

## Succession Planning By First Generation Entrepreneurs In South India

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**Abstract:** Entrepreneurial succession planning encompasses ownership transitions from existing entrepreneur to next generation entrepreneur. Succession Planning is about building of entrepreneurial talent and competencies needed to manage the entire operational functions of the business enterprises. This study has been carried out in Erode and Coimbatore districts of Tamilnadu. Both the districts are predominant industrial hubs in the state and the study covers a sample of 42 first generation entrepreneurs. Simple random sampling has been administered and data is collected through both primary and secondary sources. Kruskal Wallis test, Mann Whitney 'U' test, Wilcoxon test and Friedman test are the major statistical tools used in the study. The data collected were fed into SPSS and Cronbach Alpha was used to check the reliability and consistency of data. The paper explores theoretical, conceptual and logical ways of exploring succession planning of first generation entrepreneurs. This study suggests that the development of professional management may solve the problem of succession planning.

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### 1. Introduction

Entrepreneurship (Hisrich, 2005) is defined as the process of creating something different in the business with value by devoting the necessary time and effort; assuming the accompanying financial, psychological, and social risks; and receiving the resulting rewards of monetary and personal satisfaction. Entrepreneurs are classified as first generation entrepreneurs and successors of existing entrepreneurs. First generation entrepreneurs are those persons who start a venture of their own without having any entrepreneurial background. Successors are those coming out from a family which already runs a venture. First generation entrepreneurs are those who have started and built the business from scratch but successors are those who inherit the business of their grandparents, parents, siblings and other family relatives. Appointing a suitable person as successor may involve several questions regarding capability, competency and traits of taking over the business from the existing entrepreneur.

Succession planning is the process of identifying and preparing the right people for the right job. It involves the process of identifying a qualified person as successor to whom "responsibility for executive decision-making" can be transferred in an orderly fashion and to identify appropriate steps that should be taken to make sure, the successor is ready to assume the leadership role according to a planned

transition. Very often one can find that the family system and the business system do not balance each other. This could largely be due to the difficulty of separating the family from the business. Family is all about relationships, while business is, to a large extent, about dispassionate decisions based on logic and these considerations may not always go hand in hand. As a matter of fact, in India, the eldest son expects to inherit the business from his father. Problem arises when he is not the most capable or does not possess the necessary talent, skill, competency and knowledge to run the business or the other siblings do not accept the state of affairs.

### 2. STATEMENT OF THE PROBLEM

Succession planning is crucial in the life of first generation entrepreneurs and family businesses. It requires smooth transfer of ownership along with administration, leadership and management of entire business activities from one generation to next. Succession planning may occupy relocation of family relationships, redeployment of traditional patterns of influence and alteration in management and ownership structures of the business. It is a big issue and calls for strategic importance as it affects the founder, the successor, the family, the managers, the owners and remaining stakeholders connected with the business. First generation entrepreneurs and family business owners must select a successor who has the right talent

and education, technology knowledge, managerial and operational skills, emotional and intelligent quotient, skill to manage work force, future planning and so on to effectively execute the strategic business plans. Succession planning is a topmost topical issue for all first generation entrepreneurs, whether or not they are being faced with a leadership transformation. In today's rapid changing environment, the issue of selecting a successor is of prime importance and more difficult to be planned and carried out for the existing owner. Identifying a successor largely depends on the existence of succession plan and is supported by several entrepreneurial affairs.

### 3. NEED FOR THE STUDY

It is widely acknowledged that when the first generation of planners move into their fifties or sixties, the need for succession and transfer planning begins to take an urgent turn, as business owners must anticipate both planned and unplanned departures from their firms. Most of the business families face unique management challenges because of the difference in the attitude and aspiration of family members. As new generations join the business, it is an enormous challenge to keep the family and business together. An article that appeared in the Financial Express on 28<sup>th</sup> January 2011 states that "Of all businesses in India, 95% are family owned of which only 3% make it to the third or fourth generation. Most of the family businesses fall apart on account of family feuds, lack of succession planning etc".

Failure in succession may cause a serious problem, not only to the family but also to the enterprise and its employees. It would also affect the prosperity of an economy. Hence the study was framed to explore the existence of succession plan by entrepreneurs, the reasons behind the existence/non-existence of succession plan, and to understand the linkage between the existence of succession plan and general business and working capital conditions of the firm.

### 4. REVIEW OF LITERATURE

This study was carried out with a review of existing literature on succession planning of first generation entrepreneurs and successors running family business with a view to identify the most important areas and issues. Broadly speaking, family business literature outlines the unique nature of family owned firms that distinguishes them from non-family businesses. Academicians concur that family firms develop their distinct dynamics from the influence of family; its values and norms have a substantial impact on family business (Astrachan et al. 2002; Dyer, 2003; Fletcher, 2002; and Habbershon et al. 1999). Transition of leadership and business ownership from one

generation to the next is another major area that has attracted the attention of family business researchers (Brockhaus 2004).

Debapriya (2009) pointed out that succession planning is not only there to ensure that the business continues after the death or retirement of the founder but it is there to make the organization continue to be competitive in its industry. Ward (2000) defined succession planning as the process of preparing to hand over control of the business to others in a way that is least disruptive to the business operation and values. It is recognized little about how and why individuals depart their firms to the care of others and what impact this has on the economic consequences of individual entrepreneurs, enterprising families, or the economies in which they are entrenched (DeTienne, 2010; Ronstadt, 1986). This study argues that the entrepreneurial process does not end with new venture formation and that entrepreneurial exits are also a core part of the entrepreneurship process. Likewise, it has recently been argued that succession in private firms and family businesses can be considered from an entrepreneurial process perspective (Habbershon et al. 2002; Nordqvist et al. 2010).

(Howorth et al., 2004; Zahra et al., 2004) expresses that most of the literature on succession planning is theoretical or relies on a small number of research studies, based on convenience sampling method. Hence an attempt has been made to collect ownership transition and succession in private businesses as processes of entrepreneurial entry and exit. This interest is part of a more general move towards an increased interest in integrating entrepreneurship and family business research. Family businesses are found to split up into unit as they grow, and very few of them survive beyond three generations, supporting the age old saying, shirt sleeve to shirt sleeve in three generations (Carlock et al., 2001; McCulloch 2004).

### 5. OBJECTIVES OF THE STUDY

This study has been carried out with the following objectives:

- To study the existence of succession plan among the first generation entrepreneurs and the reasons for non-existence.
- To analyze the effects of general business and working capital concerns on non-existence of succession plan of first generation entrepreneurs.
- To analyze the competencies required by a successor to carry out the business in a successful manner.
- To suggest an alternative to solve the problem of succession planning.

## 6. SCOPE OF THE STUDY

This study focuses on first generation entrepreneurs. This study also seeks to understand the reasons for non-existence of succession plan with the first generation entrepreneurs. Also, an attempt has been made to check the perception of entrepreneurs' disinclination to frame succession plan for their successor and the perception of entrepreneur's with regard to the competencies required by a second generation entrepreneur to take over the business.

## 7. RESEARCH METHODOLOGY

### 7.1 Sample and Data

The sampling technique used in this study is simple random sampling. This study was carried out in Erode and Coimbatore districts. The research design is based on descriptive research and utilized both primary and secondary data. An exploratory research was conducted in the form of secondary data analysis in order to get an understanding of some of the underlying problems and solutions associated with succession planning. The secondary data sources used are reports, journal articles, conference proceedings and past thesis that were taken from the web and software like EBSCO and ADPRO. Based on the analysis of secondary data a questionnaire was constructed for the purpose of survey.

### 7.2 Survey Mechanism

This study was carried out with the sample size of 42 respondents who are first generation entrepreneurs. Personal interview method has been followed and the data for the study collected using a structured schedule. The schedule consists of four parts; first part in the schedule comprises of the factors like existence of succession plan with respect to nature of business, educational qualification and type of entity. The second part deals with the reasons for non-existence of succession plan among the respondents with/without succession plan. Third part deals with the respondents who do not possess a succession plan and their general business and working capital concerns of the firm and the last part deals with the competencies required by a successor.

### 7.3 Analytical Techniques

In order to decide on the type of tests to be used, the data was analysed to find if they confirm to normality and homogeneity of variance for which purpose necessary tests were done using Statistical Packages for Social Sciences (SPSS) software. As the normality and the homogeneity were not confirmed, the data are considered to be non-parametric data. Hence, non-parametric tests had been used to analyze the data. The data collected were punched into SPSS and reliability analysis was done using Cronbach Alpha. The Cronbach's Alpha analysis to test the inter factor consistency used to measure the perception of respondents towards competency required for a

member to get involved in business returned a standardized item alpha of 0.7538 and an alpha of 0.8333 if the item "age" was delete. Hence the item "age" was removed for further analysis. The result of Cronbach's Alpha analysis to test the inter factor consistency used to measure the various objectives identified that would have facilitated the drafting of succession plan returned a satisfactory standardized item alpha of 0.9963. Similarly the result of Cronbach's Alpha analysis to test the inter factor consistency used to measure the various objectives that would have affected the drafting of succession plan and the analysis to test the consistency of various factors considered under the primary reasons that does not allow the entrepreneurs to come forward for drafting a succession plan returned a satisfactory standardized item alpha of 0.9965 and 0.8548 respectively. Hence all the factors identified as reasons were considered for further analysis.

## 8. ANALYSIS AND INTERPRETATION

### 8.1. Existence of Succession Plan

**Table – 1: Existence of Succession Plan**

Factor s	Elements	Absence of Succession Plan	Presence of Succession Plan
Nature of Business	Manufacturer	19(82.6%)	4(17.4%)
	Channel Partner	6(46.2%)	7(53.8%)
	Service	4(80%)	1(20%)
	Trading	1(100%)	NIL
	TOTAL	30(71.4%)	12(28.6%)
Educational Qualification	HSC\Equivalent	3(60%)	2(40%)
	Diploma	1(50%)	1(50%)
	Graduate	17(68%)	8(32%)
	Post Graduate in Management	4(100%)	NIL
	Any Other	5(83.3%)	1(16.7%)
	TOTAL	30(71.4%)	12(28.6%)
Type of Entity	Sole Proprietorship	13(76.5%)	4(23.5%)
	Partnership	11(64.7%)	6(35.3%)
	Private Limited	6(75%)	2(25%)
	TOTAL	30(71.4%)	12(28.6%)

Source: primary data

In order to know the presence or absence of succession plan around 42 respondents who are first generation entrepreneurs were interviewed. Out of the total respondents interviewed, it was seen that 70% of the first generation entrepreneurs did not have a succession plan while 30% had a succession plan. The results obtained were cross tabulated with respect to the various demographic factors such as educational qualification, type of entity and nature of business and the findings are provided in the table.

It is evident from table-1 that among the group based on nature of business it is the channel partners who have the highest percentage of respondents with a succession plan while the manufacturers have the highest percentage of respondents without a succession plan. When it came to the group based on educational qualification, the diploma holders led the group with existence of succession plan while none of the respondents with a post graduate in management has a succession plan. Across the group based on type of entity, the partnership firms have the highest percent of respondents with succession plan while proprietorship firms the least.

### 8.2. Reasons for Existence/Non-Existence of Succession Plan

From the analysis it becomes important to identify and understand the reasons for (i) non existence of succession plan, (ii) the factors determining the existence of succession plan and (iii) to know the linkage between non-existence of succession plan and general business and working capital concerns of the firm. In order to understand the importance of factors that might disallow entrepreneurs to come forward to frame a succession plan, the respondents who are first generation entrepreneurs have been asked to record their perception towards the factors identified in terms of importance along a five point scale, such as unimportant as 1, not very important as 2, important as 3, very important as 4 and highly important as 5. For analysis the respondents were divided into two groups based on existence and non-existence of succession plan and responses analyzed in both cases. The observation in terms of count and percentage for either case is given in the following tables 2 and 2.1

It can be inferred from table-2, which shows the perception of respondents with succession plan, it is seen that the main reason for non existence of succession plan is that “the successor do not possess interest in business”. This has been identified by all section of the respondents. Also factors such as “too early to plan, reluctance to let go of power and control and personal loss of identity” also weighed on the minds of the respondents. Most of the respondents felt jealousy/anger towards successor as the factor with least importance followed by cultural values that discourage succession planning, lack of belief in the successor each by 50% of the respondents.

**Table 2 Reasons for Non Existence of Succession Plan (Respondents with Succession Plan)**

(Figures in bracket indicate percentage)

Factors	Within Existence of Succession Plan				
	1	2	3	4	5

Reluctance to let go of power and control	9 (21.4)	2 (4.8)	3 (7.1)	13 (31)	15 (35.7)
Personal loss of identity	11 (26.2)	5 (11.9)	5 (11.9)	11 (26.2)	10 (23.8)
Jealousy/anger towards successor	26 (61.9)	9 (21.4)	4 (9.5)	2 (4.8)	1 (2.4)
Fear of change	10 (23.8)	4 (9.5)	11 (26.2)	13 (31)	4 (9.5)
Dependence of clients on founder	8 (19)	4 (9.5)	18 (42.9)	8 (19)	4 (9.5)
Cultural values that discourage succession planning	21 (50)	9 (21.4)	5 (11.9)	4 (9.5)	3 (7.1)
Financial insecurity after succession	16 (38.1)	3 (7.1)	8 (19)	11 (26.2)	4 (9.5)
Lack of belief in the successor	21 (50)	10 (23.8)	5 (11.9)	5 (11.9)	1 (2.4)
Successor do not possess interest in the business	2 (4.8)	1 (2.4)	4 (9.5)	9 (21.4)	26 (61.9)
Too early to plan	6 (14.3)	3 (7.1)	6 (14.3)	7 (16.7)	20 (47.6)

Source: Primary Data

Financial insecurity after succession had the least influence on succession plan by the respondents. On comparing with the perceptions recorded by respondents without succession plan (table- 2.1) it can be seen that the factors considered the most important and least important in either case is similar to those with succession plan. From the above table it can be seen that the perception of respondents towards the importance of factors are significantly different across various factors identified which has to be tested statistically for which a hypothesis was framed and tested.

**Table 2.1 Reasons for Non Existence of Succession Plan (Respondents without Succession Plan)**  
(Figures in bracket indicate percentage)

Factors	Within Non-Existence of Succession Plan				
	1	2	3	4	5
Reluctance to let go of power and control	8 (26.7)	2 (6.7)	2 (6.7)	6 (20)	12 (40)
Personal loss of identity	9 (30)	3 (10)	4 (13.3)	7 (23.3)	7 (23.3)
Jealousy/anger towards successor	21 (70)	4 (13.3)	2 (6.7)	2 (6.7)	1 (3.3)
Fear of change	9 (30)	4 (13.3)	8 (26.7)	8 (26.7)	1 (3.3)
Dependence of clients on founder	7 (23.3)	2 (6.7)	12 (40)	7 (23.3)	2 (6.7)
Cultural values that discourage succession planning	16 (53.3)	4 (13.3)	4 (13.3)	3 (10)	3 (10)
Financial insecurity after succession	14 (46.7)	3 (10)	4 (13.3)	6 (20)	3 (10)
Lack of belief in the successor	18 (60)	4 (13.3)	4 (13.3)	3 (10)	1 (3.3)
Successor do not possess interest in the business	2 (6.7)	11 (33)	4 (13.3)	6 (20)	17 (56.7)
Too early to plan	5 (16.7)	2 (6.7)	6 (20)	4 (13.3)	13 (43.3)

Source: Primary Data

### Testing of Hypothesis

In order to test the trustworthiness of the data presented in the above table suitable hypothesis were framed. The null hypothesis ( $H_0$ ) states that the rating of various primary reasons that does not allow the entrepreneurs to come forward for drafting a

succession plan is not significantly different. Alternate hypothesis ( $H_1$ ) states that the rating of various primary reasons that does not allow the entrepreneurs to come forward for drafting a succession plan is significantly different. Friedman test at 5% level of significance is adopted. The factors are rearranged rank wise and given in the following table

**Table - 3: Factors that do not allow Succession Plan based on Mean Rank**

Factors	Mean Rank
Successor do not possess interest in the business	8.11
Too early to plan	7.56
Reluctance to let go of power and control	6.80
Personal loss of identity	5.90
Fear of change	5.50
Dependence of clients on founder	5.46
Financial insecurity after succession	5.14
Cultural values that discourage succession planning	3.85
Lack of belief in the successor	3.57
Jealousy/anger towards successor	3.11

Source: SPSS output

Test statistics for factors that do not allow succession plan is computed with 9 degrees of freedom, Chi-square value works out to 161.867 with the significance value of 0.000. Hence calculated significance value is less than 0.05, which rejects null hypothesis and accepts alternate hypothesis which states the rating of various primary reasons that does not allow the entrepreneurs to come forward for drafting a succession plan are significantly different. Similar tests were conducted by using Kruskal-Wallis test in order to understand the importance of factors that might disallow entrepreneurs to come forward to frame a succession plan, with respect to the demographic factors such as educational qualification, type of entity, and nature of business. The null hypothesis of the overall ratings of various primary reasons that doesn't allow the entrepreneurs to come forward for drafting a succession plan are not significantly different across the group based on demographic factors. The SPSS output is summarized in table-4.

**Table - 4: Reasons for Not Considering Succession Plan With Respect to Demographic Factors based on Mean Rank**

Nature of Business	Elements	Mean Rank	Test Statistics Result
Nature of Business	Manufacturer	19.63	Chi-square 2.818, df 4, Asymp.Sig 0.589
	Channel Partner	24.15	
	Service	25.70	
	Trading	9.00	
Educational Qualification	HSC Equivalent	14.00	Chi-square 0.535, df 2, Asymp.Sig 0.765
	Diploma	16.25	
	Graduate	23.14	

Type of Entity	Post Graduate in Management	20.75	Chi-square 2.777, df 3, Asymp.Sig.0.427
	Any Other	23.17	
	Sole Proprietorship	20.35	

Source:SPSS Output

From the output it can be seen that the calculated significance value in all three cases is

higher than 0.05 which means that null hypothesis is accepted and the alternate hypothesis is rejected. Hence it can be inferred that the perception of respondents towards the factors identified are not significantly different across the groups based on educational qualification, type of entity and nature of business. Hence from the above tests it can be concluded that the perception of respondents is the same across the groups based on educational qualification, type of entity and nature of business.

**8.3. Succession Plan and General Business & Working Capital Concerns**

Since the above reasons are related to the personal attribute of the entrepreneur and in order to get a better understanding of any linkage between non-existence of succession plan and general business and working capital concerns of the firm, the respondents were asked to rate the factors considered in terms of importance along a five point scale. The statistical results obtained are summarized and tabulated. The null hypothesis states that “the rating of various factors considered as general business concerns/ working capital concerns that would have affected the drafting of succession plan is not significantly different”. The alternate hypothesis states the factors are significantly different. Friedman test at 5% level of significance is administered for analysis. The findings summarized in the following table shows that the calculated significance value is 0.448 is greater than 0.05 leading to the acceptance of null hypothesis for general business concerns and calculated significance value is 0.00 which is less than 0.05 and rejects null hypothesis for working capital concerns.

**Table - 5: Influence of General Business and Working Capital Concerns based on Mean Rank**

Factor	Elements	Mean Rank	Test Statistics
General Business Concerns	Scions are into different fields	3.81	Chi-square 4.742 df 5, Asymp.Sig 0.448
	Expect margin erosion in coming years	3.65	
	Family is not interested in Business	3.51	
	Expect the industry to shrink in coming years	3.39	

Working Capital Concerns	Sales and/or Profits on declining trend	3.38	Chi-square 48.080, df 6, Asymp.Sig 0.00
	Staff turnover increasing/morale low	3.25	
	Expenses increasing at a rate faster than revenue	4.85	
	Expenses increasing with revenue decreasing	4.73	
	Overdue problems to Banks/Hire Purchase creditors	4.08	
	Refusal of additional/extension of credit lines by banks	4.02	
	Customers having problems with delivery of products	3.81	
	Possession of non-operating and non-income generating assets	3.31	
Late Payment of Salary/EPF to employee	3.20		

Source:SPSS Output

From the analysis it can be observed that, of the factors stated in the above table it can be seen that the general business concerns such as the varied field involved by the scions, margin erosion and lack of interest in the business discourage most of the entrepreneurs in framing a succession plan while it is a mixed bag when it comes to working capital.

Hence we can conclude that the main reasons for non existence of succession plan by entrepreneurs are that of personal reasons such as the successor does not possess interest in business, too early to plan or reluctance to let go of power and control which are more of personal attributes of entrepreneur and his successor.

A business has to be carried on through generations and not wound up within one generation or two; hence it is important for a business to have a succession plan. In order to develop a strategy and draft a succession plan, various reasons were identified and the respondent’s responses were recorded. To understand the importance of various identified factors with respect to existence of succession plan, entrepreneurs with existence of succession plan were asked to rate the factors in terms of importance on a five point scale. Friedman test was adopted with the level of significance of 0.05. The null hypothesis states that the rating of various objectives that would have facilitated the drafting of succession plan is not significantly different and the test results are summarized in table-6.

**Table - 6: Reasons for Existence of Succession Plan based on Mean Rank**

Factors	Mean Rank	Test Statistics
Sustainability of the company	6.77	Chi-square 49.413, df 10, Asymp.Sig 0.000
Ensure continuity of	6.74	

Business		
Provide financial stability of the family	6.27	
Improve Profit Margin of Entity	6.27	
Improve market share of entity	6.18	
Greater involvement of Family in Business	6.17	
Maintain Present Culture	5.85	
Provide Financial Stability to Entity	5.67	
Pursue Mission and Vision	5.59	
Minimize Tax Liability	5.30	
Provide additional investment in business	5.18	

Source;SPSS output

From table-6 it can be seen that the calculated significance value is 0.000 which is less than 0.05, which reject null hypothesis. Hence the alternate hypothesis which states the rating of various objectives that would have facilitated the drafting of succession plan is significantly different is accepted. From the above table it can be concluded that the sustainability of business and continuity of business are considered as the most important factors by entrepreneurs with existence of succession plan followed by providing financial stability to the family. Having concluded that sustainability and continuity as the main factors behind drafting a succession plan it is necessary for the entrepreneur to identify a competent successor.

#### 8.4. Competencies Required by a Successor

For this purpose a set of competencies were identified and the perception rated on a five point scale by the entrepreneurs and statistically tested. The null hypothesis states that the various aspects used to measure “the perception towards various competencies of member getting involved in business” are not significantly different. Alternate hypothesis states that various aspects used to measure the perception towards various competencies of member getting involved in business are significantly different. Friedman test at 5% level of significance is applied for the study. The result obtained is tabulated in the ascending order of mean rank and is shown in table-7.

**Table - 7: Competencies required by a Successor based on Mean Rank**

Competency	Mean Rank	Test Statistics
Aspiration/Passion to do Business	5.50	Chi-square 49.413, df.10, Asymp.Sig.0.00
Knowledge of current Trends in Business	3.94	
In House Training	3.55	

Class room education in Management	3.42	
Prior involvement in Decision Making Process of company	2.58	
Training in other companies in same field	2.02	

Source;SPSS output

It can be seen from table-7 that the calculated significance value is 0.000 which is less than 0.05, which means the acceptance of alternate hypothesis and it states various aspects used to measure the perception towards various competencies of member getting involved in business are significantly different.

Similar tests were conducted in order to understand the competencies that might be considered important by entrepreneurs for successors to get involved in business with respect to the demographic factors such as educational qualification, type of entity, and nature of business. The null hypothesis states that the overall ratings of perception towards competency of members getting involved in business are not significantly different across the group based on demographic factors. The results are summarized and shown in table-8.

**Table - 8: Perception towards Competency of Members with Respect to Demographic Profile based on Mean Rank**

Factor s	Elements	Mean Rank	Test Statistics Result
Nature of Business	Manufacturer	14.17	Chi-square 4.220, df 2, Asymp.Sig 0.121
	Channel Partner	20.00	
	Service	10.88	
	Trading	0	
Educational Qualification	HSC/Equivalent	13.00	Chi-square 6.123, df 4, Asymp.Sig 0.190
	Diploma	16.25	
	Graduate	18.18	
	Post Graduate in Management	19.00	
	Any Other	6.63	
Type of Entity	Sole Proprietorship	18.35	Chi-square 1.209, df 2, Asymp.Sig.0.546
	Partnership	15.54	

Source;SPSS output

The confidence level is taken as 95% and hence the significance value is 0.05 and the tool used to test the hypothesis is Kruskal Wallis test. From the output it can be seen that the calculated significance value in all three cases is higher than 0.05 which means null hypothesis is accepted and alternate hypothesis is rejected. Hence it can be inferred that the perception of respondents towards the competencies identified is not

significantly different across the groups based on educational qualification, type of entity and nature of business.

## 9. CONCLUSION

It is found from the analysis of the study with respect to existence of succession plan; around 70% of the respondents interviewed didn't have a succession plan as against 30% with succession plan.

The main reasons in rank order of importance for non-existence of succession plan according to the respondent's perception on the personal front is that the successor do not possess interest in the business, too early to plan, reluctance to let go of power and control, personal loss of identity, fear of change, dependence of clients on founder, financial insecurity after succession, cultural values that discourage succession planning, lack of belief in the successor and jealously/anger towards successor.

The perception of entrepreneurs towards working capital needs if any that would have had a negative influence on succession plan was recorded. The findings arranged in rank order are, the expenses where increasing at a rate faster than revenue, expenses are increasing but revenue decreasing, overdue problems to banks/hire purchase creditors, refusal of additional/extension of credit lines by banks, customer having problems with delivery of products, possession of non-operating and non-income generating assets, late payment of salary/EPF to employee.

The perception of entrepreneurs with succession plan was recorded on the basis of importance of factors considered as general business concerns which could have influenced them to develop a succession plan. The study revealed sustainability of the company, ensuring continuity of business, providing financial stability of the family were the main factors that weighed heavily on the minds of entrepreneurs.

With respect to competency required by the successor, it was found out that if the successor is to get involved in the business, the successor should possess necessary passion, knowledge and skill to run the business.

Hence based on the above facts it can be said that the development of professional management may solve the problem of lack of succession plan.

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