecessors who have high capacity of self reflection backed by high opportunity of new life have both well planned succession plan and achieved succession. Firms with predecessor who have moderate or high capacity of

self reflection with low opportunity of new life, lack succession plan or achieved succession or both. Firms with predecessor who have low capacity of self reflection with low opportunity of new life lack both succession plan and achieved succession.

5.7.4 Ability to Disassociate from the Business

Table 5.7 shows that ability of the predecessor to disassociate from the business is high in case of Gorgeous tailors and Rahman traders. Ability of the predecessor to disassociate from the business is low in other cases. Low ability of the predecessor has been found in case of Sopura silk where there is succession plan and an advanced level of progress in succession. In case of Gorgeous tailors ability of the predecessor to disassociate from the business is high where there is succession plan and a super advanced level of progress in succession. In case of Rahman traders ability of the predecessor to disassociate from the business is high where there is succession plan and an initial level of progress in succession. In case of Soron garments ability of the predecessor to disassociate from the business is low where there is succession plan but no progress in succession has been achieved. In cases of Mirjan auto rice mill and Basundhara enterprise ability of the predecessor to disassociate from the business is low where there is no succession plan and no progress in succession has been achieved.

By taking the cases Gorgeous tailors, and Rahman traders into consideration it can be inferred that a high ability of the predecessor to disassociate from the business may increase chance of existence of succession plan and an achieved progress in succession. Though a low ability of the predecessor found in case of Sopura silk where there is succession plan and an advanced level of progress in succession indicates that ability to disassociate from the business may not be an indispensable characteristic of the predecessor for existence of succession plan and/or achieving a progress in succession in the family owned firms.

From the cases Mirjan auto rice mill, and Basundhara enterprise it can be concluded that low ability of the predecessor to disassociate from the business may increase chance of non existence of succession plan and no achieved progress in succession. Though combination of a low ability of the predecessor and existence of succession plan, while no progress in succession in Soron garments may indicate that despite of

low ability of the predecessor to disassociate him or her from the business may not resist existence of succession plan in the firm. But as in all these three cases (Soron garments, Mirjan auto rice mill, and Basundhara enterprise) no progress in succession have been achieved, it can be inferred that a low ability of the predecessor to disassociate from the business results into resistance in achieving progress in succession during the tenure of the predecessor.

5.7.5 Ability to Delegate Power and Authority

Table 5.7 shows that ability to delegate power and authority of the predecessor is high in case of Sopura silk, Gorgeous tailors, and Basundhara enterprise. It is moderate to high in case of Rahman traders while low in case of Soron garments, and Mirjan auto rice mill. When this predecessor related factor is compared with succession planning and level of succession, it is found that, the predecessor of Sopura silk has high ability of delegation of power and authority while there is written succession plan and the firm has achieved advanced level of progress in succession. The case Gorgeous tailors also shows high ability of the predecessor to delegate power and authority and it also has well planned but not written succession plan, while the firm has achieved super advanced level of succession. Another firm, Basundhara enterprise, also shows high ability of the predecessor to delegate power and authority. But in this case the firm does not have any succession plan and there is no progress in succession in the firm. Rahman traders shows moderate to high ability of the predecessor to delegate power and authority and well planned but not written succession plan with initial level of progress in succession. On the other hand predecessor of Soron garments has low ability to delegate power and authority. But the firm has well planned but not written succession plan though the firm has not achieved any progress in succession. Another firm, Mirjan auto rice mill, also shows low ability of the predecessor to delegate power and authority. But in this case the study did not find existence of succession plan and also no progress in succession has been achieved.

From the cases Sopura silk, Gorgeous tailors, and Rahman traders it is observed that the predecessor has high or moderate to high ability of delegation of power and authority and the firms have succession plan and an achieved progress in

succession. Exception is Basundhara enterprise, where the predecessor shows high ability to delegate power and authority, while the firm does not have succession plan or any achieved progress in succession. Considering these four cases, it can be inferred that a high ability of the predecessor to delegate power and authority may positively affect the existence of succession plan and that may help achieving progress in succession in the firm. But the contrasting scenario in Basundhara enterprise may implicate that a high ability of the predecessor to delegate power and authority may not guarantee an existence of succession plan or an achieved progress in succession in the firm.

On the other hand, from the analysis of the cases Soron garments, and Mirjan auto rice mill it has been found that the predecessor has low ability to delegate power and authority. Though the predecessors of these two cases commonly have low ability, Soron garments have well planned succession plan while Mirjan auto rice mill does not have any succession plan. In both of the cases the firms do not have any progress in achieved succession. Therefore, it can be concluded from these two cases that a low ability of the predecessor of delegation of power and authority reduces the probability of existence of succession plan. It reduces the probability of achieved progress in succession even to a greater extent.

It has been observed in this section that, ability of delegation of power and authority has a positive relation with succession plan and achieved progress in succession in the family owned firms. Only exception has been the Basundhara enterprise, where the predecessor shows high ability to delegate power and authority, while the firm does not have succession plan or any achieved progress in succession. There is every possibility that a few other predecessor related factors might be responsible for this exception in Basundhara enterprise. For this reason the study went into further investigation to explore possible causes of this outcome. This has been observed that Basundhara enterprise is a partnership business where the predecessor of Basundhara enterprise owns 75% and the rest by his partner who is his friend. The business was established by the predecessor's father. It has also been found that the predecessor has low ability of self reflection. He has not been successful in his previous career in politics. It has also been found that the predecessor is not satisfied with his present business performance and achievements.

An important factor that has been identified in this case is that, the predecessor of Basundhara enterprise has three offspring, first two are daughter and the youngest one is a son. Age of the first two daughters is 22 and 18 years respectively and the son is 11 years old. The predecessor of the business is Hindu in religion while the predecessors of other five cases are Muslims. According to Hindu law and culture, daughters are not entitled to property of their father. That might have affected the predecessor of the business for not thinking about his daughters as successor of the business. The third offspring who is a son is 11 years old who is too young to think about bringing him as a successor in the business.

To understand this situation in Basundhara Enterprise the study analyzed findings of previous studies on this area. In the study of Sharma, and Rao (2000) where family owned firms of India have been compared with that of Canadian firms and the study finds lower profile and role of women in Indian family owned firms. It was also found that predecessors of Indian family firms rate successors' gender and their birth order as more important factor than that of Canadian family firms. In another study Getz and Petersen (2004) show that life stage of parents and children affects succession. Findings of these two studies explain the probable cause of behavior of the predecessor of Basundhara enterprise as both India and Bangladesh belongs to South Asia who has common history and cultural background. Therefore, it can be concluded that despite of high ability of delegation of power and authority, the predecessor might not have succession plan for his business because of the fact that his first two offspring are daughter and that's why he did not want to bring them in business. The age of his son is too young to think about him as successor in his business. It is also possible that the present dissatisfaction of the predecessor about his business and its future may create apathy in the predecessor that may lead to non existence of succession plan and achieved progress in succession in the business.

Because of these exceptions in Basundhara enterprise, this case has been ignored to infer on the relationship of the factor *ability* of the predecessor *to delegate power and authority* with the existence of succession plan and achieved progress in succession in the firm. Thus considering other cases and outcomes of those cases it is inferred that, ability of delegation of power and authority has a positive relation

with succession plan and achieved progress in succession in the family owned firms in Bangladesh.

5.7.6 Leadership

Table 5.7 shows that leadership skill of the predecessor of Sopura silk, and Mirjan auto rice mill is high while the leadership of the predecessor of the other cases is moderate to high. While this predecessor related factor is compared with succession planning and level of succession it is found that, in case of Sopura silk leadership skill of the predecessor is high while there is written succession plan and the firm has achieved advanced level of succession. Mirjan auto rice mill also shows high ability of the predecessor of leadership. But in this case the study did not find existence of succession plan and also no progress in succession has been achieved. On the other hand moderate to high leadership skill has been observed in case of Soron garments and there is well planned but not written succession plan in this firm though the succession has not been started yet. Gorgeous tailors also shows moderate to high leadership skill. But in this case the firm has well planned succession plan though it is not written. The firm also has achieved a super advanced level of succession. Basundhara enterprise is another case where the predecessor of the firm has moderate to high ability of leadership. But in contrast to other cases where there is moderate to high leadership skill, the firm does not have succession plan and the firm has not achieved any progress in succession. Rahman traders is the fourth case where the predecessor has moderate to high leadership ability. In this case the firm has succession plan that is not written and the firm has achieved initial level of succession.

By considering the leadership ability and the existence of succession plan and achieved progress in succession in the respective firms, it can be inferred that leadership ability is not associated with the succession plan and achieved progress in succession in the respective family owned firms. Leadership ability of the predecessor of the studied cases is either high or moderate to high. In case of Sopura silk, which is one of the two cases where there is high leadership ability of the predecessor, there is written succession plan and an advanced level of succession has been achieved. In contrast, in case of Mirjan auto rice mill, which is the other

case where there is high leadership ability of the predecessor, there is no succession plan and no progress in succession has been achieved. Therefore, the cases where there is high leadership ability of the predecessor, show lack of association of leadership ability with succession plan and level of achieved progress in succession in the firms.

On the other hand four cases show moderate to high leadership ability of the predecessor. Three out of those four, such as Soron garments, Gorgeous tailors and Rahman traders, have succession plan, while Basundhara enterprise does not have any succession plan. Out of the three cases where there is moderate to high leadership ability of the predecessor with succession plan in the firm, one case such as Gorgeous tailors has super advanced level of succession, one case such as Rahman traders has initial level of succession and in one case such as Soron garments, succession has not been started. The remaining case of the four such as Basundhara enterprise, where there is moderate to high leadership ability, does not have succession plan and no progress in succession has been achieved. Therefore, the cases where there is moderate to high leadership ability of the predecessors also show lack of association of leadership ability with succession plan and level of achieved succession in the family owned firms.

Chapter 6

Analysis of Quantitative Data

A survey has been conducted on Family owned firms located on the northern region of Bangladesh to identify existence of succession plans and the external factors that influence the predecessors in succession planning and in turn that is/are responsible for the existence or absence of succession plans in those family owned firms in Bangladesh.

6.1 Demographic Distribution of the Firms

The family owned firms of the study are selected randomly from the eight districts of Rajshahi division. The districts that are covered in this study are (i) Rajshahi (ii) Chapai Nawabgonj (iii) Naogaon (iv) Natore (v) Bogra (vi) Jaipurhat (vii) Pabna, and (viii) Sirajgonj. As presented in table 6.1, out of total 229 family owned firms considered for the study, 63 firms (27.51%) are in Rajshahi followed by Nawabganj 30 (13.10%), Bogra 30 (13.10%), Natore 30 (13.10%), Jaipurhat 17 (7.42%), Naogaon 28 (12.23%), Pabna 10 (4.37%), and Sirajganj 21 (9.17%) firms. Highest number of family owned firms have been interviewed from Rajshahi district (n=63; 27.51%). On the other hand lowest number of firms (n=10; 4.37%) have been taken from Pabna. Interviewers deployed in Pabna faced some higher degree of difficulty to match the criteria of family firms that were set for the study. That is why the number of respondents has been comparatively low in Pabna. Similar experience was in the case of Jaipurhat (n=17; 7.42%). As a small city, the number of family owned firms that match with the criteria set for the study were found to be very low in these districts.

Table 6.1: District wise distribution of surveyed family owned firms

Districts	Frequency (n)	Percentage %
Ra'shahi	63	27.51
	30	13.10
	30	13.10
	30	13.10
	17	7.42
	28	12.23
	10	4.37
	21	9.17
	229	100

6.2 Business Category

The study attempts to classify the family owned firms in terms of nature of business that they are involved in. Three categories of family owned firms have been identified such as (i) Manufacturing firms, (ii) Merchandising firms, and (iii) Service firms. From table 6.2-a it is observed that most of the family owned firms under this study are involved in merchandising business (n=166; 72.49%) followed by manufacturing business (n=51; 22.27%) and service providing firms (n=12; 5.24%).

In terms of ownership of the firms, the study classifies family owned firms in three categories such as, (i) Sole proprietorship firms, (ii) Partnership firms, and (iii) Joint stock companies. It is observed in the study (Table 6.2-b) that family owned firms are mainly dominated by sole proprietorship forms of ownership (n=170; 74.24%) followed by Partnership (n=57; 24.89%) and Joint stock companies (n=2; 0.87%) which are private limited in type.

Table 6.2-a: Types of business operations

Business Operations	Frequency (n)	Percentage (%)
Manufacturing	51	22.27
Merchandising	166	72.49
Service	12	5.24
Total (N)	229	100

Table 6.2-b: Form of ownership

Form of Ownership	Frequency (n)	Percentage (%)
Sole Proprietorship	170	74.24
Partnership	57	24.89
Joint Stock Companies	2	0.87
Total (N)	229	100

6.3 Generation in the Business

The present study also attempts to explore the present generation of the family owned firms that have been studied. Family owned firms which are in first generation have been excluded from the study. Therefore, all the firms considered in this phase of the study are in second or subsequent generation. It is observed from table 6.3-a that most of the family owned firms under observation are in second generation (n=187; 81.66%) followed by third generation firms (n=33; 14.41%) and subsequent generation firms (n=9; 3.93%). This indicates the facts that family owned firms in Bangladesh suffer set back in subsequent generations and thus fail to survive in the subsequent generations.

The present study attempts to explore whether the predecessor of the present owner of the firm has involvement in the family owned firms or not. It has been observed from table 6.3-b that most of the previous owners (n=153; 66.81%) are inactive in the business while a small but significant number of previous owners (n=76; 33.19%) are somehow active in the business. This indicates that there are a large number of cases of incomplete succession in family owned firms in Bangladesh.

The study also attempts to explore whether the firms were established by the forefather of the existing owners or not. It is observed from the study (Table 6.3-c) that most of the family owned firms have been established by the parents of the existing owner (n=167; 75.23%) followed by grandfather or grandmother of the present owner (n=33; 14.86%), parents of the present owner's spouse (n=5; 2.25%) and other cases (n=17; 7.66%).

Table 6.3-a: Present active generation of the business

Generation of the Business	Frequency n	Percentage (%)
Second Generation	187	81.66
Third Generation	33	14.41
Subsequent Generation	9	3.93
Total (N)	229	100

Table 6.3-b: Activeness of the previous owner

Status of the Previous Owner	Frequency (n)	Percentage (%)
Active	76	33.19
Inactive	153	66.81
Total (N)	229	100

Table 6.3-c: Founder of the business

Founder	Frequency n	Percentage %
Parents of the present owner	167	75.23
Grandfather or grandmother of the present owner	33	14.86
Parents of the present owner's spouse	5	2.25
Others	17	7.66
Total (N)	222	100

6.4 Involvement of Non-Family Managers

The study has attempted to explore the scenario relating to involvement of professional managers, who are not member(s) of the respective business family but are working in the management of that business. It has been observed from table 6.4-a that, 214 firms (93.45%) don't take the service of professional managers at all while professional managers are working in only 15 (6.55%) firms. Table 6.4-b shows that out of these 15 firms, 6 (2.62%) firms have employed professional

managers as CEOs while in 223 (97.38%) cases CEO have been selected from within the family. This reveals the fact that there is lack of use of professional manager, especially in the top level, in the family owned firms in Bangladesh.

Table 6.4-a: Involvement of non-family professional managers

Non-family professional managers	Frequency n	Percentage %
Involved	15	6.55
Not involved	214	93.45
Total (N)	229	100

Table 6.4-b: Use of professional manager in the CEO position

Type of CEO	Frequency n	Percentage %
Professional CEO	6	2.62
CEO from the family	223	97.38
Total (N)	229	100

6.5 Involvement of Other Family Members in the Business

As there is lack of use of professional manager in the family owned firms in Bangladesh, it is usual that family members will have involvement in the operations of the family owned firms. As involvement of more family members presumably facilitates succession of the business within the family, present study intended to explore the involvement of other family members in the business. It is observed from table 6.5-a that in case of 149 family owned firms (65.07%) there is involvement of other family members in the management while in case of 80 family owned firms (34.93%) other family members are not involved.

From table 6.5-b it is observed that out of 149 family owned firms where other family members are involved, siblings are in leading position next to CEOs in 109 firms (73.15%), sons in 15 firms (10.07%), spouse in 1 firm (0.67%). Respondents of 24 (16.11%) cases did not specify the involved family member in the firm.

These findings indicate that the family firms may have the influence of socio cultural pattern of our country where there is the existence of joint family structure.

It is also observed that the present owner has to bring his or her siblings instead of his or her offspring as the leading member in the family owned firms which may result into subdivision of the family business during the transition of the business that might result into death or shrinkage of the business. As this issue was beyond the scope of the study, this issue has not been covered in detail in the study.

Table 6.5-a: Involvement of other family members in the business

Other family members	Frequency n	Percentage %
Involved	149	65.07
Not involved	80	34.93
Total (N)	229	100

Table 6.5-b: Leading involved family member after the owner

Family member who leads	Frequency n	Percentage %
Sibling	109	73.15
Son	15	10.07
Spouse	1	0.67
No reply	24	16.11
Total (N)	149	100

6.6 Identification of Successor

The identification of next business leader is one of the most important phases of a succession planning process. Therefore, the present study tries to find whether the family owned firms have identified next business leader in advance or not. From table 6.6-a it is observed that 62 firms (27.07%) have identified successor in advance while in most of the cases (n=164; 71.62%) successor has not been identified.

From table 6.6-b it is observed that out of 62 family owned firms where successor has been identified, the successor is the son of the present owner in 34 cases (54.84%), sibling in 21 cases (33.87%) and spouse in 1 (1.61%) case. In 6 cases the relationship of the successor with the predecessor could not be identified.

The present study has also tried to know about the successors' level of involvement and position in the business. It has been observed from table 6.6-c that out of 62 family owned firms where successor has been identified, the successor is involved in the business in 56 (90.32%) cases while in the rest cases (n=6; 9.68%) the successor is not involved. The successor is involved in top level management in 34 (54.84%) cases, in middle management in 14 (22.58%) cases and in operational level in 8 (12.90%) cases.

Table 6.6-a: Existence of selected successor

Condition of identification	Frequency (n)	Percentage (%)
Identified	62	27.07
Not identified	164	71.62
No reply	3	1.31
Total (N)	229	100

Table 6.6-b: Relationship of the successor with the predecessor

Relationship	Frequency (n)	Percentage (%)
Son	34	54.84
Sibling	21	33.87
Spouse	1	1.61
Not specified	6	9.68
Total (N)	62	100

Table 6.6-c: Involvement of the successor in business

Involvement and positions	Frequency (n)	Percentage (%)
Top management	34	54.84
Middle management	14	22.58
Operation level	8	12.90
Not involved	6	9.68
Total (N)	62	100

6.7 Existence and Nature of Succession Plan

The study attempted to explore the existence of succession plan and its nature in those cases where there is succession plan. Table 6.7 shows that in most of the cases (n=167; 72.93%) there is no succession plan. In 62 (27.07%) cases there is succession plan out of which in 5 (2.18%) cases succession plan is written and formal while in 57 (24.89%) cases the nature of succession plan is informal and not in written form.

Table 6.7: Existence and nature of succession plan

Existence	Frequency (n)	Percentage (%)
Formal written succession plan exists	5	2.18
Informal/not written succession plan exists	57	24.89
No succession plan	167	72.93
Total (N)	229	100

6.8 Involvement of Family Members in Succession Planning

The implementation of a succession plan depends much on how strong the understanding among the family members is regarding that plan. The present study explores the mastermind of the succession plan where it exists. It has been observed from table 6.8 that out of 62 family owned firms where there is succession plan the predecessor (present incumbent) alone is the mastermind of the succession plan in 10 (16.13%) cases, while in 50 (80.64%) cases the predecessor has masterminded the succession plan consulting with other members of the family. In 2 cases (3.23%) of 62 firms where there is succession plan it was not possible to know the person who masterminded the succession plan.

Table 6.8: Mastermind in succession plan

Mastermind	Frequency (n)	Percentage (%)
Present incumbent only	10	16.13
Consultation with other members of family	50	80.64
No reply	2	3.23
Total (N)	62	100

6.9 Determinants of the Existence of Succession Plan in Family Owned Firms

6.9.1 Cross-tabulation

As an attempt to identify factors that affect the non-existence or existence of succession plan in the form of written or not, correlation between the succession plan and other variables have been determined. It is observed that the existence of succession plan doesn't have significant correlation with location of the enterprise, year of establishment of the enterprise, business category, forms of ownership of the business and even generation of the business. It is also observed that existence of succession plan does not have any significant correlation with utilization of professional manager or professional Chief Executive Officer (CEO) in the family owned firm. Therefore, these variables do not affect the existence of succession plan in the family owned firms.

While, significant correlation is observed with (i) *number of siblings of the present owner* (sig. 0.021), (ii) *involvement of other family members in the business* (sig. 0.011), (iii) *leading involved members* (sig. 0.001), and (iv) *predecessor is result of the plan of the previous owner or not* (sig. 0.034). Most of these variables have a common dimension in them like, how many potential claimants of the business has other than the offspring of the present owner measured by the number of siblings of the present owner. Other two variables such as involvement of other family members in the business and leading involved members also have direct effect on this variable. Keeping this point in mind the present study tried to analyze the nature of the involved members in the business and existence of succession plan in those businesses.

Table 6.9: Cross-tabulation between number of siblings of the predecessor and succession plan

Number of siblings of the predecessor	Existence of succession plan (% within number of siblings of the present owner)			Total
	No succession plan in existence	Succession plan exists but not in written	Written succession plan exists	
None	100.0%	.0%	.0%	n=2 100%
One	100.0%	.0%	.0%	n=4 100%
Two	87.1%	12.9%	.0%	n=31 100%
Three	72.4%	27.6%	.0%	n=29 100%
Four	66.7%	29.2%	4.2%	n=24 100%
More than four	69.8%	27.3%	2.9%	n=139 100%
Total	n=167 72.9%	n=57 24.9%	n=5 2.2%	N=229 100%

It is observed from the study that number of siblings of the present owner has an effect on the succession plan. It is observed from table 6.9 that succession plan is completely missing when the present owner does not have any sibling. Even when the present owner has only one sibling, succession plan is still missing. Succession plan appeared to be in existence when the present owner has two or more siblings. It is also observed that larger the number of siblings of the present owner, greater the existence of the succession plan. Another finding from table 6.9 is that out of total 229 observations 62 cases have succession plan out of which only 5 cases have written succession plan. All of these 5 written succession plans were found in those observations where the present owner has four or more siblings.

Table 6.10: Cross-tabulation between number of involved other family members and succession plan

Number of involved other family members	Existence of succession plan (% within no. of involved other family members)			Total
	No succession plan in existence	Succession plan exists but not in written	Written succession plan exists	
0	84.7%	12.5%	2.8%	n=72 100%
1	72.6%	24.2%	3.2%	n=62 100%
2	68.1%	31.9%	.0%	n=47 100%
3	72.2%	22.2%	5.6%	n=18 100%
4 or more	47.8%	52.17%	.0%	n=23 100%
Total	n=162 73.0%	n=55 24.8%	n=5 2.3%	N=222 100%

It is observed in Table 6.10 that lesser the number of other involved family members in the business, lesser the existence of succession plan and vice versa. Another observation from the table is that succession plan is mostly written in those cases where there is higher involvement of other family members in the business. This gives an implication that when the involvement of other family members is increasing in the business, the predecessor is feeling larger importance to make a plan of succession. Therefore, when there is lesser number of members involved in the business, there is lesser necessity felt by the predecessor of succession plan and vice versa.

Another important finding has been presented in table 6.11 where it is observed that existence of succession plan is higher where the son of the present owner is working in the business as leading involved member from the family. While in those cases where the business has other categories of family members such as siblings or

spouse of the predecessor or other members of the family, there is lesser instances of existence of succession plan.

Table 6.11: Cross-tabulation between leading involved members and succession plan

Leading Involved members	Succession plan in written or not (% within Involved members)			Total
	No succession plan in existence	Succession plan exists but not in written	Written succession plan exists	
Son	33.3%	60.0%	6.7%	n=15 100%
Siblings	67.0%	32.1%	.9%	n=109 100%
Spouse	100.0%	.0%	.0%	n=1 100%
Others	87.5%	8.3%	4.2%	n=24 100%
Total	n=100 67.1%	n=46 30.9%	n=3 2.0%	N=149 100%

Table 6.12: Cross-tabulation between present owner as a result of predecessor's plan and succession plan

Predecessor result of the plan of the previous owner or not	Succession plan in written or not (% within Present owner result of the plan of the predecessor or not)			Total
	No succession plan in existence	Succession plan exists but not in written	Written succession plan exists	
No	86.2%	10.3%	3.4%	n=58 100%
Yes	67.6%	31.8%	.7%	n=148 100%
Total	n=150 72.8%	n=53 25.7%	n=3 1.5%	N=206 100%

The present study tries to explore the fact that whether there is any association between the existence of succession plan and the predecessor is the result of the plan of the previous owner or not. Table 6.12 compares the existence of succession plan in two different situations such as predecessor is result of the plan of the previous owner or he or she is not the result of the plan. It is observed that where the predecessor is not based on the result of the plan of the previous owner, there is higher degree (86.2%) of absence of succession plan in the present generation. On the other hand out of 56 cases where succession plan exists either in the form of written or not in 85.7% cases (48) cases the present owner was the result of the previous owners' plan (extracted from table 6.12). Therefore, it is observed that higher the cases where the predecessor is the result of the previous owners' plan greater the chance that there is succession plan in the present generation. This might be the result of the fact that predecessor who are result of the plan of the previous owners are aware of the importance or necessity of succession plan and they are in culture of developing succession plan in advance and thus developed succession plan for the business. Opposite to them where the predecessors are not result of the plan of the previous owners are not in culture of developing succession plan and they might not be aware of the importance of the succession plan and thus did not feel necessity of developing succession plan.

Therefore, from the above analysis it is possible to conclude that the existence of succession plan is affected by a complex pattern of behavior in family. The existence of succession plan is affected by the variables like how many members from the family are involved in the business, who is working as the next leading member in the business from the family and also how many siblings the present owner has. The existence of succession plan is also affected by the fact whether the predecessor was planned by the previous owner or not.

6.9.2 Weighted Mean

The respondents have been asked to assign weight (1 to 5 points) on predetermined variables which presumably motivate or hinder them to develop succession plan. From the perception of the respondents the present study tries to identify factors that motivate or hinder the predecessors to develop succession plan.

Table 6.13 shows that the top two most important factors that motivate the predecessors of family owned firms to develop succession plans are *to keep the business within the family* (Mean=3.73) and *to avoid unexpected transition* (Mean=3.61). While *the survival of the business over generation* (Mean=3.58) is the third factor that motivates them to develop succession plan followed by *to achieve the vision of the business* (Mean=3.54); *to find the suitable leader* (Mean=3.54); *to continue the practice of the business* (Mean=3.19); *to avoid succession related crisis* (Mean=2.93) and *influence of the family members* (Mean=2.72).

Table 6.13: Factors that motivate the predecessors to develop succession plan

	To continue the practice of the business	To find the suitable leader	The survival of the business over generations	To keep the business within the family	Influence of the family members	To avoid succession related crisis	To achieve the vision of the business	To avoid unexpected transition
N Valid	70	69	69	70	68	68	70	70
Missing	159	160	160	159	161	161	159	159
Mean	3.19	3.54	3.58	3.73	2.72	2.93	3.54	3.61
Standard Deviation	.87299	.55782	.65092	.44791	1.03442	.96686	.58199	.59692
Minimum	1.00	2.00	1.00	3.00	1.00	1.00	2.00	1.00
Maximum	4.00	4.00	4.00	4.00	4.00	4.00	4.00	4.00
Sum Score	223.00	244.00	247.00	261.00	185.00	199.00	248.00	253.00

Table 6.14 shows that most important factors that hinder development of succession plan are the present owners' belief that existing *inheritance law is sufficient to find successor* (Mean=3.22) and *as no potential successor identified* (Mean=2.65). Another strong factor that hinder succession plan is the fact that *the owners don't know about succession plan* (Mean=2.44). One of the weak causes responsible for non existence of succession plan is that the owner *don't think succession plan important* (Mean=2.20), while weaker cause of absence of succession plan have been observed as *conflict among family members* (Mean=1.67) and *potential conflict among successors* (Mean=2.17).

Therefore, if survival is considered as a measure of success, then it is comparatively of lesser importance to the existing owners of family owned firms while retention of control of the family in the family firm achieves more priority over others.

Table 6.14: Factors that hinder predecessors to develop succession plan

		Don't think succession plan important	Don't know about succession plan	As no potential successor identified	Conflict among family members	Inheritance law is sufficient to find successor	Potential conflict among successors
N	Valid	135	136	133	139	114	129
	Missing	94	93	96	90	115	100
Mean		2.20	2.44	2.65	1.67	3.22	2.17
Std. Deviation		1.13821	1.03827	1.02392	.79298	.97544	.93645
Minimum		1.00	1.00	1.00	1.00	1.00	1.00
Maximum		4.00	4.00	4.00	4.00	4.00	4.00
Sum Score		297.00	332.00	352.00	232.00	367.00	280.00

6.9.3 Factor Analysis

Factor analysis has been used to reduce components to a minimum number so that it becomes easier to interpret the predecessor related factors that are responsible for existence and absence of succession plan in family owned firms. Respondents have been asked to weigh a set of variables to identify responsible factors where succession plan is absent. Same procedure has been followed to identify factors for

firms that have succession plans. Respondents have been asked to weigh another set of variables to identify the factors for which they think succession plan exist in those firms. Afterwards factor analysis has been conducted and output has been analyzed as discussed in the following section.

6.9.3.1 Factors that Result into Existence of Succession Plan

In an attempt to test the suitability of the factor analysis of the variables which intended to identify the causes for which family owned firms have succession plans Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy has been measured as 0.687 which is a satisfactory score for conducting factor analysis (Table 6.15). Factors have been extracted using Principal Component Analysis after rotation of the factor loading using Varimax with Kaiser normalization technique. A loading value of at least 0.7 has been used as cut off point to select the variables under the factors. Scree plot of factors responsible for existence of succession plan has been presented in figure 6.1.

Table 6.15: KMO and Bartlett's test of factors responsible for existence of succession plan

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.687
Bartlett's Test of Sphericity	Approx. Chi-Square	92.649
	Df	21
	Sig.	0.000

To identify suitable number of factors for factor analysis, the present study has used (i) Kaiser's stopping rule, and (ii) Scree test. Table 6.16 explains total variance. It is observed from table 6.16 that eigenvalue ≥ 1 in case of component 1 (2.576) and component 2 (1.491) only. Table 6.16 also shows that rate (%) of variance of component 1 is 36.796, while rate (%) of variance of component 2 is 21.303. The cumulative rate (%) of variance of the two components is 58.099. Eigenvalue of the rest of the components are well below 1. Therefore, the Kaiser's stopping rule suggests considering a 2 factor analysis for studying this part of predecessor related factors responsible for existence of succession plan.

Table 6.16: Total variance explained of factors responsible for existence of succession plan

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.576	36.796	36.796	2.576	36.796	36.796	2.274	32.487	32.487
2	1.491	21.303	58.099	1.491	21.303	58.099	1.793	25.612	58.099
3	.874	12.480	70.579						
4	.637	9.097	79.676						
5	.537	7.669	87.345						
6	.521	7.442	94.787						
7	.365	5.213	100.000						

Extraction Method: Principal Component Analysis.

Figure 6.1 presents scree plot of factors responsible for existence of succession plan. It is observed from the figure that the slope of the curve is leveling off from factor 3. If the points along the level part of the curve have been ignored, the scree plot also suggests a 2 factor analysis for this part of study. Therefore, both (i) Kaiser's stopping rule, and (ii) Scree test suggest a 2 factor analysis and hence a 2 factor analysis has been conducted to identify predecessor related factors responsible for existence of succession plan in family owned firms in Bangladesh.

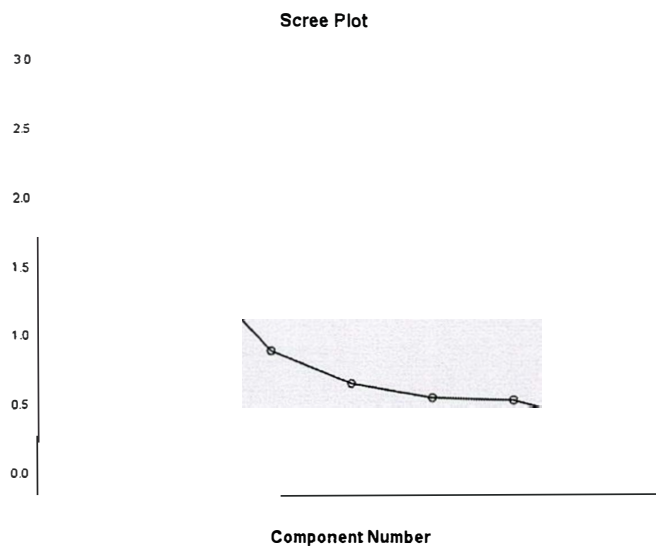


Figure 6.1: Scree plot of factors responsible for existence of succession plan

Table 6.17 presents a rotated component matrix. The first two components cover 58.099% of the total variance (Table 6.16). Total five variables are accumulated in these two components. It is observed from the analysis presented in table 6.17 that three variables accumulated in the component 1 are *to find the suitable leader, to achieve the vision of the business, and the survival of the business over generations*. All of these variables have strong positive correlation with the component 1. Variables of component 1 are related to *concern of the predecessor over future of the business*. Component 1 explains about 32.487% (Table 6.16) of the total variance which is the highest. Therefore, this can be inferred that the concern of the predecessor over the future of the business is the largest and strongest cause that motivates family owned firms to develop succession plans.

On the other hand table 6.17 also shows that the second component of the analysis involves variables such as *influence of the family members* and *to avoid succession related crisis* which can be attributed as *concern of the predecessor towards opinion of the family members including successors*. Both of these variables have positive correlation with the component. Component 2 explains 25.612% of the total variance (Table 6.16).

Table 6.17: Two components responsible for existence of succession plan

Variables	Component	
	1	2
To find the suitable leader	.790	
To achieve the vision of the business	.767	
The survival of the business over generations	.703	
Influence of the family members		.855
To avoid succession related crisis		.819

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

6.9.3.2 Factors that Result into Absence of Succession Plan

In an attempt to test the suitability of the factor analysis of the variables which intended to identify the causes for which family owned firms in Bangladesh do not have succession plans, Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy has been calculated as 0.525 which is an acceptable score for conducting factor analysis (Table 6.18). Factors have been extracted using Principal Component Analysis after rotation of the factor loading using Varimax with Kaiser normalization technique. A loading value of at least 0.7 has been used as cut off point to select the variables under the factors. Scree plot of factors responsible for absence of succession plan has been presented in figure 6.2.

Table 6.18: KMO and Bartlett's test of factors responsible for absence of succession plan

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		0.525
Bartlett's Test of Sphericity	Approx. Chi-Square	58.448
	Df	10
	Sig.	0.000

As previous case, to identify suitable number of components, the present study has used (i) Kaiser's stopping rule and (ii) Scree test. Table 6.19 explains total variance. It is observed from that table that eigenvalue ≥ 1 in case of component 1 (1.716) and component 2 (1.360) only. Table 6.19 also shows that rate (%) of variance of component 1 is 34.318 while rate (%) of variance of component 2 is 27.193. The cumulative rate (%) of variance of the two components is 61.511. Eigenvalue of the rest of the components are well below 1. Therefore, the Kaiser's stopping rule suggests considering a 2 factor analysis for studying this part of predecessor related factors responsible for absence of succession plan.

Figure 6.2 presents scree plot of factors responsible for absence of succession plan. It is observed from the figure that the slope of the curve is slowing down from factor 3. If the points along the slowed down part of the curve has been ignored, the scree plot also suggests a 2 factor analysis for this part of study. Therefore, both (i) Kaiser's stopping rule, and (ii) Scree test suggest a 2 factor analysis and hence a 2 factor analysis has been conducted to identify predecessor related factors responsible for absence of succession plan in family owned firms in Bangladesh.

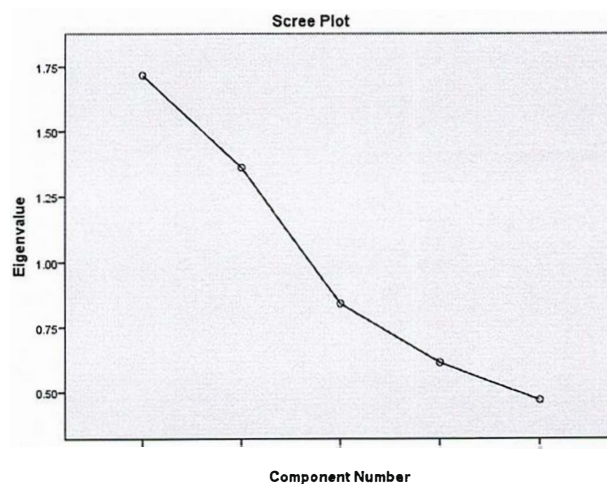
**Figure 6.2: Scree plot of factors responsible for absence of succession plan**

Table 6.19: Total variance explained of factors responsible for absence of succession plan

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.716	34.318	34.318	1.716	34.318	34.318	1.702	34.046	34.046
2	1.360	27.193	61.511	1.360	27.193	61.511	1.373	27.465	61.511
3	.841	16.822	78.333						
4	.614	12.287	90.620						
5	.469	9.380	100.000						

Extraction Method: Principal Component Analysis.

Table 6.20 presents a rotated component matrix. The first two components cover 61.511% of the total variance (Table 6.19). Total four variables are accumulated in these two components. Table 6.20 shows that the component 1 consists of two variables such as *don't know about succession plan* and *don't think succession plan important*, which shows strong positive correlation to the component. These variables of the component 1 represent *apathy of the predecessor towards succession plan* that hinders the identification of the successor and ultimately resists succession plan. Component 1 represents 34.046% (Table 6.19) of the total variance which is the highest.

From table 6.20 it is observed that component 2 consists of two variables such as *potential conflict among successors* and *conflict among family members*. Here it is observed that the two variables of this component are strongly positively correlated to the component. Therefore, the second component can be characterized as *concern of the predecessor over family coherence*. As component 2 describes 27.465% (Table 6.19) of the total variance, it can be claimed as another set of variables which explains strong causes of non existence of the succession plan in the family owned firms in Bangladesh.

Table 6.20: Two components responsible for absence of succession plan

Variables	Component	
	1	2
Don't know about succession plan	.773	
Don't think succession plan important	.759	
Potential conflict among successors		.776
Conflict among family members		.730

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

a Rotation converged in 3 iterations.

6.10 External Factors that Affect Predecessors in Succession Planning

Based on previous discussions, the present study furnishes external factors responsible for existence or non-existence of succession plan. External factors that affect the predecessors of the family owned firms in Bangladesh in succession planning are as follows:

- (i) Concern of the predecessor over future of the business.
- (ii) Concern of the predecessor towards opinion of the family members including successors.
- (iii) Apathy of the predecessor towards succession plan.
- (iv) Concern of the predecessor over family coherence.

Chapter 7

Findings and Conclusion

In this research predecessor related factors have been studied that affect successful succession in family owned firms of Bangladesh. This study primarily examined existence of succession plans in family owned firms. Family owned firms which have and which do not have succession plan have been identified in this study. Then using qualitative method, predecessors' trait, behavior and career related factors have been identified which are responsible for existence or non existence of succession plan in those firms. This study also identified external factors that affect predecessors in preparing succession plan in the family owned firms in Bangladesh. Quantitative method has been used for this purpose.

In this chapter findings of the study have been furnished. Besides, findings of this study have been compared with findings of other studies that have been discussed earlier in the review of related literatures. Finally, implications of the study, limitations followed by recommendations have been presented.

7.1 Findings

7.1.1 Extent of Existence of Succession Plan

1. It is observed from table 6.3-a (Chapter 6) that most of the family owned firms under observation are in second generation (n=187; 81.66%) followed by third generation firms (n=33; 14.41%) and subsequent generation firms (n=9; 3.93%). This result shows that fewer number of family owned firms in the sample are in third and subsequent generations compared to second generations. The study did not intend to identify causes of this outcome. This outcome may be caused by many reasons. Without indicating the cause(s), the study infers that fewer family owned firms here in Bangladesh also survive in third and subsequent generations.
2. It has been observed from table 6.3-b (Chapter 6) that a significant number of previous owners (n=76; 33.19%) are somehow active in the business. As involvement of the previous owner in the business indicates incomplete

succession, this data indicate that there are a large number of cases of incomplete succession in family owned firms in Bangladesh.

3. The study finds lack of existence of succession plan in the family owned firms in Bangladesh. Table 6.7 (Chapter 6) shows that in most of the cases (n=167; 72.93%) there is no succession plan. In 62 (27.07%) cases there is succession plan out of which in 5 (2.18%) cases succession plan is written and formal while in 57 (24.89%) cases the nature of succession plan is informal and not in written form. Therefore, existence of formal written succession plan is pretty low in the family owned firms in Bangladesh.

7.1.2 Predecessors' Trait, Behavior and Career Related Factors Affecting Succession Planning

4. It has been observed in the study that family owned firms in Bangladesh have succession plan and they have achieved a level of succession in those cases (Sopura silk, Gorgeous tailors, and Rahman traders) where the capacity of self reflection of the predecessor is high. In the case (Soron garments) where the capacity of self reflection of the predecessor is moderate, there is succession plan but no progress of succession has been achieved. Mixed observation has been achieved in cases where there is no succession plan and no progress in succession has been achieved. In one case (Mirjan auto rice mill) of those two cases capacity of self reflection of the predecessor is high, while in other case (Basundhara enterprise) it has been found low. Based on the observations of the studied cases, the study infers that a high capacity of self reflection of the predecessor may be a required factor for existence of a succession plan and for an achieved progress in succession though it does not guarantee existence of succession plan and achievement of growth of succession in the firm.
5. It has been observed from the study that firms have succession plan and the firms have achieved a level of succession in those cases (Sopura silk, Gorgeous tailors, and Rahman traders) where the opportunity of the predecessor of new life is high. In the case (Soron garments) where there is succession plan but no progress of succession has been achieved, opportunity of the predecessor of new life is low. Low opportunity of the predecessor of new life has also been found

in those cases (Mirjan auto rice mill, and Basundhara enterprise) where there is no succession plan and no progress in succession is achieved.

The study infers that, a high opportunity of the predecessor of new life may cause existence of succession plan and that may also result into progress in succession in the tenure of the predecessor in the family owned firms. On the other hand, chances of existence of succession plan become lower when the predecessor has low opportunity of new life. In these cases, the possibility of achieving progress in succession deems further.

6. Firms with predecessors who have high capacity of self reflection backed by high opportunity of new life (Sopura silk, Gorgeous tailors, and Rahman traders) have both well planned succession plan and achieved succession. Firms with predecessors who have moderate and high capacity of self reflection with low opportunity of new life (Soron garments, and Mirjan auto rice mill), lack succession plan or achieved succession or both. Firms with predecessor who have low capacity of self reflection with low opportunity of new life (Basundhara enterprise) lack both succession plan and achieved succession.
7. The present study finds a mixed relationship of existence of succession plan with ability of the predecessor to disassociate from the business. From the cases Gorgeous tailors, and Rahman traders it is observed that a high ability of the predecessor to disassociate from the business may increase chance of existence of succession plan and an achieved progress in succession. Though an observed low ability of the predecessor of Sopura silk to disassociate from the business having succession plan and an advanced level of progress in succession indicates that ability to disassociate from the business may not be an indispensable characteristic of the predecessor for existence of succession plan and/or achieving a progress in succession in the family owned firms.

From the cases Mirjan auto rice mill and Basundhara enterprise the study infers that low ability of the predecessor to disassociate from the business may increase chance of non existence of succession plan and no achieved progress in succession. Though a low ability of the predecessor to disassociate from the business with existence of succession plan while no progress in succession in Soron garments may indicate that a low ability of the predecessor to disassociate

him or her from the business may not resist existence of succession plan in the firm. But as in all these three cases (Soron garments, Mirjan auto rice mill, and Basundhara enterprise) no progress in succession have been achieved, it has been inferred by the study that a low ability of the predecessor to disassociate from the business results into resistance in achieving progress in succession.

8. From observations of the study from the cases Sopura silk, Gorgeous tailors and Rahman traders it is observed that the predecessor has high or moderate to high ability to delegate power and authority. Observations also reveal that these firms have succession plan and an achieved progress in succession. Exception has been observed in case of Basundhara enterprise, where the predecessor shows high ability to delegate power and authority while the firm does not have succession plan or any achieved progress in succession. Further investigation ensures that Basundhara enterprise has a few features that may have created differences. Thus, considering these four cases, it has been inferred by the study that a high ability of the predecessor to delegate power and authority may positively affect the existence of succession plan and that may help achieving progress in succession in the firm. But the contrasting scenario in Basundhara enterprise may implicate that a high ability of the predecessor to delegate power and authority may not guarantee an existence of succession plan or an achieved progress in succession in the firm because of other hindering factors.

On the other hand, from the analysis of the cases Soron garments and Mirjan auto rice mill it is found that the predecessor has low ability to delegate power and authority. Though the predecessors of these two cases commonly have low ability, Soron garments have well planned succession plan, while Mirjan auto rice mill does not have any succession plan. In both of the cases the firms do not have any progress in achieved succession. Therefore, it has been found by the study that a low ability of the predecessor to delegate power and authority reduces the probability of existence of succession plan though a predecessor with low ability of delegation of power and authority may approach with succession plan from the business. The study further infers that a low ability of the predecessor to delagate power and authority reduces the probability of achieved progress in succession even to a greater extent.

9. By considering the leadership ability and the existence of succession plan and achieved succession in respective firms the study infers that leadership ability is not associated with the succession plan and achieved succession in the respective firms. Leadership ability of the predecessor of the studied cases is either high or moderate to high. In case of Sopura silk, which is one of the two cases where there is high leadership ability of the predecessor, there is written succession plan and an advanced level of succession has been achieved. In contrast, in case of Mirjan auto rice mill, which is the other case where there is high leadership ability of the predecessor, there is no succession plan and no progress in succession has been achieved. Therefore, the cases where there is high leadership ability of the predecessors show lack of association of leadership ability with succession plan and level of achieved succession in the firms.

On the other hand four cases show moderate to high leadership ability of the predecessor. Three out of those four cases, such as Soron garments, Gorgeous tailors and Rahman traders, have succession plan while Basundhara enterprise does not have any succession plan. Out of the three cases where there is moderate to high leadership ability of the predecessor with succession plan one firm such as Gorgeous tailors has super advanced level of succession, one case such as Rahman traders have initial level succession and in one case such as Soron garments succession has not been started. The remaining case of the four such as Basundhara enterprise where there is moderate to high leadership ability does not have succession plan and no progress in succession has been achieved. Therefore, the cases where there is moderate to high leadership ability of the predecessor also show lack of association of leadership ability with succession plan and level of achieved succession in the firms.

7.1.3 External Factors that Affect Predecessors in Succession Planning

10. The study finds positive correlation between number of siblings of the predecessor and existence of succession plan in the business. It is observed from table 6.9 (Chapter 6) that there is no succession plan at all when the predecessor does not have any sibling. Succession plan appeared to be in existence when the predecessor has two or more siblings. It is observed that larger the number of

siblings of the present owner, greater the existence of the succession plan. Another finding from table 6.9 is that out of total 229 observation 62 cases have succession plan out of which only 5 cases have written succession plan. All of these 5 written succession plans were found in those observations where the present owner has four or more siblings. Therefore, larger number of siblings create urgency in the predecessor or present incumbent to make a written succession plan for the business.

11. The study also finds positive correlation of number of involved family members in the business with existence of succession plan. It is observed in Table 6.10 (Chapter 6) that lesser the number of other involved family members in the business, lesser the existence of succession plan and vice versa. It is also observed from the table that succession plan is mostly written in those cases where there is higher involvement of other family members in the business. This gives an implication that when the involvement of other family members is larger in the business, the existing owner feels greater importance to make a plan of succession. Inversely, when there is lesser number of involved family members in the business, there is lesser necessity felt by the existing owner of succession plan.
12. It is observed in the study that succession plan does not exist in the present generation of ownership when the predecessor is not result of the succession plan of previous owner (Table 6.12, Chapter 6). Therefore, it is observed that if the predecessor is the result of the previous owners' succession plan there is greater chance of existence of succession plan in the predecessor. This might be the result of the fact that the predecessors who are result of the plan of the previous owners, are aware of the importance or necessity of succession plan and they are in culture of developing succession plan in advance and thus (s)he has developed succession plan for the business and vice versa.
13. Three variables accumulated in component 1 from factor analysis are *to find the suitable leader, to achieve the vision of the business, and the survival of the business over generations*, can be explained as a single factor as *concern of the predecessor over future of the business* (Table 6.17, Chapter 6). Component 1

explains about 32.487% (Table 6.16, Chapter 6) of the total variance which is the highest. Therefore, this can be inferred that the *concern of the predecessor over the future of the business* is the largest and strongest cause that motivates predecessors to develop succession plans.

On the other hand table 6.17 (Chapter 6) shows that the component 2 of the analysis involves variables such as *influence of the family members* and *to avoid succession related crisis* which can be attributed as *concern of the predecessor towards opinion of the family members including successors*. The component 2 describes 25.612% (Table 6.16, Chapter 6). Therefore, *concern of the predecessor towards opinion of the family members including successors* is the second component that has been identified by the study that influences the predecessors in creating succession plan for the family owned firms in Bangladesh.

14. The study identifies a set of factors that influences the predecessor hindering succession plan. Table 6.20 (Chapter 6) shows that the component 1 consists of two variables, *don't know about succession plan* and *don't think succession plan important*, which represents *apathy of the predecessor towards succession plan*. Component 1 represents 34.046% (Table 6.19, Chapter 6) of the total variance which is the highest. Therefore, *apathy of the predecessor towards succession plan* is the strongest factor that influences the predecessor hindering identification of the successor and ultimately resists succession plan.

From table 6.20 (Chapter 6) it is also observed that component 2 consists of two variables such as *potential conflict among successors*, and *conflict among family members*. By analyzing the relationship of the variables with the component 2, the study characterized the variables as *concern of the predecessor over family coherence*. Component 2 describes 27.465% (Table 6.19, Chapter 6) of the total variance. Therefore, the study infers that *concern of the predecessor over family coherence* is also a strong cause of non existence of the succession plan in the family owned firms in Bangladesh.

7.2 Comparative Discussions on Findings of the Study with Literature

7.2.1 Capacity of Self Reflection and Opportunity of New Life

According to Levinson (1971), the firm gives the founders meaning in three important ways. First two of those are related to capacity of self reflection of the predecessor. First, in some cases they do have unresolved issues with the previous owners, so they start their own business to escape from the authority of figures heading them. Second, because the new business is their brain child and it represents the "baby" to the founders, those working for that business are considered as tools for shaping the company and nothing more than that. Therefore, capacity of self reflection is linked with strong association with the business. Incumbent who has successfully reflected their self in the past and founded the present business should have strong association with the business. Therefore, high capacity of self reflection alone should reduce the chance of successful succession in the firm. But this should not be looked at as a single factor influencing the predecessors behavior about succession plan. Because Handler (1989) shows that, if the leaders are able to find new opportunities to reflect themselves, then the succession process would be successful. Levinson (1971) shows that, if the predecessor is involved in the business and there is no new opportunity for him outside the business, the predecessor may hinder entrance of the successor in the business. Churchill and Hatten (1997) also show that the ability to look for new opportunities for predecessor's own life is really helpful for smooth succession process.

Findings of the study match the argument of Handler (1989). It has been found from the current study that firms with predecessors who have high capacity of self reflection backed by high opportunity of new life (Sopura silk, Gorgeous tailors, and Rahman traders) have both well planned succession plan and achieved succession. Firms with predecessors who have moderate and high capacity of self reflection with low opportunity of new life (Soron garments, and Mirjan auto rice mill), lack succession plan or achieved succession or both. Firms with predecessor who have low capacity of self reflection with low opportunity of new life (Basundhara

enterprise) lack both succession plan and achieved succession. Therefore, predecessors' opportunity of new life and self reflection encourages succession plan and successful succession in family owned firms.

7.2.2 Ability to Disassociate from the Business.

Previous studies presented ability of the predecessor to disassociate them from the business as a precondition for achieving successful succession in the family owned firms. Zaleznik and Kets de Vries (1985) suggests an approach for successful succession in family owned firm, which is encouraging the predecessor to let go the current business and start a new venture. According to Sonnenfeld (1991), thinking about themselves (predecessors) of being there for the business forever leads to problematic successions. Handler (1989) shows that if the leaders are able to disassociate themselves from the business, then the succession process would be successful, otherwise the predecessor will be able to move the succession to the level of monarch from the stage of sole operator and the successor will be only able to work as a helper.

The present study finds a mixed relationship of existence of succession plan with ability of the predecessor to disassociate from the business. From two cases it is observed that a high ability of the predecessor to disassociate from the business may increase chance of existence of succession plan and an achieved progress in succession. Though an observed low ability of the predecessor of a case having succession plan and an advanced level of progress in succession indicates that ability to disassociate from the business may not be an indispensable characteristic of the predecessor for existence of succession plan and/or achieving a progress in succession in the family owned firms.

From two observed cases the study infers that low ability of the predecessor to disassociate from the business may increase chance of non existence of succession plan and no achieved progress in succession. Though a low ability of the predecessor to disassociate from the business with existence of succession plan while no progress in succession in one case may indicate that a low ability of the predecessor to disassociate him or her from the business may not resist existence of

succession plan in the firm. But based on last three cases it has been inferred by the study that a low ability of the predecessor to disassociate from the business results into resistance in achieving progress in succession. Therefore, the study finds moderately weak association between ability of the predecessor to disassociate from the business with successful succession in family owned firms in Bangladesh, which is not exactly the same as it has been observed in previous studies.

7.2.3 Ability to Delegate Power and Authority

Previous studies clearly show that ability of the predecessor to delegate power and authority has positive association with successful succession in family owned firms. Kets de Vries' (1985) shows that predecessors develop suspicion about "authority". They also have a strong distrust for the world around them, hence the organization forms a structure of a spider web where all the authority lies with them. Also the entrepreneur's overwhelming "desire for applause" creates inability in him/her to consider succession in dynamic terms and provide for the future of the firm. Lansberg (1999) shows that many predecessors are reluctant to empower their offspring in the family business in fear of losing control over the business that ultimately makes the succession planning difficult for them. Lambrecht, (2005) explains the same result in positive term. He shows that predecessors' ability to delegate power and authority in the business to the successors significantly increases the chance of a successful succession.

Considering outcomes from four cases, it has been inferred in the current study that a high ability of the predecessor to delegate power and authority may positively affect the existence of succession plan and that may help achieving progress in succession in the firm. But the contrasting scenario that has been observed in one case (Basundhara enterprise) may implicate that a high ability of the predecessor to delegate power and authority may not guarantee an existence of succession plan or an achieved progress in succession in the firm because of other hindering factors.

7.2.4 Leadership

The present study infers that leadership ability of the predecessor is not associated with the existence of succession plan and achieved succession in the family owned

firms in Bangladesh. While, Cadieux (2007) shows that the predecessors' leadership ability was strong when the firms that have been studied have successful succession. According to Handler (1989) if the predecessors have got better leadership qualities, they will be able to make the succession process successful. Lambrecht (2005) shows that leadership ability of the predecessor has positive association with successful succession in the family owned firms. Therefore, findings of the study relating to leadership ability and successful succession in family owned firms conflict with findings of the previous studies as in those studies positive association has been observed between leadership ability of the predecessor and successful succession in the family owned firms, while no association has been observed between these factors in the present study.

7.2.5 External Factors

A number of previous studies indicate the influence of the external factors on predecessors that might have influence on success or failure in succession in family owned firms. Neubauer (2003) identifies four major motives responsible for business transfer from the perspective of the predecessor that are (i) ensuring their employees job security (48%), (ii) securing their own retirement fund (26%), (iii) upholding family traditions (27%), and (iv) maintaining the business itself (65%). Lambrecht (2005) shows that the wife has influence on the predecessor and that affects success or failure of succession. Massis, Chua, and Chrisman (2008) show that along with other factors personal sense of attachment of the predecessor with the business, his/her unforeseen remarriage, divorce, or birth of new children, etc. affect success or failure of succession of a family owned firm. Researchers also find that relational factors regarding the relationships with/among family and nonfamily members involved in the family business also affect succession of the business. According to this study, major relational factors include conflicts/ rivalries/ competition in parent-child relationship, conflicts/ rivalries/ competition among family members (e.g., sibling rivalries), perils related to high "consensus sensitiveness" of the family business, lack of trust in the potential successor(s), lack of commitment to the potential successor(s), conflicts between incumbent/potential successor(s) and nonfamily members, and non-acceptance of the potential

successor(s) among nonfamily members. Sharma, and Rao (2000) show that compared to Canadian family owned firm owners, Indian owners rate family relationships higher. In other words Indian predecessors are concerned about the likes and dislikes of the family members. Researchers propose that the four related variables such as respect of actively involved family members, respect of noninvolved family members, trust of family members, and ability to get along with family members are highly important factors that influence the predecessors.

The present study also finds that a number of external factors affect predecessors in succession planning in Bangladesh. The current study finds that external factors such as number of siblings of the present owner, number of involved family members in the business and whether the predecessor is result of the succession plan of previous owner create subconscious impacts on the predecessor in succession planning behavior. It is also observed from the study that concern of the predecessor over future of the business, concern of the predecessor towards opinion of the family members including successors, apathy of the predecessor towards succession plan and concern of the predecessor over family coherence also affect existence of succession plan in the family owned firms in Bangladesh. These four external factors can be treated as known concerns or reactions generated from external factors on predecessors in succession planning behavior.

7.3 Implications of the Study

The study has a number of implications. One of the major implications of the study is that, as the study has used both quantitative and qualitative methods for studying predecessor related factors affecting succession planning in family owned firms in Bangladesh, where triangulation is not objective of using two methods here. Instead, two different methods have been used to collect broader set of factors both internal to predecessor and external. Quantitative method have been used to identify factors that are external in nature and it has been applied to a significantly large number of family owned firms in Bangladesh. While, predecessors' trait, behavior and career related factors are not possible to identify by using quantitative questionnaire method. In depth case study is suitable to study those factors. That is why

qualitative method has been applied to study those predecessor related factors. As a result the two methods used here in this study identifies two different set of factors.

The study observes that number of sibling(s) of the predecessor, number of involved family members in the business and whether the present ownership is or is not the result of the succession plan of the previous owner affect the succession planning behavior of the predecessor. When the incumbent has larger number of siblings, larger number of involved family members in the business and when (s)he is the result of the previous owner's succession plan, these encourages the predecessor in the business to develop succession plan for the business and vice versa.

The study also observes that the predecessor or the present incumbent develops succession plan because of his or her concern over future sustainability of the business and his or her concern towards opinion of the family members and successors. The predecessor or the present incumbent becomes reluctant to develop a succession plan for the business when the predecessor has a feeling that the succession plan may negatively affect family coherence. The predecessor is also reluctant to develop a succession plan when (s)he has apathy towards succession plan.

Though from previous study it has been observed that predecessors' trait related factors such as capacity of self reflection, opportunity of new life, ability to disassociate from the business, ability to delegate power and authority and leadership (in planning and selection of successor and transfer in time) should have affected succession planning behavior of the predecessor, the present study has found one factor such as opportunity of new life of the predecessor as strongly and positively associated with succession planning behavior of the predecessor. Capacity of self reflection, ability to disassociate from the business and ability to delegate power and authority has been found weakly associated with succession planning. This indicates that these three trait related factors of the predecessor increase chance of existence of succession plan. But they do not guarantee existence of succession plan in the family owned firms in Bangladesh. Lastly, no association

has been observed between leadership ability of the predecessor and the existence of succession plan in the family owned firms in Bangladesh.

As external factors such as, number of siblings, number of involved family members, and the fact that whether the predecessor is or is not result of previous owner's succession plan are not controllable, the policy academicians or makers have little to deal with these external factors for improving length of life of family owned firms. But as it is found from the study that a few concern of the predecessors such as concern of the predecessors over future of the business, concern of the predecessors towards opinion of the family members and successors, concern of the predecessors over family coherence and apathy of the predecessors towards succession plan, which are result of influence of external factors, may be studied and controlled to ensure succession plan for the sake of longer life of family owned firms in Bangladesh.

Lastly, as the study finds strong and positive association of opportunity of new life of the predecessor or present incumbent with the existence succession plan, academicians and policy makers should pay more attention to this trait of the predecessor. As capacity of self reflection, ability to disassociate from the business, and ability to delegate power and authority has been found at least weakly associated but they increase chances of existence of succession plan, the study suggests giving emphasis on these traits of the predecessor for ensuring succession plan in the business for the sake of longer life of the business. The study did not find association of leadership with succession planning in Bangladesh. But the study suggests that it is important to initiate further study to understand importance of leadership on succession plan in Bangladesh.

Finally, based on the analysis and findings, the present study suggests the following model (Figure 7.1) that shows predecessor related factors that affect succession plan in family owned firms in Bangladesh.

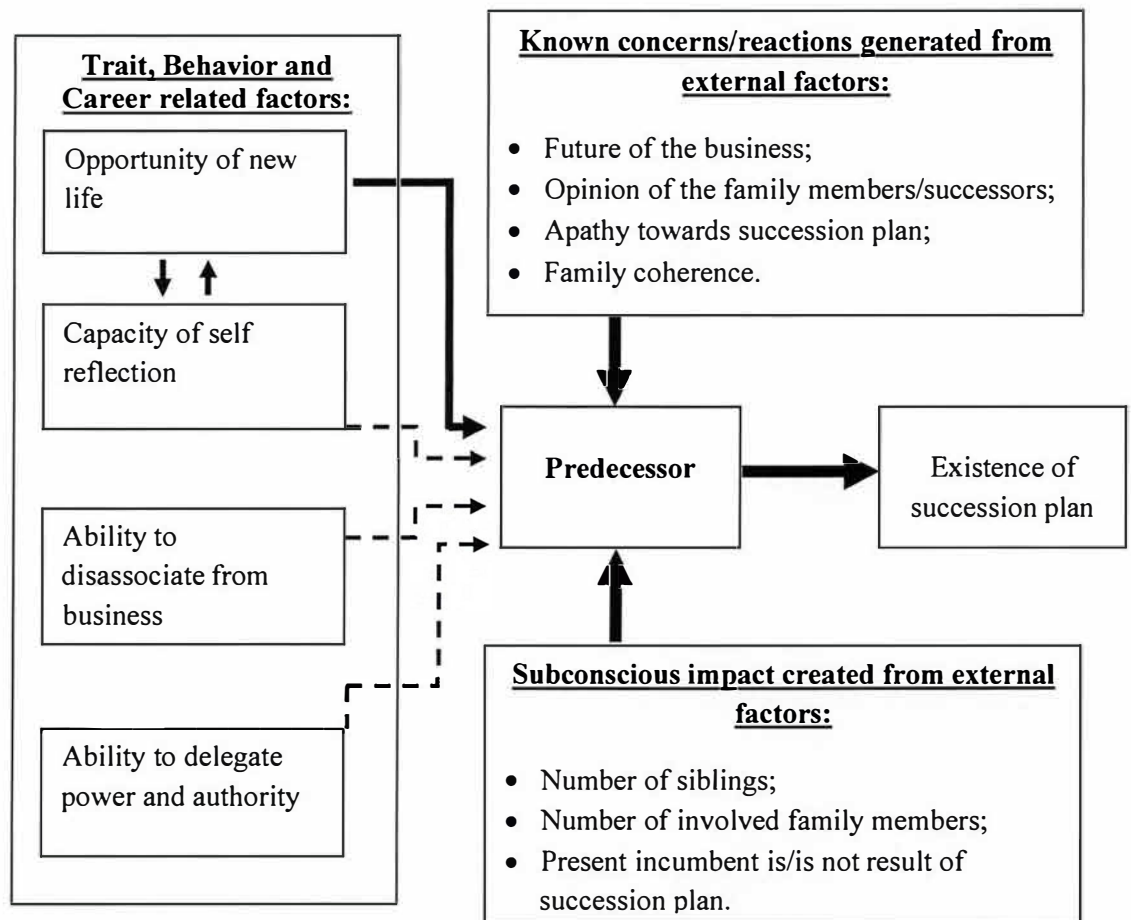


Figure 7.1: Model showing predecessor related factors that affect succession plan

7.4 Limitations of the Study and Recommendations for Future Research

This study is based on data related to predecessor related factors collected from family owned firms located in eight districts of Rajshahi division. Business related cultures and family influences that may affect trait, behavior and career related behavior of predecessors of family owned firms may be different from that of families and family owned firms of other regions of the country that may have bearings on the predecessor related factors affecting succession planning in family owned firms. Therefore, the findings of the study may have been limited by this factor. Further study is suggested to explore whether the findings of the study applies in other regions of the country or not.

Though both quantitative and qualitative method has been applied in this study, they have been used to collect different set of data based on nature of data and suitability of method to collect relevant data. Collected data using one method has not been cross checked by triangulation using another method. The study does not recommend triangulation of data collected by using one method by data using another method as because the nature of data lacks suitability of being retested by using another method. But a larger data both for quantitative survey and case study may be used to retest validity of the findings. This study recommends further study using larger sample and cases.

The present study has used multiple cases (6 cases) to explore trait, behavior and career related factors of the predecessors affecting succession planning in family owned firms in Bangladesh. For understanding predecessors' trait, behavior and career related factors, in depth study on a single case maybe suitable than multiple case study in some situations. But for in depth study on a single case a comprehensive access in the firm, family and to the predecessor is a mandatory required condition. The present study could not ensure such access in any of the cases. Therefore, the study recommends in depth single case study on family owned firms in Bangladesh to study predecessors' trait, behavior and career related factors affecting succession plan in Bangladesh.

The present research has studied predecessors of small and mainly medium size family owned firms. The study did not include any large size family owned firm. The study also did not include any family owned firm that is enlisted in the stock exchange(s) of Bangladesh or in any country. The study also did not include professionally managed family owned firms. Therefore, the study recommends further research including large, enlisted and professionally managed family owned firms on the same issue.

Many of the family owned firms have minority ownership of partners. A few cases of the study also have similar ownership structure. But the study could not explore influence of this type of ownership of partners on the predecessors' behavior related to succession planning. Therefore, research to understand influence of partnership ownership in family owned firms on predecessors' behavior in succession planning is recommended by the study.

An important factor that has been identified in the Basundhara enterprise is that, as an only exception in the study, the predecessor of the case has high ability to delegate power and authority while having no succession plan or achieved succession in the firm. The study finds that the predecessor of firms has three offspring, first two are daughter and the youngest one is a son. Age of the first two daughters is 22 and 18 years respectively and the son is 11 years old. The predecessor of the business is Hindu in religion while the predecessors of other five cases are Muslims. According to Hindu law and culture, daughters are not entitled to property of their father. That might have affected the predecessor of the business for not thinking about his daughters as successor of the business. To understand the probable reason, the study took help of studies (Sharma & Rao, 2000; Getz & Petersen, 2004) and concludes that the property related law in Hindu religion and the composition of offspring of the predecessor of this case may be responsible for the outcome. But the finding has not been tested using more cases with similar compositions of offspring and religion. Therefore, the study recommends further study to test whether these factors have any impact on succession planning behavior of the predecessors in family owned firms in Bangladesh or not.

7.5 Concluding Remarks

In the present study it has been observed that family owned firms in Bangladesh lack succession plan and in a large number of cases there are incomplete succession. It has been observed that, predecessors' trait, behavior and career related factors, especially capacity of self reflection backed by opportunity of new life, play a vital role in succession planning behavior of the predecessor. It has also been observed that a number of external factors indirectly affect predecessors' succession planning behavior. Though most of the findings of the present study agree with previous studies, which have been conducted on the topic, a few findings of the study do not comply with them. As in Bangladesh very small number of studies has been conducted on this issue, the present study recommends further in depth study on similar issues on family owned firms in Bangladesh. Finally, the study hopes that the findings of the same will provide guidelines to the predecessors of family owned firms and academicians of Bangladesh to understand importance of succession plan and to create necessary adjustments in behavior of the predecessors to ensure succession plans in the future. The study also hopes that it will create a new trend of research in Bangladesh on family owned firms and that will help long run survival of family owned firms of Bangladesh and that will help to achieve sustainable economic growth of the country.

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Appendix 1

Questionnaire for Survey (English Version)

Existence of succession plan in family owned firms and external factors that affect the succession plan

(The purpose of the survey is to find the existence succession plan and identifying general factors that affect the same in family owned firms in Bangladesh. All the information provided here by the respondents would be kept confidential and utilized exclusively for this research purpose only)

Name of the Firm: Date:

Address:District:

Name of the Respondent:

Designation: Age:

Phone No: Email Address:

1. When was the business established?

2. Which category best describes this firm's industry?

Manufacturing Merchandising Services

3. This firm's form of ownership is

Sole proprietorship Partnership Joint Stock Company

4. Which generation the business presently in? (✓)

1st Generation 3rd Generation
 2nd Generation Subsequent Generation

5. Is at least one predecessor of the firm still active in the management of the firm?

Yes No

6. Who was (were) the founder(s) of the business? (✓)

- | | |
|---|--|
| <input type="checkbox"/> You | <input type="checkbox"/> Father/mother of your spouse |
| <input type="checkbox"/> Your spouse | <input type="checkbox"/> Your grandfather/mother |
| <input type="checkbox"/> Your father/mother | <input type="checkbox"/> Grandfather/mother of your spouse |

7. If the founder of the business is not you or any of the options mentioned in the question no. 6, please answer the following questions (7.1-7.3).

Not Applicable

7.1 How did you or your family achieve the ownership of the business?

7.2 Why did such type of transfer of ownership occur?

7.3 In which generation of the business did you or your family achieve the ownership of the business? (✓)

- | | |
|---|---|
| <input type="checkbox"/> 1 st Generation | <input type="checkbox"/> 3 rd Generation |
| <input type="checkbox"/> 2 nd Generation | <input type="checkbox"/> Subsequent Generation |

8. Is any of the firm's higher-level managers from outside of the family? (✓)

- | | |
|------------------------------|-----------------------------|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No |
|------------------------------|-----------------------------|

8.1 If yes, then do any of them serve as CEO? (✓)

- | | | |
|------------------------------|-----------------------------|---|
| <input type="checkbox"/> Yes | <input type="checkbox"/> No | <input type="checkbox"/> Not Applicable |
|------------------------------|-----------------------------|---|

8.2 If the answer of question no. 8.1 is yes then, please answer 8.2.1 & 8.2.2.

Not Applicable

8.2.1 For how many years the business is being run by such non-family member CEO?

8.2.2 In which generation of the business a non-family member CEO was introduced? (✓)

- | | |
|---|---|
| <input type="checkbox"/> From its inception | <input type="checkbox"/> 2 nd Generation |
|---|---|

During 1st Generation 3rd Generation

9. Is there any other family member who is involved directly in the business? (√)

Yes No Don't know

10. If the answer of previous question is yes, please answer following two questions (10.1 10.2). (√)

Not Applicable

10.1 How many members are involved in this business?

1 3 5
 2 4 More than 5

10.2 Who are the members of your family involved in the business? Please check the following options to mention your relationship with them. Choose multiple options, if required. Mention their responsibilities (or position) in business, where applicable.

Son(s) Position:

Daughter(s) Position:

Brother(s) Position:

Sister(s) Position:

Spouse Position:

Father Position:

Mother Position:

Other relationship Position:

11. Is there a family member who has been identified as the next business leader? (√)

Yes No Don't know

12.11 All family members are aware of the existing succession plans.

Strongly agree Agree Disagree Strongly Disagree Don't know

12.12 How many of other family members support the person who has been identified as next business leader?

All of them Most of them Few of them None of them
 No comment

13. If the business has a succession plan, please answer the following questions (13.1-13.4). (√)

Not Applicable

13.1 Is the succession plan in written form?

Yes No No comment

13.2 Succession plan is designed by

The present owner exclusively Mutual decision of the family members

13.3 Do you review the succession plan?

Frequently Often Never No comment

14. Please answer the following questions (14.1-14.7). (√)

14.1 How many brothers and sisters do you have?

Nil 1 2 3 4 More than 4

14.2 Are you the eldest among your brothers and sisters?

Yes No

14.3 Is the educational background of the present CEO related with the business?

Yes (Business study or related) No

14.4 Do you have outside working experience in a business setting?

Yes No Don't know

14.5 Have you served this firm before taking over the present position as COB?

Yes No Don't know

14.6 You are the present chief of the business. Is that a result of your predecessor's plan?

Yes No Don't know

14.7 If the succession was preplanned, was that in a written form?

Yes No Don't know Not Applicable

15. What are/were the number of employees of the business?

(i) At the time of inception of this business

.....

(ii) At the time of your taking over

.....

(iii) At present

.....

16. What are/were the number of business line?

(i) At the time of inception of this business

.....

(ii) At the time of your taking over

.....

(iii) At present

.....

17. What are/were the number of branches of the organization?

(i) At the time of inception of this business

.....

(ii) At the time of your taking over

.....

(iii) At present

.....

18. If you have succession plan, check the following factors whether they have made you motivated for making such succession plan. (✓, you can choose more than one option) Not Applicable

a. To continue the previous practice

Strongly agree Agree Disagree Strongly disagree
 Don't know

b. To find the suitable leader

Strongly agree Agree Disagree Strongly disagree
 Don't know

c. To ensure the survival of the business over generation

Strongly agree Agree Disagree Strongly disagree
 Don't know

d. To keep the business within the family

Strongly agree Agree Disagree Strongly disagree
 Don't know

e. Because of the influence of the family members

Strongly agree Agree Disagree Strongly disagree
 Don't know

f. To avoid succession related crises

Strongly agree Agree Disagree Strongly disagree
 Don't know

g. To achieve the vision of the business

Strongly agree Agree Disagree Strongly disagree
 Don't know

h. To prepare the business to avoid unexpected transition

Strongly agree Agree Disagree Strongly disagree
 Don't know

i. Other (Please mention)

.....

19. If you don't have any succession plan, why does your business lack a succession plan? (√, you can choose more than one option)

Not Applicable

a. Don't know about the succession plan.

Strongly agree Agree Disagree Strongly disagree Don't know

b. Any potential successor hasn't been identified

Strongly agree Agree Disagree Strongly disagree Don't know

c. Because of the conflict among family members

Strongly agree Agree Disagree Strongly disagree Don't know

d. Don't think succession plan as an important issue for the business

Strongly agree Agree Disagree Strongly disagree Don't know

e. Inheritance law is sufficient for finding successors

Strongly agree Agree Disagree Strongly disagree Don't know

f. Succession plan may result into conflict among the potential successors.

Strongly agree Agree Disagree Strongly disagree Don't know

g. Other (Please mention)

.....
.....
.....
.....
.....

Signature of the Respondent

Appendix 2

Questionnaire for Survey (Bangla Version)

বাংলাদেশে বিদ্যমান পারিবারিক ব্যবসা প্রতিষ্ঠান সমূহে উত্তরাধিকারিত্ব পরিকল্পনার উপস্থিতি এবং তার গুরুত্ব

পারিবারিক ব্যবসা প্রতিষ্ঠান সমূহে সমীক্ষার জন্য প্রশ্নমালা

(এই জরিপের উদ্দেশ্য হলো বাংলাদেশে বিদ্যমান পারিবারিক ব্যবসা প্রতিষ্ঠান সমূহে উত্তরাধিকারিত্ব পরিকল্পনার উপস্থিতি এবং তার গুরুত্ব যাচাই করা। এখানে প্রদত্ত সকল তথ্য গোপন রাখা হবে এবং তা শুধুমাত্র গবেষণার কাজেই ব্যবহার করা হবে।)

প্রতিষ্ঠানের নামঃ তারিখঃ

.....

ঠিকানাঃ

.....

তথ্য প্রদানকারীর নামঃ

.....

পদবীঃ বয়সঃ

.....

ফোন নম্বরঃ ই-মেইলঃ

.....

১. এই ব্যবসা প্রতিষ্ঠানটি কখন প্রতিষ্ঠিত হয়েছিল?

.....

২. প্রতিষ্ঠানটি কোন্ ধরনের ব্যবসার সঙ্গে জড়িত? (√)

উৎপাদনকারী শিল্প পন্য ক্রয়-বিক্রয় সেবা সরবরাহ

৩. এই ব্যবসা প্রতিষ্ঠানটির মালিকানার ধরণ কীরূপ? (√)

এক মালিকানাধীন অংশীদারী যৌথ মূলধনী

৪. বর্তমানে ব্যবসাটি প্রতিষ্ঠাতার কততম প্রজন্মের মালিকানাধীন/নিয়ন্ত্রণাধীনে রয়েছে? (√)

১ম প্রজন্ম ৩য় প্রজন্ম
 ২য় প্রজন্ম তৎপরবর্তী প্রজন্ম

৫. এই ব্যবসা প্রতিষ্ঠানটির প্রতিষ্ঠাতা কে (বা কারা) ছিল? (√)

আপনি নিজেই আপনার স্বামী কিম্বা স্ত্রীর পিতা/মাতা
 আপনার স্বামী/স্ত্রী আপনার পিতামহ/মাতামহ কিম্বা তার স্ত্রী
 আপনার পিতা/মাতা আপনার স্বামী কিম্বা স্ত্রীর পিতামহ/মাতামহ কিম্বা তার

স্ত্রী

অন্য কেউ (তার সঙ্গে আপনার সম্পর্ক উল্লেখ করুন)

.....

৬. পূর্বসূরিদের মধ্যে কেউ কি এখনও অত্র প্রতিষ্ঠানের ব্যবস্থাপনায় সক্রিয় রয়েছে? (√)
 হ্যাঁ না
৭. প্রতিষ্ঠানটির উচ্চতর পরিচালনা পর্ষদে এমন কেউ কি আছে, যে আপনার পরিবারের সদস্য নয়? (√)
 হ্যাঁ না
৮. আপনার কতগুলো সন্দ্রন রয়েছে?
 (ক) পুত্রের সংখ্যাঃ (খ) কন্যার সংখ্যাঃ
৯. আপনি ব্যতীত আপনার পরিবারের অন্য কেউ কি এই ব্যবসার কাজে সক্রিয় ভাবে জড়িত রয়েছে? (√)
 হ্যাঁ না জানা নেই
১০. পূর্ববর্তী প্রশ্নটির উত্তর হ্যাঁ হলে, অনুগ্রহ করে নিচের প্রশ্ন দুইটির (১০.১ ও ১০.২) উত্তর দিন। (√) প্রযোজ্য নয়
- ১০.১ পরিবারের কতজন সদস্য/সদস্যা এই ব্যবসার কাজে জড়িত?
 ১ জন ৩ জন ৫ জন
 ২ জন ৪ জন ৫ জনের বেশী
- ১০.২ পরিবারের যে সমস্ত সদস্য/সদস্যা এই ব্যবসার কাজে জড়িত, তাঁর বা তাঁদের সঙ্গে আপনার সম্পর্ক চিহ্নিত করুন। প্রয়োজনে একাধিক বিকল্প চিহ্নিত করুন। প্রয়োজ্য ক্ষেত্রে তাঁর বা তাঁদের উপর অর্পিত দায়িত্ব (পদবী) উল্লেখ করুন।
- | | |
|---|-------|
| <input type="checkbox"/> পুত্র | পদবীঃ |
| | |
| <input type="checkbox"/> কন্যা | পদবীঃ |
| | |
| <input type="checkbox"/> ভাই | পদবীঃ |
| | |
| <input type="checkbox"/> বোন | পদবীঃ |
| | |
| <input type="checkbox"/> স্বামী/স্ত্রী | পদবীঃ |
| | |
| <input type="checkbox"/> পিতা | পদবীঃ |
| | |
| <input type="checkbox"/> মাতা | পদবীঃ |
| | |
| <input type="checkbox"/> অন্যান্য সম্পর্ক | পদবীঃ |
| | |
১১. আপনার পরিবারের মধ্যে থেকে কাউকে কি এই ব্যবসার পরবর্তী নেতৃত্ব প্রদানের জন্য মনোনীত করা হয়েছে? (√)
 হ্যাঁ না জানা নেই
১২. পূর্ববর্তী প্রশ্নটির উত্তর হ্যাঁ হলে, অনুগ্রহ করে নিচের প্রশ্নগুলো (১২.১ হতে ১২.১২) মনযোগ সহকারে পড়ে উত্তর দিন। (√)
 প্রযোজ্য নয়

১২.১ আপনার সঙ্গে তাঁর সম্পর্ক কী?

- পুত্র ভাই স্বামী/স্ত্রী

১৩.২ পরিকল্পনাটি তৈরী হয়েছে কী ভাবে?

এককভাবে বর্তমান নেতৃত্বের সিদ্ধান্তে পরিবারের সদস্যদের পারস্পরিক সমঝোতার ভিত্তিতে

১৩.৩ পরিকল্পনাটি কি কখনো পুনর্মূল্যায়ন করা হয়ে থাকে?

প্রায়ই কখনো কখনো কখনো না মন্দ্র্য নেই

১৪. নিচের বক্তব্য গুলোর (১৪.১-১৪.৭) সঙ্গে আপনি কতটুকু সম্মত, তা চিহ্নিত করুন। (√)

১৪.১ এই ব্যবসা প্রতিষ্ঠানের গুরুত্বপূর্ণ সিদ্ধান্তে সমূহ ব্যবস্থাপকগণ শুধুমাত্র নিজেদের সিদ্ধান্তে না নিয়ে পরিবারের অধিকাংশ অথবা সকল সদস্যের মধ্যে আলোচনা করে নিয়ে থাকেন।

দৃঢ়ভাবে সম্মত মোটামুটি সম্মত অসম্মত দৃঢ়ভাবে অসম্মত

জানা নেই

১৪.২ পরিবারের সদস্যরা প্রায়ই বিরোধে জড়িয়ে পড়েন এবং পরিচালনা পর্ষদের সিদ্ধান্তের সাথে ভিন্নমত পোষণ করেন।

দৃঢ়ভাবে সম্মত মোটামুটি সম্মত অসম্মত দৃঢ়ভাবে অসম্মত

জানা নেই

১৪.৩ এই ব্যবসা প্রতিষ্ঠানে পরিবারের সদস্যদের বাইরেও অন্য উপদেষ্টা কিম্বা দক্ষ পেশাজীবির সেবা গ্রহণ করা হয়।

দৃঢ়ভাবে সম্মত মোটামুটি সম্মত অসম্মত দৃঢ়ভাবে অসম্মত

জানা নেই

১৪.৪ ব্যবসার প্রতিষ্ঠাকালীন উদ্দেশ্য এবং এর প্রতিষ্ঠাতার ব্যবসা পরিচালনার পদ্ধতি ব্যবসার বর্তমান ব্যবস্থাপনা এবং সিদ্ধান্তগ্রহণের ক্ষেত্রেও জোরালো ভূমিকা রেখে চলেছে।

দৃঢ়ভাবে সম্মত মোটামুটি সম্মত অসম্মত দৃঢ়ভাবে অসম্মত

জানা নেই

১৪.৫ উর্দ্ধতন ব্যবস্থাপক মণ্ডলী ব্যবসার দৈনন্দিন কার্য পরিচালনার থেকে দীর্ঘ মেয়াদী দিক নির্দেশনা তৈরীর জন্য বেশী সময় ব্যয় করে থাকেন।

দৃঢ়ভাবে সম্মত মোটামুটি সম্মত অসম্মত দৃঢ়ভাবে অসম্মত

জানা নেই

১৪.৬ এই ব্যবসা প্রতিষ্ঠানের উর্দ্ধতন ব্যবস্থাপক মণ্ডলী আর্থিক ব্যবস্থাপনার ক্ষেত্রে নিয়মতান্ত্রিক এবং আধুনিক পদ্ধতি (যেমন, capital budgeting, breakeven analysis, sales forecasting, প্রভৃতি) অবলম্বন করেন।

দৃঢ়ভাবে সম্মত মোটামুটি সম্মত অসম্মত দৃঢ়ভাবে অসম্মত

জানা নেই

১৪.৭ পুঁজিবাজারে শেয়ার বিক্রয়ের মাধ্যমে প্রতিষ্ঠানটিকে পাবলিক লিমিটেড কোম্পানিতে পরিণত করার বিষয়টি বিবেচনাধীন রয়েছে এবং তার সম্ভাব্যতা যাচাই করা হচ্ছে।

দৃঢ়ভাবে সম্মত মোটামুটি সম্মত অসম্মত দৃঢ়ভাবে অসম্মত

জানা নেই

১৫. অনুগ্রহপূর্বক নিচের প্রশ্নগুলোর (১৫.১-১৫.৭) উত্তর দিন। (√)

১৫.১ আপনার কতজন ভাই-বোন রয়েছে?

ভাই-বোন নাই ২ জন ৪ জন
 ১ জন ৩ জন ৪ জনের বেশী

১৫.২ আপনার ভাই-বোনদের মধ্যে আপনি কততম?

- ১ম ৩য় ৫ম সন্তান
 ২য় ৪র্থ অন্যান্য

১৫.৩ আপনার প্রাতিষ্ঠানিক শিক্ষা কোন্ বিষয়ের সাথে সংশ্লিষ্ট?

- ব্যবসায় শিক্ষা বিজ্ঞান কলা
 সামাজিক বিজ্ঞান প্রকৌশল অন্যান্য

১৫.৪ আপনার কি অন্য কোনো ব্যবসা প্রতিষ্ঠানে কাজের অভিজ্ঞতা রয়েছে?

- হ্যাঁ না জানা নেই

১৪.৫ প্রধান হিসেবে দায়িত্ব পালন করবার পূর্বে আপনি এই ব্যবসায় প্রত্যক্ষ ভাবে অন্য কোনো পদে জড়িত ছিলেন?

- হ্যাঁ না জানা নেই

১৫.৬ আপনি যে বর্তমানে এই ব্যবসার প্রধান, এটি কি আপনার পূর্বপুরুষের কোনো পূর্বপরিকল্পনা অনুযায়ী হয়েছে?

- হ্যাঁ না জানা নেই

১৫.৭ যদি তা পরিকল্পনা অনুযায়ী হয়ে থাকে, পরিকল্পনাটি কি লিখিত আকারে ছিল?

- হ্যাঁ না জানা নেই

১৬. এই ব্যবসার সাথে জড়িত কর্মকর্তা-কর্মচারীর সংখ্যা কত?

(ক) ব্যবসার প্রারম্ভকালীন সময়ে

.....

(খ) আপনার দায়িত্ব গ্রহণের সময়ে

.....

(গ) বর্তমানে

.....

১৭. এই ব্যবসায় উৎপাদন/বিপণন করা হয় এমন পণ্য/সেবার সংখ্যা কত?

(ক) ব্যবসার প্রারম্ভকালীন সময়ে

.....

(খ) আপনার দায়িত্ব গ্রহণের সময়ে

.....

(গ) বর্তমানে

.....

১৮. এই প্রতিষ্ঠানের শাখার সংখ্যা কত?

(ক) ব্যবসার প্রারম্ভকালীন সময়ে

.....

(খ) আপনার দায়িত্ব গ্রহণের সময়ে

.....

(গ) বর্তমানে

.....

১৯. এই ব্যবসাকে কি আপনি সফল বলে মনে করছেন? (√)

- হ্যাঁ না মন্ড্র্য নেই

১৯.১ যদি আপনি মনে করেন এই ব্যবসাটি সফল, তবে কোন্ বিষয়গুলো এই সফলতায় অবদান রেখেছে বলে আপনি মনে করেন?

প্রযোজ্য নয়

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১৯.২ যদি আপনি মনে করেন এই ব্যবসাটি সফল নয়, তবে কোন্ বিষয়গুলো তার জন্য দায়ী বলে আপনি মনে করেন?

প্রযোজ্য নয়

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২০. এই প্রতিষ্ঠানের ইতিপূর্বে যদি কোন পূর্বপরিকল্পনা অনুযায়ী উত্তরাধিকার হস্তান্তরের অভিজ্ঞতা থাকে, তবে আপনি কি মনে করেন এ ধরনের পরিকল্পনা ব্যবসার প্রবৃদ্ধি অর্জন এবং টিকে থাকার ক্ষেত্রে সহায়তা করেছে? (✓)

পুরোপুরি একমত একমত একমত নই পুরোপুরি অসম্মত

জানা নেই

২১. এই প্রতিষ্ঠানের ইতিপূর্বে যদি কোনো পূর্বপরিকল্পনা ছাড়াই উত্তরাধিকার হস্তান্তরের অভিজ্ঞতা থাকে, তাহলে আপনি কি মনে করেন এ ধরনের পরিকল্পনা পরিকল্পনা থাকলে তা ব্যবসার প্রবৃদ্ধি অর্জনে সহায়তা করতো? (✓)

পুরোপুরি একমত একমত একমত নই পুরোপুরি অসম্মত

জানা নেই

২২. আপনি এই ব্যবসাতিকে কুড়ি বছর পরে কোন্ অবস্থানে দেখতে চান?

২৩. কী পন্থায় আপনি সে লক্ষ্যে পৌঁছাতে চান?

২৪. উত্তরাধিকারিত্ব সম্পর্কিত আপনার কোনো পরিকল্পনা থাকলে কোন্ বিষয়গুলো এ ধরনের পরিকল্পনা তৈরীতে আপনাকে উৎসাহিত করেছে? (✓)

প্রযোজ্য নয়

i. পূর্ববর্তী রীতিকে অনুসরণ করতে

পুরোপুরি একমত একমত একমত নই পুরোপুরি অসম্মত

জানা

j. যথোপযুক্ত নেতৃত্ব খুঁজে পেতে

পুরোপুরি একমত একমত একমত নই পুরোপুরি অসম্মত

জানা নেই

k. পরবর্তী প্রজন্মগুলোর মধ্যে ব্যবসাকে টিকিয়ে রাখা নিশ্চিত করতে

পুরোপুরি একমত একমত একমত নই পুরোপুরি অসম্মত

জানা নেই

l. ব্যবসার মালিকানা এবং কর্তৃত্ব পরিবারের মধ্যেই সীমাবদ্ধ রাখতে

পুরোপুরি একমত একমত একমত নই পুরোপুরি অসম্মত

জানা নেই

m. পরিবারের সদস্যদের প্রভাবের কারণে

পুরোপুরি একমত একমত একমত নই পুরোপুরি অসম্মত

জানা নেই

n. উত্তরাধিকার সম্পর্কিত জটিলতা পরিহার করতে

পুরোপুরি একমত একমত একমত নই পুরোপুরি অসম্মত

জানা নেই

o. ব্যবসার লক্ষ্য পূরণ করতে

পুরোপুরি একমত একমত একমত নই পুরোপুরি অসম্মত

জানা নেই

ঢ. ব্যবসাটিকে এমনভাবে গড়ে তুলতে, যেন মালিকানা কিম্বা কর্তৃত্বের অনাকাঙ্ক্ষিত বদল এড়ানো যায়

পুরোপুরি একমত একমত একমত নই পুরোপুরি অসম্মত

জানা নেই

২৫. উত্তরাধিকারিত্ব সম্পর্কিত আপনার কোন পরিকল্পনা না থাকলে, কোন্ বিষয়গুলো এ ধরনের পরিকল্পনা তৈরী হতে আপনাকে বিরত রেখেছে? (✓)

প্রযোজ্য নয়

ক. উত্তরাধিকারিত্ব পরিকল্পনার ব্যাপারে ধারণা নাই

পুরোপুরি একমত একমত একমত নই পুরোপুরি অসম্মত

জানা নেই

খ. কোনো সম্ভাবনাময় নেতৃত্ব/উত্তরাধিকারী চিহ্নিত করা যায়নি

পুরোপুরি একমত একমত একমত নই পুরোপুরি অসম্মত

জানা

গ. পারিবারিক বিবাদের কারণে

পুরোপুরি একমত একমত একমত নই পুরোপুরি অসম্মত

জানা

ঘ. উত্তরাধিকারিত্ব পরিকল্পনাকে ব্যবসার জন্য গুরুত্বপূর্ণ মনে করি না

পুরোপুরি একমত একমত একমত নই পুরোপুরি অসম্মত

জানা

ঙ. ব্যবসার উত্তরাধিকার/নেতৃত্ব খুঁজে পেতে বাংলাদেশে বিদ্যমান উত্তরাধিকার আইনই যথেষ্ট মনে করি

পুরোপুরি একমত একমত একমত নই পুরোপুরি অসম্মত জানা নেই

চ. উত্তরাধিকারিত্ব পরিকল্পনা সভাবনাময় উত্তরাধিকারীদের মধ্যে বিবাদের কারণ হতে পারে বলে মনে করি

পুরোপুরি একমত একমত একমত নই পুরোপুরি অসম্মত জানা নেই

ছ. অন্যান্য কারণ (অনুগ্রহ করে কারণগুলো উল্লেখ করুন)

তথ্য প্রদানকারীর স্বাক্ষর

Appendix 3

List of Questions for Case Study

(a) Questions to examine *Capacity of Self Reflection*:

1. What was your (predecessor's) dream about life?
2. Have those dreams been achieved?
3. In what extent have those been achieved?
4. What was your dream about your business career?
5. Have those dreams been achieved?
6. At what degree have those been achieved?

(b) Questions to examine *Opportunity of the Predecessor of New Life*:

1. Have you (the predecessor) established any new business?
2. If yes give detail of those business(s)
 - a. Year of establishment
 - b. Is it in the same line of previous business or it in a different line?
 - c. Location of the business
 - d. Size of the new business
 - e. Is the new business successful so far?
 - f. Who is managing that business?
3. Do you have involvement in any other social issues (such as in politics, business community as a leader or in religious activities, etc.)?
4. If yes give details of those activities including:
 - a. Your present position.
 - b. Future prospects in those positions.
5. Others if any (such as increased practice of religion or new role in family)

(c) Ability of the predecessor to *Disassociate from the Business*:

1. Are you (predecessor) reducing responsibility in the concerned business?
2. If yes please elaborate at what degree?
3. Have your time involving in the business been reduced from earlier?
4. If yes give a short description on the scheme of time in the previous and at the present.

(d) Ability of the predecessor to *Delegate Power and Authority*:

1. Have you deployed people to replace your position or responsibilities in the business?
2. If yes, who have been used to replace what position or responsibility?
3. Did you train them before finally handing them responsibility of those positions?
4. Do you rely or depend on them now for doing those activities?
5. If yes, at what degree do you rely on them?
6. Which responsibilities have been delegated so far?
7. Please give a brief note on the delegation of responsibility (whom did you give responsibility of what in which year? Interviewer has to understand whether the delegation of power and authority is continuous/stagnant and fast/slow)
8. During which age of you (the predecessor) delegation was started?
9. Did you ever take back your position?
10. If yes give a brief description of that event of taking back?

(e) *Leadership of the predecessor*:

1. Did you plan for succession?
2. Did you find successor of the business?
3. If yes, how did you select successor?
4. Did you train successor inside the business or outside the business? Give a detail of the training scheme.
5. Did you ever have to manage family conflict related to succession?
6. If yes, give a description of the conflict and the measures that you took to solve the conflict.
7. Do you help the successors during challenge or crisis in the business?
8. If yes, please give some examples that you helped them.
9. Do you help successors to be confident on business management?
10. If yes, please elaborate.
11. Do you help workers/managers/ successors in learning the business dealings?
How?

Appendix 4

SPSS 20 Generated Outputs of Factor Analysis Showing Causes of Existence of Succession Plan

		Correlation Matrix						
		To continue the practice of the business	To ensure the survival of the business over generations	Because of the influence of the family members	To avoid succession related crisis	To achieve the vision of the business	To prepare the business to avoid unexpected transition	To find the suitable leader
Correlation	To continue the practice of the business	1.000	.273	.345	.251	.142	.232	.238
	To ensure the survival of the business over generations	.273	1.000	.130	-.026	.387	.286	.425
	Because of the influence of the family members	.345	.130	1.000	.526	.048	.172	.058
	To avoid succession related crisis	.251	-.026	.526	1.000	.115	.223	.182
	To achieve the vision of the business	.142	.387	.048	.115	1.000	.440	.458
	To prepare the business to avoid unexpected transition	.232	.286	.172	.223	.440	1.000	.481
	To find the suitable leader	.238	.425	.058	.182	.458	.481	1.000

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.687
Bartlett's Test of Sphericity	Approx. Chi-Square	92.649
	df	21
	Sig.	.000

Communalities

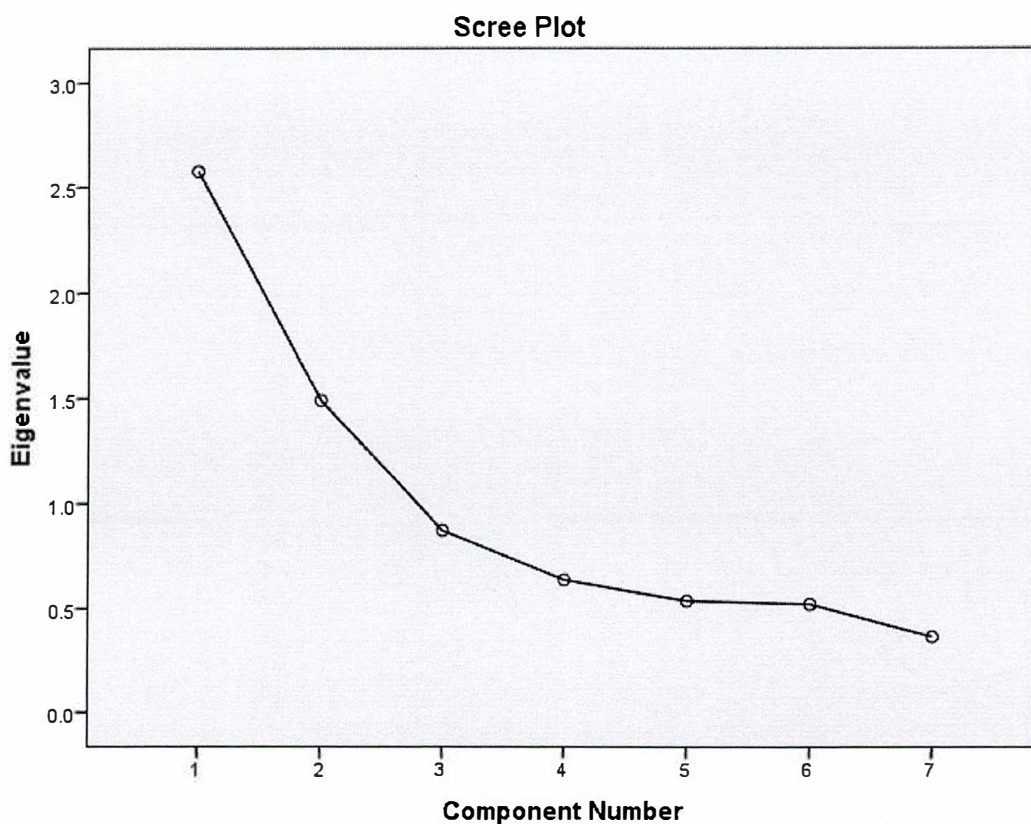
	Initial	Extraction
To continue the practice of the business	1.000	.408
To ensure the survival of the business over generations	1.000	.495
Because of the influence of the family members	1.000	.732
To avoid succession related crisis	1.000	.672
To achieve the vision of the business	1.000	.588
To prepare the business to avoid unexpected transition	1.000	.535
To find the suitable leader	1.000	.636

Extraction Method: Principal Component Analysis.

Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.576	36.796	36.796	2.576	36.796	36.796	2.274	32.487	32.487
2	1.491	21.303	58.099	1.491	21.303	58.099	1.793	25.612	58.099
3	.874	12.480	70.579						
4	.637	9.097	79.676						
5	.537	7.669	87.345						
6	.521	7.442	94.787						
7	.365	5.213	100.000						

Extraction Method: Principal Component Analysis.



Component Matrix^a

	Component	
	1	2
To find the suitable leader	.729	
To prepare the business to avoid unexpected transition	.714	
To achieve the vision of the business		
To ensure the survival of the business over generations		
To continue the practice of the business		
Because of the influence of the family members		.727
To avoid succession related crisis		

Extraction Method: Principal Component Analysis.

a. 2 components extracted.

Rotated Component Matrix^a

	Component	
	1	2
To find the suitable leader	.790	
To achieve the vision of the business	.767	
To ensure the survival of the business over generations	.703	
To prepare the business to avoid unexpected transition		
Because of the influence of the family members		.855
To avoid succession related crisis		.819
To continue the practice of the business		

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 3 iterations.

Component Transformation Matrix

Component	1	2
1	.850	.527
2	-.527	.850

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Component Score Coefficient Matrix

	Component	
	1	2
To continue the practice of the business	.069	.296
To ensure the survival of the business over generations	.324	-.071
Because of the influence of the family members	-.108	.507
To avoid succession related crisis	-.087	.480
To achieve the vision of the business	.356	-.088
To prepare the business to avoid unexpected transition	.291	.057
To find the suitable leader	.355	-.036

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Component Score Covariance Matrix

Component	1	2
1	1.000	.000
2	.000	1.000

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Appendix 5

SPSS 20 Generated Outputs of Factor Analysis Showing Causes of Non-existence of Succession Plan

		Correlation Matrix				
		Don't know about the succession plan	Because of the conflict among family members	Don't think succession plan important	Inheritance law is sufficient to find successor	Succession plan may cause conflict among potential successor
Correlation	Don't know about the succession plan	1.000	-.314	.345	-.168	.182
	Because of the conflict among family members	-.314	1.000	-.195	-.053	.287
	Don't think succession plan important	.345	-.195	1.000	-.303	.150
	Inheritance law is sufficient to find successor	-.168	-.053	-.303	1.000	-.178
	Succession plan may cause conflict among potential successor	.182	.287	.150	-.178	1.000

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.525
Bartlett's Test of Sphericity	Approx. Chi-Square	58.448
	df	10
	Sig.	.000

Communalities

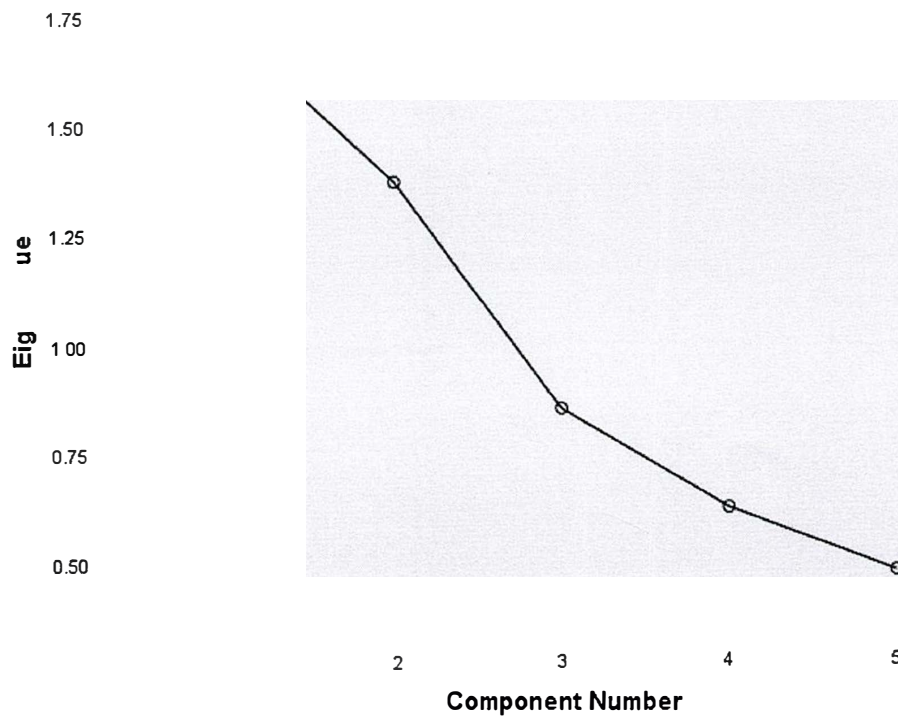
	Initial	Extraction
Don't know about the succession plan	1.000	.599
Because of the conflict among family members	1.000	.792
Don't think succession plan important	1.000	.592
Inheritance law is sufficient to find successor	1.000	.450
Succession plan may cause conflict among potential successor	1.000	.642

Extraction Method: Principal Component Analysis.

Component	Initial Eigenvalues			Total V: Explained			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	1.716	34.318	34.318	1.716	34.318	34.318	1.702	34.046	34.046
2	1.360	27.193	61.511	1.360	27.193	61.511	1.373	27.465	61.511
3	.841	16.822	78.333						
4	.614	12.287	90.620						
5	.469	9.380	100.000						

Extraction Method: Principal Component Analysis.

Scree Plot



Component Matrix^a

	Component	
	1	2
Don't think succession plan important	.769	
Don't know about the succession plan	.748	
Inheritance law is sufficient to find successor		
Because of the conflict among family members		.815
Succession plan may cause conflict among potential successor		.722

Extraction Method: Principal Component Analysis.

a. 2 components extracted.

Rotated Component Matrix^a

	Component	
	1	2
Don't know about the succession plan	.773	
Don't think succession plan important	.759	
Inheritance law is sufficient to find successor		
Succession plan may cause conflict among potential successor		.776
Because of the conflict among <u>family</u> members		.730

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.
 a. Rotation converged in 3 iterations.

Component Transformation Matrix

<u>Component</u>	1	2
1	.981	.195
2	-.195	.981

Extraction Method: Principal Component Analysis.
 Rotation Method: Varimax with Kaiser Normalization.

Component Score Coefficient Matrix

	Component	
	1	2
Don't know about the succession plan	.456	-.058
Because of the conflict among family members	-.321	.547
Don't think succession plan important	.443	.072
Inheritance law is sufficient to find successor	-.268	-.328
Succession plan may cause conflict among potential successor	.095	.560

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

Component Score Covariance Matrix

Component	1	2
1	1.000	.000
2	.000	1.000

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

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