

**Induction in Family Businesses:
A Study of Alternative Approaches**

THESIS

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by

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CERTIFICATE

This is to certify that the thesis entitled **INDUCTION IN FAMILY BUSINESSES: A STUDY OF ALTERNATIVE APPROACHES** and submitted by **PARIMAL MERCHANT, ID No : 2010PHXF454P** for award of Ph.D. of the Institute embodies original work done by him under my supervision.

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Abstract

The role of family businesses in creation of wealth in the world is well acknowledged. They constitute a large proportion of the global business enterprises. The vast majority of the family businesses are small or medium-sized firms. Ensuring continuity of the family business after the founder has been seen as a major challenge. Planning for succession, beginning with integration of the next generation family members into the family business, is an issue of critical importance. Induction is the process of initiating and grooming the younger generation members into the family business through an orderly process. Succession is an event, whereas induction is a process, spread over a considerable period of time, in which the inductee learns about the business. This study has focused on Indian family businesses in the Small and Medium Enterprise (SME) segment. An extensive literature review was carried out to identify the key drivers that contribute to effective succession. The literature on family business has focused to a large extent on the challenges to the continuity of the family business and the issue of succession. But the specific process of induction, as an area of research is yet to attract the attention of researchers. Thus this study aimed to focus on induction in family business succession, in the context of eastern culture and a developing economy. the objectives of this study were as follows:

- Empirically examine the influence of the factors affecting succession, as identified from the literature survey, on the effective induction in the Indian SME family businesses.
- Explore the causal relationship between the variables identified and the effectiveness of induction, in terms of positive influence on business, family and the inductee.
- Develop insights from the study that can help business families to manage the induction effectively.

To begin with, based on the literature survey, the relevant variables were identified. On the basis of these, 16 hypotheses were formulated. To test the hypotheses data was gathered by using a questionnaire. After a pilot study, the questionnaire was sent out to potential respondents using the snowball sampling technique. A total of 287 responses were received, out of which 135 responses were found to be complete and in order for taking up further analysis. Further, the case study method had been used, and two cases had been

studied in detail. Thus the research design provided a triangulation of survey and case study methods to arrive at its conclusions. The data collected was analyzed using statistical tools of factor analysis, multiple regression and SURE model, to establish relationships between the independent variables and dependent variables.

As a result of the analysis the following hypotheses were validated:

- a. Existence of tensions is significantly associated inversely with the outcome of the induction process.
- b. Ability to manage tensions is significantly associated with the outcome of the induction process.
- c. The willingness of the inductee during the process of induction is significantly associated with the outcome of the induction process.
- d. The quality of relations between the inductor and the inductee during the process of induction is significantly associated with the outcome of the induction process.
- e. Raising up within the family culture is significantly associated with the outcome of the induction process.
- f. Situational factors are significantly associated with the outcome of the induction process.

Two case studies were studied. Both were Indian SME family managed business that had gone through the process of induction with different results. The findings were compared with the research findings. It was found that most of the findings were validated.

The study is subject to some unavoidable limitations, i.e., subjectivity of perception of respondents, limitations of the sample and slant in nature of respondents. In conclusion, the study has identified the variables that can be more relevant and directly affect the outcome in terms of influence on the business, the family and the inductee.

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List of Abbreviations

| | |
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| KMO | Kaiser-Meyer-Olkin measure |
| SME | Small and Medium Enterprises |
| SPSS | Statistical Package for the Social Sciences |
| SURE model | Seemingly Unrelated Regression Equations model |

Chapter 1 : Introduction

1.1 Background

The role of family businesses in creation of wealth in the world is well acknowledged (Van Der Merwe, 2011). The foundation for any economy is the drive of the entrepreneurs. They spot the opportunity and start an enterprise. They always thrive on the direct or indirect support of family members. The business may evolve until it becomes largely publicly owned and corporatized, but till then it remains as a family business. Such businesses constitute the most prevalent and visible form of business in most of the world economies (Lee, 2006). Be it developed economies like the United States of America (USA), United Kingdom (UK) or European Union, or be it developing countries like India, Pakistan, Bangladesh, Sri Lanka etc., family businesses play a significant role in the country's economic growth. It is conservatively estimated that they constitute between 65 to 80 percent of the global business enterprises. (Dreux, 1990; Timmons & Spinelli, 2007; Dejung, 2013). According to a study by Malhotra (2010), 80% of all businesses worldwide are family businesses. Such a high percentage, even after making adjustments for time, measurement and geographical areas, shows the widespread prevalence and importance of family businesses worldwide.

However, the journey is not always smooth for family businesses. One of the most critical problems identified within a family business is the issue of continuity. Since these businesses are dependent on the owner, any form of adversity in the personal life of the owner/s, immediately affects the business too. The founder has a significant influence on the firm including its culture, values and performance (Schein, 1995). Ensuring continuity of the family business after the founder has been seen as a major challenge. Birley (1986), estimates that only 30% of the family businesses continue through the second generation and only 15% continue through the third generation. Ward (2011) and Ghee, Ibrahim and Abdul-Halim (2015) reiterate the view that very few family businesses continue beyond the third generation.

The continuity of the business has become a deep challenge for all forms of businesses including family businesses because of environmental factors such as advent of globalization, shift in technology etc. However, in the matter of family businesses, the additional dimension of family emotions and the mutual influence of family on business and vice versa also play a considerable role that affects the continuity of the family businesses across generations (Salvato & Melin, 2008; Rau, 2013). Sustaining wealth creation over generations is a primary concern of most of the family businesses. It has been observed that most firms are not successfully handed over to succeeding generations. Further a family business that stays in the same family down the generations finds it increasingly difficult to maintain the rate of growth and returns that it may have initially experienced under its first-generation founder member (Villalonga & Amit, 2006; Kavediya, 2017). Sustaining growth and profit in family business over successive generations poses an enormous challenge.

Planning for succession, beginning with integration of the next generation family members into the family business, is an issue of critical importance (Barach, Gantisky, Carson, & Doochin, 1988). Handing over the reins of business to a capable successor is important for the longevity of any form of business. Ineffective succession is a critical factor in an early demise of even the most successful business (Majda, 2016). Keeping in view the deeper concern about continuity of family businesses, it is obvious that over the years a significant number of studies have attempted to analyse and understand the reasons behind continuity or otherwise of family businesses. The focus of these studies has been both empirical, as well as anecdotal.

The succession process involves a complex set of issues and there are many reasons for it to go wrong (Więcek-Janka, Mierzwiak and Kijewska, 2016). As such, considerable work has gone into describing the issue. However as per Lam (2011) a number of variables have been identified but little causal insight is offered that helps us to understand the family–business–succession nexus (Lam, 2011).

It was only in the 1950's that an initial foray was made to understand the problems of small family firms in the manufacturing sector. Thereafter, a Family Business Centre was set up in 1962 by pioneers Léon and Katy Denco in Cleveland, Ohio, providing a shot in the arm for research into the topic. The first journal dealing exclusively with the subject, "The Family Business Review", began publication in 1988, and was a major milestone in the history of family business studies. More recently, the Successful Transgenerational Entrepreneurship Practices (STEP) project, set up in 2005, is a trans-national collaboration that seeks to explore family business and succession practices on a global scale.

1.2 Defining the Family Business

Family businesses are vital for all economies of the world. The precise definition of what exactly constitutes a family business is more complicated than it may appear at first. A look at some possible scenarios may serve to better illustrate this point. In the first case, the ownership of a business may rest wholly or primarily with one family, but the day to day running of the business is taken care of by professional managers with little or no involvement of the owners. In another scenario, a franchise may be owned by a multinational, but an individual franchisee outlet may be run by members of a single family, for e.g. a McDonald's restaurant. Or lastly, a business may be jointly owned by two partners who are not related to each other, and the sons of both partners too are involved in the business. Which of the above can or can't be called a family business (Lansberg, 1988)?

There have been many attempts at defining a family business. One such definition of a family business is a business in which one or more members of one or more families have a significant ownership interest and significant commitments toward the business' overall well-being. Families and business in such cases are highly interdependent (Aldrich, 2003). A more comprehensive definition has been given by Chua, Chrisman, and Sharma (1999). After doing extensive exploration on the definitions given by various authors they defined family business as "a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of

the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families.”

Berrone et al. have gone one step further and attempted to provide a structured framework for the purpose of evaluating a ‘family business,’ which they have called FIBER (Berrone, Cruz, & Gomez-Mejia, 2012). The acronym FIBER stands for Family, Identification, Bonding, Emotional and Renewal. *Family* denotes the degree of control and influence a family has over a business; *Identification* studies how much the members of the family which owns the business identify with the firm; and *Bonding* infers how deeply each member of the family is connected to the business. Quite apart from the financial dependency on and time given to the business by an individual member of the family, an *Emotional* attachment to the business is also sought to be clearly delineated. Finally, it is the *Renewal* of family ties to the business, which deals with the process of the business changing hands from one generation to the next.

Family Business can therefore be defined as a business where one or more members of one or more families together, have significant ownership stake as well involvement in managing the business.

With this definition as the backdrop, the study examined the issue - whether a business being run exclusively by one family has a positive or negative influence upon the success or failure of the business itself, and how this varies across generations when the business stays within the same family. Anderson and Reeb (2003) have shown that there exists a positive correlation between financial performance of a large family owned American firm, and the CEO belonging to the same family (Anderson & Reeb, 2003). This was found to be especially true if the CEO was the founder of the business. Chrisman et al. (2004) confirmed that this held true even for small privately-owned firms in the U.S. (Chrisman, Chua, & Litz, 2004). The family being directly involved in management of an enterprise was also studied by Villalonga and Amit (2006) and their conclusions indicate that founder members have a positive effect on performance, but descendant members on the other hand

have a mostly negative influence on financial results of the companies studied. These findings are replicated in a study done by Sraer and Thesmar (2007) on French firms.

The studies listed above show that family businesses thrive under the first-generation founders but experience decline under successors. Therefore, it may be concluded that founders of a business are primary drivers of the success of a business, but the continuing leadership of successive generations of a single family in a business can have a detrimental influence on sustaining that success over time.

Another dimension is that there are cultural differences between east and west (Reuber, 2016). There are significant differences between the two cultures in terms of high-context v/s low-context communication, individualism v/s collectivism, equality v/s hierarchy and assertiveness v/s interpersonal harmony (Qingxue, n.d.). There are several divergent points between the two cultures, one of the most important being the strong individualism in the west v/s distinctive collectivism in the east (Chang, 2010).

Besides cultural differences, there is also an important dimension of the stage of the economy. Lack of stable and mature markets, risks posed by economic, political and regulatory uncertainty, lack of alternative sources of financing etc. make the context of the developing economy quite distinct, where models and findings of developed economies can't be easily transposed (Lingelbach, De La Vina, & Asel, 2005).

This highlights the significance of conceptualizing family business succession in the context of eastern culture and developing economy. This study focused on Indian family businesses that represent both these contexts, i.e. cultural differences as well as the stage of the economy. The study further has a specific focus on the Small and Medium Enterprise (SME) segment, as firms within this segment have their own context and constraints (Sjögrén and Syrjä, 2015).

1.3 Indian Context

The Indian Business scenario considerably differs from that of the west. The industrial revolution started in Europe over 200 years ago and a number of technologies including use of machines, production processes, use of water and steam power etc. led to a highly efficient factory system. Over the years these technologies have been evolving and impacting the growth of existing and new businesses. Thus the west has a considerable head start as compared to India, since it remained colonized till 1947. Prior to independence, India was a colony and was reduced to a source of cheap raw material and market for finished products. The limited industrialization was the outcome of colonial power and their managing agencies for their selfish motives in India (Kudaisya, 2011).

After India's independence in 1947, enormous thrust was given to establish public sector undertakings for creating a basic industrial base in the country. Whatever little private sector existed was dominated by a few family businesses which were promoted by large business groups for example, the Tata, Birla, Sahu Jain, Walchand, Thapar, Singhanian and Goenka families (Manikutty, 2000). Post-independence, only a few families together controlled a large proportion of businesses in the private sector.

The Tata group, one of the country's largest business empires, is also India's best known conglomerate internationally. The Tata group is also a rare example of an Indian family enterprise that has seen multiple generations of the founding family not only take charge of the business, but also successfully nurture and expand it (Sen, 2009).

The Tata Group was started in 1868 by Jamsetji Nusserwanji Tata, the son of a banker, who put his experience of working in his father's banking firm to use by setting up a trading company. He is credited with pioneering industrialization in India by investing in the development of such sectors as textiles, energy, hospitality and steel, which were all in their infancy at that time. The most iconic of the many Tata milestones that came to symbolize his dazzling entrepreneurship was the Taj Mahal Hotel. Since opening its doors in 1903, it has gone on to symbolize the city of Bombay, now Mumbai. According to family

lore, Jamsetji decided to build up the Taj Mahal Hotel after another elite hotel of that time denied entry to him because he was Indian.

But most of the ventures Jamsetji seeded including the Taj Mahal Hotel were only brought to fruition by his elder son and successor Sir Dorabji Tata. The Taj Mahal Hotel is therefore, an enduring testimony to a successful passing on of the baton to the next generation in Indian family business history. Thus, the father planted the seed, and the son tended the crop and brought it to harvest. After Sir Dorabji, the firm was taken over by Nowroji Saklatwala, the son of Jamsetji's sister. It may not have been a direct succession but it was still well within the family. After him it was JRD Tata who assumed leadership, followed by his nephew Ratan, all of whom proved to be able inheritors and grew the Tata group into the flagbearer of Indian entrepreneurship and one of the largest conglomerates in the world (Singh, 2011). Only recently a person not from the family has been appointed at the helm of the Tata group, in the absence of any family member who could be a successor. The new incumbent, however, had been with the Tata Group for a long time.

Post-independence, the Tatas and other leading business groups continued their expansion, to raise industrialization in the Indian economy. The private sector further suffered a big setback with the nationalization of a large number of industries in the Government's pursuit of socialism. Some of the Tata ventures were also swept away in the wave of nationalization. This state of affairs continued right through the 1960s and 1970s. The growth of industries in the private sector was discouraged and highly restrictive government regulations, or the license quota 'raj' prevailed. Further, India suffered due to major wars in 1962, 1965 and 1971 derailing the business environment.

Another well-known Indian conglomerate with a global footprint is the house of Birla. The group is an example of entrepreneurship that has grown exponentially. The roots of the group can be traced back to 19th century when Seth Shiv Narain Birla started the business of trading in cotton in Pilani, Rajasthan. Shiv Narain Birla and his adopted son, Baldeo Das Birla, made an enormous fortune by trading with China, and this formed the basis of the family's fortune. Baldeo Das was succeeded by four sons, of whom Ghanshyam Das Birla

laid the foundation of the Birla industrial empire in the early 20th century. Continuing the family traditions, the third generation, Ghanshyamdas (G. D.) Birla, and his brothers set up industries such as textiles, aluminium, cement, and chemicals (Som, 2010). G.D. Birla was very close to Mahatma Gandhi and was actively involved in the Indian freedom struggle.

After the death of GD Birla, the businesses remained for some time as a composite entity, but later were divided among the heirs. The division was effected after protracted but peaceful discussions among the members of the next generation of the family.

While each group within Birla family continued to build successful businesses, Mr. Aditya Birla, grandson of Mr. G.D. Birla, dreamed of setting up a global business empire and he put Indian business on the world map. He set up factories in Thailand, Malaysia, Indonesia, Philippines and Egypt. After his untimely death at the age of 52, his son Mr. Kumar Mangalam Birla took charge and led the business to new heights with over 70,000 employees and market capitalization of \$12 billion.

The group of Birla is well known for its unique management practices such as their Parta system of operations management, which is considered as an exceptional method of cost control and performance management (Woodard, Nazir, Khan, & Chugh, 2006). Like the Tata group, the Birla group is also known for their unique trusteeship concept of management, viewing industry as a vehicle for promoting social well-being as much as instrument for creation of wealth (Birla, 2006).

It was only in late 1970s and early 1980s that the business environment was somewhat relaxed and a large number of families entered in business and industry. In the initial phase of growth of family businesses, their purpose was restricted to family livelihood. However, it was only after July 1991, when the government of India announced liberalization that the businesses grew rapidly (Manikutty, 2000). Most of the family businesses that started in late 70s and 80s got the momentum that they had long been striving for. Thereafter the spirit of private enterprise got wings and the sector has thrived well into the new millennium.

Since most of the private businesses started around 1980s or later, we can say that the majority of them are still young. By virtue of their still being young, the Indian family businesses have different challenges as compared to the family businesses in the west.

There is also a major cultural context for Indian family businesses. Like many countries of the east, India has had a strong family culture since time immemorial. The Indian culture has roots in three systems of agrarian society namely Caste, Jajmani and Panchayat (Karofsky, 2000). Caste determined the occupation that the members of a family were permitted to undertake. Through the ages, it was an unspoken rule that all forms of profession were not open to an individual to pursue. An individual could pursue only those professions or learn only those skills which were followed by his birth family according to his caste. Over time the caste system gave rise to staunch separator lines dividing the society. The panchayat was the ultimate law-making and justice-dispensing body in rural India for much of the country's history. The panchayat was traditionally made up of the five eldest, hence deemed to be the wisest, males of a village. The word of the panchayat was considered final on all matters brought before it. The jajmani system was the basis of the economy in any typical Indian village. It described the relationship between the jajman (patron), who was usually the land-owning member of the upper caste, and the other party comprised of the landless villagers from lower castes who provided the patron various services like cleaning, weaving and farm labour in lieu of grain.

Parallels of all these ancient systems can be found even in the present day Indian joint family system, and are often reflected in family managed businesses.

Within the joint family and consequently in family business too, like the caste system, rigid roles were defined for various family members as well as other employees and were accepted and carried out as such (Debnath, 2015). The senior members of the family were assigned important roles and could be likened to a higher caste. Like jajmani system the relationship within family was mutual. The head of the family had the control of all the financial and other resources, which were disbursed to other members in proportion to their

roles and needs. And like the panchayat system the head of the family was accepted as the final authority and was expected to be fair and equitable. The family harmony was highly valued and good relationship within family members was cherished. In this family system there is also a trace of Confucian values where a subordinate, be it son or junior, gives respect and obedience to the superior and he, in turn, gives them protection and due consideration (Phan, 1999).

Further, with no state welfare support, the dependence on the family and community is relatively high. In case due to any reason, if one suddenly loses one's income and wealth, ready help can be expected only from these sources. Age related or medical emergencies have to be attended to and managed by the family. This, in turn, increases the importance of strong family fabric and relations.

Over the years, with the winds of change, the joint family system is under serious threat. However, in most families, values based on the traditional family system are still cherished i.e. responsibility to other family members, mutual adjustments, parents-children relationship of mutual dependence, respect for elders etc.

It is also important to keep in mind the context of a developing economy, as explained by Michael Backman (1999) in his book *Asian Eclipse*, wherein the legal system being relatively weak does not guarantee rights, and enforcement of contracts becomes difficult. Often, even existing laws are made inoperable by bribery and favoritism. The standards of corporate governance and transparency are poor. As such, personal relations of the businessmen assume importance and one tends to do business with those whom one knows and can trust.

Similarly, the banking system was nascent and required the personal guarantee of the businessmen and collaterals to get finance. In India, even the bankruptcy code was very weak. The overall system of checks and balances continues to be poor and as such the businesses operate with a high amount of insecurity and uncertainty.

Because of above mentioned reasons, the business practices and business methodologies of the western world are not relevant and are impossible to directly transplant to the Indian context. Surviving and succeeding in such an environment requires adaptation to a different business environment. Thus, in Indian family businesses, there are more instances of relatedness-based practices which diametrically differ from the task-based theories of the west.

1.4 SME Segment

Globally, the vast majority of the family businesses are small or medium-sized firms (Bjuggren & Sund, 2000). The definition of Small and Medium Enterprise (SME) – varies from country to country and depends largely upon the state of the economic development of the country (Dixit & Kumar Pandey, 2011). The definition of an SME generally depends upon certain key factors like number of full-time employees on roll, investment in plant and machinery, sales turnover etc. (Bharathi & Parikh, 2012). These enterprises, as the term SME implies, differ from larger corporations in their size. Difference in size leads to other operational differences.

The importance of SMEs in the Indian economy is vital. The significance of their role in the economic and industrial development of India can be ascertained from the extent of importance the Government of India placed on it, even as far back as 1956:

They provide immediate large scale employment; they offer a method of ensuring a more equitable distribution of the national income and they facilitate an effective mobilization of resources of capital and skill which might otherwise remain unutilized. Some of the problems that unplanned urbanization tends to create will be avoided by the establishment of small samples of industrial production all over the country (Planning Commission, Second Five-Year Plan, p. 47).

Since then, the contribution of SMEs in the building-up of India has been in accordance with what the early planners had envisaged. In the same vein, the sector has seen massive investments, generated significant employment and has been one of the largest contributors to India's GDP, exports and employment creation. In the last two decades, that is post-

liberalization, Indian SMEs have registered accelerated growth, though there is still huge potential in the segment that is waiting to be tapped.

The entire SME landscape in India has undergone a sea change. The SMEs were forced to adapt to the changing times, policies and competitors. While liberalization and globalization have provided new opportunities, they have also resulted in new challenges for this sector in India. From the pre-liberalization era, the SMEs had been used to operating in a protectionist environment, safe from competition and operating in specially-for-them demarcated segments. Post-liberalization, the sudden entry of leaner, meaner and faster competitors from abroad was a rude awakening for most of these firms. Many of them faltered and perished in the onslaught. Those who took the difficulties head-on and turned the challenges into opportunities not only survived but grew handsomely too.

Over and above the effects of liberalization on economy and businesses, the Indian SMEs differ significantly from their counterparts in the western world. In broad terms, SMEs can be classified in two ways, either according to the number of people they employ, like in many developed countries; or in terms of how much they have invested in fixed assets. In India the classification of enterprises as large, medium or small is based on the latter system, in terms of investments. This variance in systems of classification means that what is a small-scale unit in one economy may be considered a medium or large-scale enterprise in another. But whatever the basis of classification is, it is a fact that SMEs provide a major source of employment in most developed and developing countries. In more industrial economies, such as in the west, employment in SMEs can be as much as two thirds of the total workforce. This makes the study of Indian SMEs, most of which are also family-run businesses a strategically important and valuable for growth of Indian economy.

These enterprises, as the term SME itself implies, differ from larger corporations in their size and resources. This leads to other operational differences. In contrast to larger organizations, the SMEs find it difficult to employ specialists for want of adequate resources. (Saad, Kumar and Bradford, 2017). They find it difficult to afford high quality management talent. Even when they can afford the specialist talent, they find it difficult to

attract and retain the right kind of talent which can also adjust to the SMEs realities. As a result, in most SMEs the owners, by necessity, need to be a part of the management team. The owner and other family employees are often responsible for many different management tasks and important decisions – from generating the business idea to providing investments, to the management of business down to ensuring its day to day operations also (Sharifi, 2014). Therefore, as compared to larger corporations, the need and the process of involving family members in the SME segment is significantly stronger. It is very fundamental and important to the running of the business and warrants specific attention.

1.5 Succession

One of the important goals of the founder or the leader of the business is to enable a smooth leadership transition. In case of family businesses, it means to pass the business on to the next generation of family members. Succession in family businesses is important to ensure the continuity of the business. In the absence of well-planned succession, either the family business will cease to be a family business or will cease to exist. Based on US figures it has been shown by researchers that succession constitutes one of the most difficult steps in the life cycle of a family business (Kets de Vries, n.d.). This very fact makes it an attractive proposition for exploration for scholars from a wide array of disciplines (Giambatista, Rowe, & Riaz, 2005).

There have been attempts to apply economic, social and evolutionary principles and theories to the dynamics of succession in the family business. There is a particularly relevant ‘vessel principle’ coined by Gordon and Nicholson (2010) in their book, *Family Wars: Classic Conflicts in Family Business and How to Deal with Them*. It illustrates how a family faces the pressure of running a business. This principle uses a clay pot as an analogy for a family. In the normal course a clay pot functions as a vessel to carry or store water, the elixir of life. But if a high-pressure stream of the same water is directed at the pot, any weak points or inherent flaws in the pot will cause it to shatter. This water jet is the additional pressure that running a family business puts upon an otherwise normal family. What we can infer from this principle is that not every family can handle the

pressure of running a business. It takes a special kind of family strength and unity to run a business in the family. Taking a leaf from the clay pot analogy there can be many weak points which may cause the business or family or both to shatter. The weak points can be investment, talent and management or operations. But **succession** is seen as the biggest and the most frequent weak point that brings about the weakening and breaking up of the family or its business or both (Marler, Botero and Massis, 2017).

Succession is problematic for a majority of family firms (Handler & Kram, 1988). As compared to other issues, succession related challenges are more prevalent and grave for family firms. It is a unique challenge for the family businesses (Griffeth, Allen, & Barrett, 2006). Other businesses, big or small, have a wide choice to select their leadership successors. However family businesses, wanting to remain so, have a limited choice of successors to ensure continuity (Majda, 2016). The successors have to be selected from among blood relatives or relatives by marriage. The successors should have the capacity to sustain, and expand, the business, or they should be adequately trained and inducted. In other words succession planning is vital for the survival and progress of the family business. In fact, lack of succession planning has been identified as one of the most important reasons why many first-generation family firms do not survive their founders (Lansberg, 1988). Succession is a factor which assumes importance either when the current incumbent is unable to discharge his duties due to age/health or some such factors beyond his/her control, or when the next generation comes of age and needs to be engaged in a productive economic activity. If succession planning assumes importance only due to forces of factors and not as an important constant for the continuity and success of business, it is already too late for a successful generational transition. Worldwide research on family business shows that amongst the family businesses that start, only 30% survive to the second generation, and from that only 10% survive to the third generation (Chittoor & Das, 2007). These dismal chances of survival by themselves show that succession is the biggest cause of demise of successful family businesses over a period of time. As the times change, either the family businesses split into factions, or die down. It takes tremendous planning and efforts to continue the family business over generations. It has also been found that family succession has a negative causal effect on the firm's performance (Bennedsen,

Nielsen, Perez-Gonzalez, & Wolfenzon, 2007). To ensure continuity of business, succession has to be planned meticulously over a long period of time (Lee and Barnes, 2017). If left to the time when it becomes an urgent necessity, the chances of a smooth transition and consequently that of the business' survival lessen to a large extent.

Succession planning therefore, assumes even more importance in the light of the fact that the failure of a once-successful firm can have an adverse influence not only on the business and the family that owns it, but also on the employees and their families, and in some cases even on the economies of entire towns. The failure of a successful family business may result in the economic downfall of innumerable lives – a loss which may have a lasting impact on some and may take a long time to recoup.

However, not all family businesses stumble on the altar of succession. To illustrate this, we take a look at two examples of small family businesses from Japan, both of which have been in existence for more than 1300 years and are still run by descendants of the founding family. Nishiyama Onsen Keiunkan (www.keiunkan.co.jp) and Hōshi Ryokan (ryokan.ne.jp/hoshi) are both hot spring spa hotels in different prefectures (administrative subdivisions) of Japan. While the former was founded in 703, the latter came into being a few years later, in 718. Apart from the awe-inspiring antiquity of these spas, what is truly astonishing is that both of them have been run by their founding families ever since. These traditional spas, or ryokan as they are called in Japan, have been owned and maintained by the same family, for 52 generations in the case of Nishiyama and for 46 generations in the case of Hōshi. And it is not just the owner family who continue to administer the businesses - even some of the employees at these hotels pass on their jobs from one generation to another. For example the son of a waiter will hold the same position as his father, the son of the manager will become the manager after him and pass it on to the grandson in turn, and so on and so forth.

All these various dynasties seem to have just one goal - the service of the customer, whether it were the famous samurai warriors who patronized these inns hundreds of years ago, or the visitors who go there today. It is a tradition of service that does not seem to have career

advancement as its goal. It is a tradition of serving for the sake of service and for the sake of the inn. Keeping the customers happy so that they keep coming back for more, and also recommend the inn to friends and family is the important goal. The returning customer means maintenance enhancement of their livelihood. The reason why this model works so well in Japan, and not so in other countries, has been a subject of study, not only for the modern global hotel industry, but for family business scholars as well.

The Bank of Korea did a study on long-running businesses. The study covered some 41 countries, and found 5,586 companies which traced their origins back more than 200 years. An unusually high proportion of these - 3146, to be exact - were found to be in Japan. There were 837 in Germany, while 222 of them were in the Netherlands and 196 in France. This is further borne out by the fact that a nationwide survey done in Japan, (Tokyo Shoko Research Co., Ltd., 2013) found that there were more than 21,000 companies older than a hundred years in that tiny country! Is there something in the culture of the Japanese family that makes succession easier? Is there something in the Japanese DNA that others do not possess? Or are Japanese children simply brought up in such a way as to be more amenable to following in their parents' footsteps? Studies have not been able to define this, so we do not know if emulating it in other countries and cultures is possible.

What we do know is that for survival and sustenance of the family businesses, two factors are critical. One is the incumbent's willingness to start and proceed with the succession process. This willingness also needs to be combined with his/her ability to successfully transfer his/her knowledge and expertise to his/her child or children. The second critical factor is the willingness and ability of the younger generation to assume the leadership role and take up the challenges of the business environment. This involves a peculiar dimension added to a normal parent-child relationship. Here the parent, as a leader, has to prepare a child, as a successor, for leadership, and both of them have to be motivated and committed to see that the transition is successful. The child successor determines both the desirability of assuming leadership and his or her readiness to accept succession (Matthews, Moore, & Fialko, 1999). The effective succession also depends on the relationship between the owner-manager and the successor (Venter, Boshoff, & Maas, 2005; Binacci, et al., 2016).

This peculiar dimension of parent-child relationship often defines and differentiates the relationship between a parent and child in families having family business.

The incumbent business leader has to be willing to let go of his leader's role in order for the successor to feel empowered and independent. If the incumbent trusts and believes that his successor has what it takes to assume control, it can make for a smooth transition. However, if the incumbent believes that the successor is incompetent or immature, then he will resist handing over the business or is likely to interfere in the day-to-day running of the business even post succession transition, which the successor may resent. The resentment on the part of the incumbent and on the part of the successor ultimately proves detrimental to the business. While it is useful to identify an age of retirement, in the case of the older generation, and an age of taking charge, in the case of the successor, it cannot be the only determinant. Age can only be one of the factors – not the only factor - for generational transition. Some business leaders do not plan on retiring at all, even when they are into their 70's and 80's, which is borne out by previous research on how some business leaders do not want to cede control of the business they have built, even to their own children (Lansberg, 1999). It is difficult for a leader to give up the control of something, which they have given birth to metaphorically, to someone whom they have given birth to physically. In such a case, it then becomes important for the person who is handing over control, if he is still healthy and active, to identify new goals and areas of interest. New goals and interests will keep the outgoing leader busy and prevent him from constantly watching over his successor's shoulder and second-guessing his actions and intentions.

If there is relationship conflict then it will affect the firm's performance negatively (Eddleston & Kellermanns, 2007; Memili, et al., 2015). Conflicts adversely affect interpersonal relationships of people and also their intrapersonal relationships with other people. In families having businesses, neutral family members, even though not involved in the business, may be expected to take sides of warring family members involved in business. This indeed creates messy relationship situations both in the business and within the family. Deterioration of relationships may go on to culminate in failure of family business. In fact, intra-family conflicts are a major contributor to family business failures

(Beckhard, 1983). At the same time the integrity and commitment of the successor to the business is also very important (Chrisman, Chua, & Sharma, 1998). The incumbent leader is generally committed to the continuity and success of the business. If the successor is also committed, they work towards resolving their personal conflicts and finding mutually acceptable solutions at the earliest, before their relationship and their business suffer irreversible damage.

In the Indian context, the concept of organized family business is quite new. Organized family business means where verifiable books of accounts and records of succession are meticulously maintained. Since Indian family businesses have not followed a recorded system of succession, the study could not find such illustrious family trees that stretch back hundreds of years. We do have some family businesses which have emerged post-independence, apart from the Tatas. But here too in the short history since Indian independence evidence suggests more of strife and separation rather than harmony and family unity. The Birla and the Bajaj families lasted for three generations before splitting apart. The mammoth Ambani empire did not last for even the successive generation. The Ambanis split in their business in their second generation itself. Indian family businesses have shown a propensity of splits and strife despite having the Indian joint family system in its social and family structure for long. The Indian joint family system has long been known to be an effective support mechanism, providing both a network of confidants and well-wishers to keep intra-family feuds from getting out of hand, and also to make sure ‘what happens in the family stays within the family’ and has also been ineffective in stemming the tide of splits and strives in Indian family businesses.

Many families in India are now waking up to the importance of planning for the time when the baton passes to the next generation. The GMR group, an infrastructure-focused family business, has drawn up a ‘family constitution’ to facilitate this process. Not only does this set up some ground rules for the family; the employees and professional management, too, are assured that the family will not impose arbitrary decisions on them, but will work within a defined framework of rights and duties.

A family constitution is not a standard document, it must be adapted to the varying needs and characteristics of each individual business family (Arteaga and Menéndez-Requejo, 2017). And while being drafted it should also have scope to be adaptable in the future as well; so that it remains relevant to the needs of a growing business and a growing family. However, a constitution is not the only way to make the succession process easier. Constant discussion within the family, planning for the succession well in advance, and choosing the right member as the candidate for succession, all play a part. Looking upon the eldest son as the only choice and considering his succession as a foregone conclusion, may not be the best for the business, nor indeed for the family itself. The eldest son may not be the most suitable to take over as the head of the business, or in reality may not have an aptitude for business at all. These considerations are even more relevant in the Indian context, where the eldest son is considered the natural heir of the father in all financial, familial and social matters. Another aspect that is crucial when it comes to the Indian family dynamics is the role of the daughter, who is often not even considered as a prospective candidate to take over the family business. This is true even in families having no male progenies or where the daughter is more qualified in terms of education and aptitude for business. For example, the daughters of the Hinduja family were not considered for generational transition when the time came for deciding the succession, even though they had all been to Ivy League Business schools. These attitudes and traditions, while firmly entrenched in Indian society as a whole, are slowly changing and some business families are opening up to the possibilities of handing over the reins of their business to their female offspring.

Another factor that is often overlooked in this succession dynamics, is the role of the non-family stakeholder. These are the suppliers, managers, and also customers of the business, who may play an important role in the process of succession. They may have a working relationship or a comfort level with the incumbent that they find difficult to replicate with the successor. In some cases, they may even feel a trust deficit or a lack of commitment to the new generation inductee. In businesses that depend upon relationships with certain suppliers or customers, these relationships may even be powerful enough to stop the whole process of succession itself (De Massis, Chua, & Chrisman, 2008). The incumbent leader may bow to the overt or covert pressures from the vendors or customers, seemingly in the

interest of his business, and slow down or halt the succession process. The external stakeholders may hold a real or imagined fear/grudge against the new generation. In such a case, for a smooth transition, the incumbent leader has to manage not only the inductee but should also address the fears/grudges of all stakeholders however real or imagined they might be.

For the process of succession, five streams of research can be highlighted (Handler, 1994) namely:

- succession as a process
- the role of the founder
- the perspective of the next generation
- multiple levels of analysis and
- characteristics of effective successions

Research on these five streams is likely to provide some comprehensive answers for ensuring success in generational transition. Succession can also be compared with the analogy of a relay race where the success depends on sequence, timing, baton-passing technique and communication (Dyck, Mauws, Starke, & Mischke, 2002). The process of succession is akin to a huge project having a unique timeline for each family and business. The project is likely to be successful if broken down into phases with each phase having its own action plans which are then implemented with dedication and precision. Murray has called these phases – transition cycles. This transition period contains a sequence of phases, that can be called transition cycles, involving changing from one form of ownership and leadership to another (Murray, 2003).

In the succession process the final two steps - the joint management and withdrawal phases - mark the successor's official entry into the family business as future head and the gradual retirement of the predecessor (Cadieux, 2007). In the penultimate phase the business is jointly managed by the outgoing elder incumbent and the incoming younger inductee. In the last phase, the elder incumbent slowly withdraws, leaving the management of the business in the hands of the successor. Only with the successful completion of this last

phase the process of succession comes to a successful conclusion. The success will depend on the willingness of the old generation to step aside and the successors' willingness to take over (Sharma, Chrisman, & Chua, 2003). The unwillingness, conscious or unconscious, of the older generation to step aside can prove to be a huge roadblock in the completion of the succession process. The incumbent older generation is at times not able to let go of the last reins of their control on the business which frustrates the successor and leaves the process incomplete. It requires the senior generation to mentor, encourage, and support the upcoming generation as it takes control of the business and its operations (Haberman & Danes, 2007). The senior generation must identify and adopt a new role, like that of a mentor, for themselves and step aside from active management and operations. This would create the requisite space and opportunity for the successor to gradually take over the running of the family business in entirety.

For the stage of joint management the eternal problem involves the older generation's making use of the flexibility and new ideas of the succeeding generation (Barnes & Hershon, 1994). When the older and the younger generation both are managing the family business, a curious situation arises due to clashes between the experience of the former and the new ideas of the latter. This is the time of adopting flexibility where both generations try to learn from each other. The incumbent older generation learns to be flexible and give an ear to the new ideas brought in by the young blood. At the same time the succeeding generation learns to leverage the experiences of the previous generation. This learning, adapting and flexibility on the part of both the generations is critical to the succession process and the business in the long run.

Often the senior generations provide experiences that help the junior generation learn how the business works, but fails to provide them with the skills to recognize new opportunities and to develop new strategies to take advantage of these opportunities (Brockhaus, 2004). When the induction process is not well thought out and well invested in, there are chances of incomplete knowledge/experience sharing with the inductees. The incumbent leader must plan the induction process over a fair period of time so that there are no gaps in the learnings of the younger generation.

There are studies which have examined the influence of succession on the performance of the business. As per Zahra (2005), when new generations of family members become actively involved in the company, wealth increase and strategic renewal become more important (Zahra, 2005). The findings of Fernandez and Nieto (2005) are similar. Induction of the new generation in any family business brings in new blood and fresh ideas to the table. Children may also have different perspectives and thoughts for issues as compared to their parents. A different thought process, a different perspective may change the fortunes of the family business for the better. On the other hand, some researchers find that firms are likely to face stagnation after succession as increasing demand for dividends by family members of the next generation may result in serious reduction in capital available for further growth (Bjuggren & Sund, 2005). There may be an influence on the financial structure and with that on the financial performance of the business (Blanco-Mazagatos, de Quevedo-Puente, & Castrillo, 2007). When the manpower increases in any business, the payouts also automatically increase. This holds true when a new generation member joins a family business. The new members who join business also need to be paid/compensated irrespective of their experience, services rendered and value addition to business. This can sometimes affect the finances of business, affecting resources and/or capital available for ploughing back into the business.

Cucculelli & Micucci (2008) have found stagnation occurring in the firm after succession, due to the successor's lack of competencies and skills (Cucculelli & Micucci, 2008). The firm may also stagnate after succession due to inexperience of the new generation. In other forms of businesses, it is supposed that the reins of the business is handed over to the most competent and experienced candidate who had a successful record. In family businesses, it is not always necessary that the successor be experienced or have a good track record or even be the most competent. Consequently the family business is likely to suffer when such a person takes over and helms the affairs of the business.

The family firms may become risk averse after succession (Cromie, Stephenson, & Monteith, 1995). The incoming generation may not want to take major risks (Dunn, 1995). They may take some risks but their willingness to take risk may be lower as compared to that of their parents (Kaye & Hamilton, 2004). Where the incoming generation is not

willing to take risks, or bring in the required changes, there is a high likelihood of restricted growth and poor performance of business.

Several authors (Davis & Haverston, 1998, 1999) have shown that the influence of succession from the founder to the second generation can be different from that occurring in subsequent generations. The perception of the competitive environment and the entrepreneurial orientation depends on the generation in-charge (Cruz & Nordqvist, 2010). It has been observed that descendant controlled family firms are more profitable than when controlled by the founder (McConaughy & Phillips, 1999). The influence of succession over generations varies. It depends on the competence and abilities of the successor as well as the external environments. Concerning successions across generations, researchers have shown that the influence is most on business when the family firm passes from the founder to the next generation. On one hand some studies show that firms become more profitable under successor generations, while on the other hand, researchers have observed that the influence on firm value is negatively affected as generations change because of weakening family ties over next generations (Mishra, Randøy, & Jenssen, 2001). When family ties weaken, the emotional investment in business also weakens. This may prove detrimental to the continued good health of family business.

1.6 Induction

Induction is the process of initiating and grooming the younger generation members into the family business through an orderly process. The younger generation members are called the inductees, and the incumbents of the older generations the inductors. Induction is different from succession. Succession is an event, in which the inductee becomes the legal or official heir in the business, taking on the predecessor's position, power, possession etc.; whereas induction is a process, slow in nature and spread over a considerable period of time, in which the inductee learns about the business from inside out and from the bottom up, so that he is better able to provide effective leadership when he takes over from the inductor.

Succession has traditionally meant that the incumbent simply identified the potential successor from among his children or his extended family, and handed over the 'keys to

the empire' on a particular day. But induction is a carefully planned, time-consuming exercise through which the next generation is groomed to take over the business in as smooth and seamless way as possible. Through this process, the inductee is exposed to various aspects of the business, trained to conduct operations, take decisions, and is gradually given responsibilities to demonstrate his abilities and capabilities. The induction process also evaluates the skills and capabilities of inductees. The process involves transfer of not only a title or a position, but also knowledge and ideas from one generation to another (Cabrera-Suárez, De Saá-Pérez, & García-Almeida, 2001). Where the number of inductees is more than one, the process of induction becomes the barometer which measures all the inductees on several parameters regarding their skills, capabilities and temperament and gives the inductor a clear picture of the most deserving candidate for succession, out of all the inductees.

Induction can take several forms. One way is that the inductee can simply be hired in a low-level job within the business and told to work his way up. Another strategy is for him to work in another firm and gain expertise and experience, and be inducted into the family business later at a senior management position. A third way is to let him take charge of a new division within the business, which can be based on the inductee's own idea or initiative, and let him develop his leadership and entrepreneurial skills as a precursor to taking over the entire business. Whatever the route taken, the objectives of effective induction are:

- perpetuate the business,
- teach leadership skills to the inductee, and
- make a capable CEO for the future.

The process of induction involves challenges for the inductor as well as for the inductees and depends on a number of factors. The inductor has to understand the inductee, recognize that he is an individual in his own right with his unique set of skills and abilities, and keep them in mind while effectively inculcating the values in him. The inductor needs to harness the energy of the inductee and at the same time build a strong foundation for potential leadership. The inductee needs to learn to appreciate the business dynamics and in

particular the family dynamics. He has to develop various skills and attitudes to get smoothly integrated in the business. The process of induction will depend on the family context, peer group practices, ward's competence and commitment, and finally on the understanding of the mentor about the criticality of the induction process and the possible approaches.

Thus the background of this study can be summarized as follows:

Family businesses play a significant role in the country's economic growth. They constitute between 65% to 80% of the global business enterprises. One of the most critical problems identified within a family business is the issue of continuity. Sustaining growth and profit in family business over successive generations poses an enormous challenge. The succession process involves a complex set of issues. Family Business can be defined as a business where one or more members of one or more families together, have significant ownership stake as well involvement in managing the business. This study has focused on Indian family businesses and represents two contexts, i.e. cultural differences as well as the stage of the economy.

It further had a specific focus on Small and Medium Enterprise (SME) segment, as firms within this segment that have their own context and constraints. Globally, the vast majority of the family businesses are small or medium-sized firms. These enterprises differ from larger corporations in their size. Difference in size leads to other operational differences. The entire SME landscape in India has undergone a sea change. The SMEs were forced to adapt to the changing times, policies and competitors. While liberalization and globalization have provided new opportunities, they have also resulted in new challenges for this sector in India. Over and above the effects of liberalization on economy and businesses, the Indian SMEs differ significantly from their counterparts in the western world. This makes the study of Indian SMEs, most of which are also family-run businesses a strategically important and valuable for growth of Indian economy.

Succession in family businesses is important to ensure the continuity of the business. In the absence of well-planned succession, either the family business will cease to be a family

business or will cease to exist. Succession is problematic for a majority of family firms. Induction is the process of initiating and grooming the younger generation members into the family business through an orderly process. Induction is different from succession. Succession is an event, in which the inductee becomes the legal or official heir in the business, taking on the predecessor's position, power, possession etc.; whereas induction is a process, slow in nature and spread over a considerable period of time, in which the inductee learns about the business from inside out and from the bottom up.

The study proposed to examine in depth the influence of the induction process on the business, the family and the successor. It identified the parameters associated with induction and studied their effect. It also aimed to study the different approaches to induction adopted by business families in India. There were only a few large business families that claim structured induction programs. However the majority of the family businesses in India are SMEs and their context is different from larger organizations. This research is focused on the SME segment.

Thus family businesses are important for every economy. One of the major challenges for family business is the issue of succession. While succession can be seen as one time event, inducting the next generation is a slow and intentional long run process. This research envisaged the study of the drivers of effective induction in Indian SME sector.

1.7 Organization of the thesis

The thesis is organized in six chapters. The first chapter sets the backdrop against which the research has been carried out. It outlines the conceptual framework of the research, and articulates the motivation for the research. Chapter two presents an extensive literature review on issues of inter-generation dynamics and lays the foundation of a theoretical framework requiring critical examination and attempts to identify gaps in research to formulate objectives of the study. Chapter three presents the research design, and the methodology. Chapter four presents a detailed report on the analysis, findings and the interpretation so as to come out with reliable and dependable conclusions from the study.

Chapter five presents the convergence of the findings with a triangulation approach. It presents two case studies to validate the research findings.

Chapter six summarizes the overall findings. It highlights the major contributions of the research and their implication for theory and practice. The chapter also outlines the limitations of the study and suggests future work in the area.

Chapter 2: Literature Review

2.1 Background

This chapter reviews the published literature relating to the main problems of succession in family businesses, from the research that has been conducted in the field. It begins with an examination of various definitions of family business given in the literature, in order to arrive at a functional definition for the purpose of this study. Its main focus is on the factors affecting succession, and in particular the induction of the next generation, with the aim of identifying the parameters to be tested in the research study. It identifies the gaps in the literature relating to the induction process.

2.2 Definition of family business

The first, very fundamental question that needed to be addressed while undertaking this research was “What is the definition of a family business?”

How to define a family firm remains problematic in family firm research (Chua et al., 1999). Although many researchers have tried to develop a satisfactory definition, there is still no consensus about a widely accepted definition. The observation that firms with the same extent of family involvement may or may not consider themselves family firms, and that their views may change over time, has prompted some scholars to define the family business theoretically by its essence: (1) a family's influence over the strategic direction of a firm; (2) the intention of the family to keep control; (3) family firm behavior; and (4) unique, inseparable, synergistic resources and capabilities arising from family involvement and interactions.

Some studies in the literature have defined family business as one where the controlling ownership is rested in one individual or members of a single family (Barnes & Hershon, 1994). Some studies on the other hand, have defined firms as family firms, only if the first succession into the second generation has taken place (Donnelley, 1964) .

The use of different definitions is a major problem in family firm research. Although studies analyze related topics, the use of different family firm definitions makes the comparison of these results difficult. One of the biggest challenges of developing a general definition is the heterogeneity of family firms (Arregle, Hitt, Sirmon, & Very, 2007). Family firms are a unique group of organizations, but they also differ within this group. The involvement of the family in the management and ownership structure of the firm is unique to each family firm and thus it cannot be seen as a constant factor. The multitude of variations renders a single definition of family firm redundant.

In the review of the important trends in family firm research, Chrisman et al. (2005) have presented two approaches of how family firms are defined in the reviewed literature (Chrisman, Chua, & Sharma, 2005). They have distinguished between the ‘components-of-involvement’ approach and the ‘essence’ approach. Although the components-of-involvement approach treats family involvement as a sufficient condition in order to define a firm as a family firm, the essence approach treats it only as a necessary condition. Following the components-of-involvement approach, a firm can be defined as a family firm when a) a family is the owner, b) the firm is family-managed, or c) the firm is controlled by a family. If one of these three characteristics applies to a firm, it can be defined as a family firm. The essence approach is more restrictive and defines firms only as family firms when family involvement leads to distinctiveness and specific behaviors. The four main characteristics that constitute the essence approach are:

- family’s influence regarding the strategy of the firm,
- family’s intention to keep control,
- family firm behavior, and
- unique, inseparable, synergistic resources and capabilities arising from family involvement and interactions.

In order to identify a firm as a family firm these characteristics are required. This study follows the essence approach of Chua et al. (1999) in defining a family firm as “a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number

of families in a manner that is potentially sustainable across generations of the family or families.” Thus, for a firm to qualify as a family firm, this definition places an equal emphasis on a family having all of the following:

- the controlling stakes of business,
- its active managerial interventions and
- the intention of passing the business on to the next generation.

2.3 The problem of succession in family firms

The literature on family business has focused to a large extent on the challenges faced by this form of business. Within the group of challenges too, succession issues have been a major concern beginning from the 1960s, and represent almost a third of the literature (Howorth, 2014). Succession issues in family businesses are common enough to make them a major concern and attract the attention of researchers over the decades. The succession has often been seen as a process that involves actions, events and other mechanisms within the situational context in which the leadership and ownership of the firm are transferred (Le Breton-Miller, Miller, & Steier, 2004). Succession is therefore, by general consensus, a very important aspect of family business.

2.4 Factors affecting induction of the next generation

One of the drivers for effective succession is the quality of induction. This study examined the theoretical and empirical literature extensively to explore the available knowledge on the induction process. Since succession is closely linked to the process of induction, the literature review first aimed to identify the key drivers that contribute to effective succession. Subsequent sections in this chapter report a detailed literature review of these drivers.

2.4.1 Transfer of Tacit Knowledge

Ensuring effective succession is a challenge in all types of organizations but is more so in family businesses. (Mazzola, Marchisio, & Astrachan, 2008). All types of businesses and organizations face a challenge when it comes to succession. But the challenges in family

businesses are far deeper because the choice of successor is limited to members of the family.

One of the critical factors in succession is the ability of the successor to acquire the predecessor's key knowledge and skills. This key knowledge includes experiential knowledge, which can be defined as "that intuitive knowledge, based upon training and experience, which is incapable of translation into written form" (Royer, Simons, Boyd, & Rafferty, 2008a). Some of this intuitive knowledge also pertains to the personal aptitude of the person managing the business. The process of acquiring the knowledge may be spread over different stages. Thus, in the beginning, the prospective successor may start becoming aware of some facets of the business. Gradually, he is exposed to the functioning of the family members as well as the family-specific jargon. And over a period of time he also acquires the explicit as well as implicit knowledge. In fact the continuity of the family firm's competitive advantage depends on the transfer of the critical tacit knowledge accumulated by the incumbent generation to the next generation. On the other hand often the predecessor provides to the successors knowledge about how the business works, but fails to provide them with the skills to recognize new opportunities and to develop new strategies to take advantage of these opportunities (Brockhaus, 2004). This important oversight may be due to paucity of time, where the two generations may not have spent enough time working together in the family business, or it may be due to lack of vision, where the incumbent generation has not given enough attention to the process of induction.

The predecessor often displays characteristics of an entrepreneurial personality which include a need of achievement, internal locus of control, creativity, innovativeness and social networking skills (Kansikas & Kuhmonen, 2008). He also possesses acquired skills such as decision making and behavioral assimilation. Succession involves transfer of such expertise from one generation to another so that such knowledge and skills remain within the family and the successor will have knowledge of the founder in the pool of the options to choose from. However, such transfer is a major challenge and involves complicated interpersonal dynamics (Haberman & Danes, 2007). It also involves a proper induction planning process as some part of this knowledge pool cannot be shared with another

overnight, nor can such insights be physically recorded and handed over as a ready reckoner book.

The knowledge can be explicit or tacit. Explicit knowledge is objective in nature and tends to evolve after experience. It can be articulated and documented clearly. Thus, it can be codified and transferred in a systematic manner. On the other hand tacit knowledge is subjective in nature and tends to evolve along with experience. It is more abstract and cannot be codified. It can only be communicated by active engagement of the transferor and the recipient (Abeson & Taku, 2009). Throughout the firm, there is also socially complex tacit knowledge and that also can constitute a valuable resource for the successor. Tacit knowledge can't be codified and as such can't be separated from the firm. When such tacit knowledge leads to high performance then such performance is likely to be sustained as it will not be easy to be replicated by competitors.

There are two types of tacit knowledge (Berman, Down, & Hill, 2002). Individual tacit knowledge and group based tacit knowledge. In case of group based tacit knowledge any person within a group is likely to have only part of the overall group knowledge. The stock of tacit knowledge is linked to the learning effects. It accumulates through time as individuals learn a particular skill, or as members of a group or team learn to interact with each other. The scientist turned philosopher, Michael Polanyi had a profound influence on the expositions of the concept of tacit knowledge. According to him it involves the training of perception in such a way that the individual "discovers by an effort of his own something that we could not tell him. And he knows it then in his turn but cannot tell it." (Polanyi, 1969).

Thus, tacit knowledge is not in codified form. If it is codified then it is not tacit knowledge; it becomes explicit knowledge. It may be possible to convert some tacit knowledge into explicit knowledge but on the whole much of the knowledge can't be made explicit. Thus it can't be taught by reading manuals, or listening to lectures. Tacit knowledge is experienced as an intuition and not as a body of facts or set of instructions that one is conscious of having and that one can explain to others (Rantasa, 2004). In the succession

process, the father must provide for transfer of tacit knowledge to his sons when they are young (Yan & Sorenson, 2006). The sons in turn should obtain such knowledge with patience, observation and perseverance. Time spent together by the incumbent of a family business with his progeny right from their childhood determines the amount and quality of tacit knowledge passed on from the older generation to the younger one.

According to Lubit there are four categories of tacit knowledge (Lubit, 2001).

- Hard-to-pin-down tacit knowledge. People need to repeatedly practice, receive feedback, and get the feel for themselves.
- Mental models in which we try to make sense of situations. That determines how we understand and analyze situations.
- Ways of approaching problems; tacit knowledge underlies the decision trees people use.
- And finally, organizational routines that include an intuitive grasp of what data to focus on and of the relative priority of competing demands. Managers leave over time, but the routines remain as a legacy of their knowledge.

The transfer of tacit knowledge is essential for effective succession. But it is not easy (Haberman & Danes, 2007). The subconscious nature of tacit knowledge and the difficulty of expressing it makes it extremely difficult to transfer the same. Not only that, one may not be able to express but often one may not be even conscious of what one knows or how the tacit knowledge connects to his explicit knowledge (Stenmark, 2000).

2.4.2 Quality of relations

The continuity of the family business depends on the effective succession from one generation to the next generation of family members (Handler & Kram, 1988; Lansberg, 1988; Villalonga & Amit, 2006). Succession is not a onetime process but depends on the long life cycle of each of the generations and begins with the appropriate induction of the next generation family members in the family business.

One of the critical factors in determining the effectiveness of the induction process is the quality of relationship between the incumbent and the next generation family member who

is being inducted. A good relationship would mean trust, good communication, support, help, guidance, mentoring, feedback and mutual respect. It also assumes openness to mutual learning. On the other hand problematic and difficult relationships could mean criticism, judgment, conservatism, lack of support, narcissism, and lack of trust. Often underlying these qualities is a general difficulty in communicating between the parent and next-generation family members (Handler, 1991). This general difficulty in effective communication between two generations does not bode well for the future of the family business.

The way the children receive upbringing at home affects their future relationships. They observe how their parents and others in the family deal with business issues. They learn about the history of the business, the culture, values and role of the business in the family life (Lambrecht, 2005). If the family is always excited about the business and the discussions are pleasant it is likely to encourage the children to look forward to joining the business. On the other hand if the family witnesses constant tensions and stress related to the business, the idea of joining the family business may be perceived as a burden by the younger generation. Families with family businesses must take care of their interactions with each other for a positive effect on the younger generation. This itself becomes a part of the induction process.

During the induction if the successor gets adequate room to move, freedom to make mistakes and discover his own self, it makes the induction a pleasant experience for him. However, in turn he must demonstrate respect for the previous generation, take responsibility, be willing to learn and genuinely appreciate the existing business culture.

However, the relation between the parent and the child is often affected by the ‘family rivalry theory’, as propounded by Girard (Grote, 2003). The parent and the child both have anomalous wants – where the parent wants the child to be like a mirror image of himself and at the same time not to be a mirror image of himself in certain aspects. Similarly, the child too, wishes to be like his role-model father but at the same time views the father as an obstacle. For Girard, the degree of conflict is also dependent on the closeness. Closer the

relationship, higher is the conflict. As a result the child may end up complaining that the parent wants him to take the responsibility but does not give him the required authority. On the other hand the parent will want the child to take charge of the business but would also want to continue his own involvement in the business. It is no surprise then, that only 10 percent of the individuals in a study (Handler, 1991) had a positive and productive relationship with their parents. The love-hate dynamics renders the parent child relationship ineffective and negative in a majority of cases.

Another important aspect affecting the induction is the attitude of the parents. If the parents do not support the child to take up an important role, induction is unlikely to succeed. In fact the personal relations among family members often take precedence over the business interests (Brockhaus, 2004). The relation between the two generations involved plays an important role in the process of induction. A good personal relation between the two will contribute to the development of the next generation. Often there are tensions between two generations. And there is a paradox of the tensions. Sometimes tensions are required and foster a constructive climate with an element of challenge. They provide possibilities for different perspectives and contribute to learnings of both generations. On the other hand tensions can also create an environment of lack of trust and fellowship which could lead to frustration (Danes & Olson, 2003). The critical point is that at what point the constructive tensions turn into destructive tensions. The recognition of this critical point can at best be subjective and personal.

During the process of induction, it is important that the member of the next generation feels included in the family business. Inclusion deals with whether he feels as a part of the business or apart from the business (Haberman & Danes, 2007). The sense of trust and fellowship in the relationship goes a long way in successful induction. Mutual trust and honesty leads to a favorable relationship and creates a good environment for mutual learning. The quality of interpersonal relations between the family members directly influences the success of the induction process (Royer, Simons, Boyd, & Rafferty, 2008). The dynamics of human relations play a major role in the ultimate success or failure of the

induction process, succession and success of business when a generational cross-over is effected.

The process of transfer of knowledge from the current generation to the next generation is facilitated by a strong, positive relationship between them. Such a relationship is based on open and constructive communication, mutual respect, sensitivity to each other's needs, shared values, and reasonable expectations (Higginson, 2010).

2.4.3 Willingness of the inductee during the induction period

Continuity of a family business depends on the effective succession from one generation to the other and that in turn depends on the effective induction of the next generation members. The willingness of the inductor to hand over the business and of the inductee to join the business and get inducted is an important element in the success of the induction (Royer et al., 2008). The successor must be willing to take on the new role (Long & Chrisman, 2014). It has a highly positive relationship with success of succession (Venter et al., 2005). Any member of family unwilling to join the family business is most likely to lack the will and motivation that would pave the way to failure. Passive successors are not likely to take initiative in gaining the required experience (Marler, Botero, & De Massis, 2017), (Parker, Williams, & Turner, 2006).

The will and motivation of the inductee is a key determinant in the process of induction. Further, the abilities and intention of the inductee along with the alignment of his personal needs will help in more effective induction (Kansikas & Kuhmonen, 2008). Many business families induct the next generation members from early childhood. Initially they may come to the business for playing and having fun. But as they grow they start playing small roles in the business. Such early business socialization plays an important role in positively enhancing the willingness of the incumbent (Haberman & Danes, 2007). An early exposure to business helps mould the career choice of the children of business families in favour of the family business. The relations within the family have an important influence. If the family is cohesive and spends considerable time in discussing about the future of the family business, the children develop interest in the business and are likely to have higher willingness to join the business and learn about the business (Lee, 2006). A positive

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

2.4.4 Stages of induction

Effective succession of the family business begins with effective induction of the next generation family members into the business. There can be several stages in the process of induction of the next generation members in the family business. In the first stage, the son starts visiting the business and becomes aware of some aspects of the business. Progressively he is then exposed to family members' specific roles as well as the family-specific jargon. Later he starts working part time in the family business. He then starts working full time in the business at non-managerial jobs. For some time, he works as manager and then finally achieves the stage of a leader (Royer, Simons, Boyd, & Rafferty, 2008c).

There can also be a life-cycle approach to understand the succession process in a family business. It can be divided into four stages namely (Brockhaus, 2004):

- Stage of owner manager where only the owner is involved in the business.

- Development stage where the next generation member goes through training and development for getting involved in the business.
- Working together stage where the two generations work together, and finally
- Succession stage where the baton is transferred to the new generation.

Lambrecht (2005) has suggested that the transfer of a family business to the next generation is a lifelong continuing process. Succession in family businesses can therefore, be viewed as a natural process of progression. As such it starts even before the next generation member joins the business (Van Der Merwe, 2011).

2.4.5 Process of induction

Continuity of a family business depends on the effective succession from one generation to the other. That in turn depends on the grooming of the next generation and how they are inducted into the business. The induction is not a one-time event but is a process. In fact early preparation and open discussions all along can facilitate smooth induction. This would avoid conflicts (Kansikas & Kuhmonen, 2008). Induction is a process and not an event – a process which takes long planning and execution.

The integration of the new generation member in the business can be carefully planned as it is of as much strategic importance as profit maximization targets. The process can be planned so that the successor enters through a summer trainee route or low level entry and gains knowledge of the firm's operations, such as mentality of the people who work in production etc., an insight which he can't get in a managerial role alone (Barach et al., 1988)

There can be different approaches to induction of the next generation members. One of the possible approaches involves working outside for a few years. Many scholars have suggested that outside experience could help the successor in developing identity and gain confidence. Later, one may work within the family business to get experience. The breadth and diversity of such experience could enrich the induction process. Gaining experience outside the business has been recommended (Nelton, 1986; Danco, 1982). Many

consultants have recommended at least three to five years in another business. Others suggest that at least one promotion should occur, thereby demonstrating the individual's ability. Experience outside the company helps the successor develop an identity and prepare for a wider range of problems that may confront the organization (Barnes, 1988).

On the other hand, it is also observed that more often than not the 'working outside experience' is of limited value as it is restricted to lower level jobs, which exposes the junior incumbent to only a part of any business process. The outside experience is also devoid of a mentor to take care of the learning advancements of the concerned family member. If the junior family member invests the same amount of time in working in one's own business, he/she is more likely to get a holistic perspective and guidance at each step from the mentor. Thus, working outside as a process of induction has its advantages as well as limitations. Finally a performance review and feedback could be extremely important in the process (Brockhaus, 2004).

It is also important for the previous generation to proactively plan the process of induction of the next generation. During induction as a process, the parents encourage the inductee to gradually go on taking more charge over time. During this period it is important that the parents let go of the control and allow the inductee to gradually acquire the same (Grote, 2003). The process of take-over and hand-over must be synchronous in principle, in action and in implementation.

Lembrecht (2005) has identified six stages in the transfer of the family business: "entrepreneurship, studies, formal internal education, external experience, official start in the family business (beginning at the bottom of the ladder), and written plans and agreements". An effective process of induction will prepare the successor to get involved in the business smoothly. This preparation level of the successor affects the success of succession (Venter et al., 2005) where the preparation for succession is designed and executed by the older generation.

The induction is a dynamic process and is not a one time or static event. It is based on extensive and intensive face to face communication (Higginson, 2010b). The induction process needs to be planned proactively. There should be a deliberate program of planned strategic career development (Van Der Merwe, 2011). The process does not stop at the entry level. In fact the post entry level period is also equally critical. Formal and well-designed training programs should be planned as well as strategic planning process as a tool should be used to facilitate the further induction process (Mazzola et al., 2008).

2.4.6 Gender and birth order of incumbent

Should the process of induction of the next generation member into the family business be the same for all irrespective of gender? As per Haberman & Danes (2007) it is not so, but the treatment is different according to gender, and the process is more male centered. The issue of female exogamy whereby the daughter on marriage is going to shift to her in-laws' place seems to be a concern for treating her differently (Nicholson, 2008). The issue of gender also comes up when wives are to be inducted into the business. There is likely to be higher tension when wives work in business (Danes & Olson, 2003). As far as the issue of birth order is concerned there seems to be a differential treatment. As per Brockhaus, the elder is preferred for the purpose of family harmony (Brockhaus, 2004). Nicholson (2008) also found male primogeniture to be an influencing factor.

2.4.7 Situational factors

The induction of the next generation member into the family business is likely to be affected by certain situational factors. Company age, organization size, company sale, and generation can all affect the process of induction (Davis, Allen, & Hayes, 2010). The size of the family also influences the process (Kansikas & Kuhmonen, 2008).

The situation of the business, the opportunities available and the alignment of the career interest of the inductee with the same could also be an important driver of the effectiveness of the induction process (Venter et al., 2005). As per Gupta & Levenburg (2010) the culture of the region is also likely to influence the process.

2.4.8 Growing up within the family business culture

Gallo (2002) has stated that the children learn about the history, culture and values of the business during upbringing at home. They observe what kind of problems occur, how they emerge and how the family deals with them over time. Such learning plays an important role for their future career in the business. The issue of induction is different for members who have grown up within the family and those who have not, which primarily means it is different for a daughter-in-law. Those who have grown up within the family have natural immersion (Kansikas & Kuhmonen, 2008). They are witness to the developments within the family and the business. They also learn about value, history and culture (Lambrecht, 2005). On the other hand a daughter-in-law has no family business history (Haberman & Danes, 2007).

2.4.9 Extended family

The extended family is also likely to get involved in the family business. It could be a son-in-law or daughter-in-law. As seen in section 2.4.8, a daughter-in-law has no family business history (Haberman & Danes, 2007). If daughters-in-law are going to be involved in the business then their induction process is also crucial. They have not grown up within the family and as such have not witnessed the family business dynamics while growing up. It is difficult for them to integrate into the family business dynamics 'naturally' (Nicholson, 2008). However even among them, it is seen that the induction of a daughter-in-law is more difficult than the induction of a son-in-law (Haberman & Danes, 2007). Apart from the issue of their induction, more critical is the issue of working together. It is seen that there are higher tensions when wives work in business (Danes & Olson, 2003).

2.4.10 Business socialization culture

The business socialization culture within the family could positively influence the induction of the next generation member and the eventual integration (Haberman & Danes, 2007). If the next generation members are involved in observing how their parents handle business affairs and challenges right from an early age they would not only find it easier to grasp the business dimensions, they are also likely to be positively inclined to get involved in the business (Higginson, 2010).

2.4.11 Tensions

Conflict is natural to human relationships and the family is no exception. However if the conflict results in tensions then it could be detrimental. The tensions within the family are likely to affect the induction process and its outcome. If the parents do not have trust in the successor's ability it could result in tensions that could affect the induction and the eventual outcome. (Venter et al., 2005). There can be parent off-spring tensions and there can also be rivalry amongst siblings. Both could cause conflict and tensions (Nicholson, 2008). As per Grote (2003), family and sibling rivalry, and inter-generational strife would create tensions within the family. And such tensions will definitely affect the process of induction and its outcome. Apart from that there can be tensions arising from lack of clarity of roles or the issues of fairness in compensation and workload etc. (Danes & Olson, 2003). Such tensions would also affect the process. For effective succession it is necessary to manage the conflicts (Ibrahim, Soufani, & Lam, 2001). When the inductor and the inductee mutually agree on the process and handle the associated tensions (Marler et al., 2017).

2.4.12 Incumbent's approach

The incumbent's role and approach to the induction of next generation family member in the family business affects the outcome of the succession (Marler, Botero, & De Massis, 2017), (Gagnè, Wrosch, & Brun de Pontet, 2011). That includes his readiness to move forward with the succession process and prepare the next generation members (Michael-Tsabari & Weiss, 2015). Lansberg (1988) suggests that incumbents have a great deal of power to influence the succession process. His approach can either facilitate the process or jeopardize it by slowing, stalling, or interfering with it (Lansberg, 1988). He could nurture and develop the successor (Le Breton-Miller, Miller, & Steier, 2004), (Cabrera-Suárez, 2005), (Cadieux, 2007). On the other hand his resistance to the likely changes can affect the process negatively (Handler, 1994), (Lansberg, 1988), (Sharma, Chrisman, Pablo, & Chua, 2001)

2.5 Research Gaps

Family business, while being the primary driver of the world economy, is not a subject that has been a favorite topic of business scholars around the world, and this dearth of literature

is both a drawback and an opportunity for the contemporary researcher (Winter, Fitzgerald, Heck, Haynes, & Danes, 1998).

The literature on family business has focused to a large extent on the challenges to the continuity of the family business and the issue of succession. (Howorth, 2014). Studies on the succession process have mainly been viewing the process from two different viewpoints. Some researchers believe that succession is a one-time event. When the time for succession comes, the management and ownership of the business is transferred from one generation to another (Dyck, Mauws, Starke, & Mischke, 2002). As opposed to this view, some researchers have viewed succession as a process and not as a single event (Gersick, 1997; Sharma, 2004). The succession process is commonly described as consisting of several phases that most often contain elements of initiation/preparation, integration, joint management and finally retirement of the predecessor (Cadieux, Lorrain, & Hugron, 2002; Murray, 2003). There have been attempts to study the effect of succession on growth and profitability (Molly, Laveren, & Deloof, 2010). Some researchers have found significant influence of the succession on the performance of the firms (Diwisch, Voithofer, & Weiss, 2009).

In going through the literature extensively, it was also discovered that the greatest proportion of the literature involves studies in the western context. The succession process, to a large extent, also depends upon differences in culture, social milieu and practices, that differ a lot from one country to another. The commonly accepted fact is that there are cultural differences between east and west (Qingxue, 2017). There are several divergent points between the two cultures, one of the most important being the strong individualism in the west v/s distinctive collectivism in the east (Chang, 2010).

Besides cultural differences, there is also an important dimension of the stage of the economy. Lack of stable and mature markets, risks posed by economic, political and regulatory uncertainty, lack of alternative sources of financing etc. make the context of a developing economy quite distinct, where models and findings of developed economies cannot be easily transposed (Lingelbach, De La Vina, & Asel, 2005).

But the specific process of induction, as an area of research is yet to attract the attention of researchers. From the literature review presented here, it can be ascertained that the literature is not explicit as to what is understood as induction. Specifically the following gaps in particular are identified from the above referred literature review:

- There are no precise frameworks or models available in the literature which can be used as guidelines for measuring effectiveness of the induction process.
- The components of the induction process have not been consolidated.
- The linkages of the induction process with the outcomes on the business, the family and the inductee have not been addressed rigorously.
- There is a lack of specific studies about induction process in the Indian context

This highlights the significance of conceptualizing family business succession in the context of eastern culture and a developing economy.

2.6 Objectives of the study

In view of the gaps identified above, the present study focused on Indian family businesses, which represents both the eastern as well as developing economy context.

The present study attempts to address the paucity of research related to the process of induction and aims to investigate the topic in greater detail. Since this is an exploratory study, the direction of all the hypotheses will be tested with influence of each factor on the outcome defined as dependent variables.

Based on the literature review the variables affecting succession were identified. However the influences of these variables on the process of induction have not been empirically tested particularly in the context of the Indian Family Business in SME sector. This research aimed to fill the gap by conducting empirical research in this context.

Against this backdrop the objectives of this study were as follows:

- Empirically examine the influence of the factors affecting succession, as identified from the literature survey, on the effective induction in the Indian SME family businesses.

- Explore the causal relationship between the variables identified and the effectiveness of induction, in terms of positive influence on business, family and the inductee.
- Develop insights from the study that can help business families to manage the induction effectively.

Chapter 3: Research Design and Methodology

3.1 Research design

The next step was to work out the research design for the study. The research design provides a plan for the research. It involves decisions on the type of research method to be used, the data gathering method and tools, sampling methods to be adopted, and the procedure for analysis of the data. The research design may be inductive, deductive, empirical, correlational, semi-experimental or experimental. The present study was inductive, deductive and empirical. The inductive phase aimed to identify the relevant parameters to be tested. The deductive phase aimed to gather preliminary information about the problem. It led up to defining the research hypotheses. The empirical phase aimed to describe the situation more completely and arrive at conclusions about the parameters being studied.

This study aimed to identify and validate the factors that affect succession in the context of family businesses in the Indian SME segment. Succession in the family business must be planned well in advance, i.e. during the formative years of the potential successor(s). Thus, the concern of inducting the next generation member into the business and working together with the two generations precedes the actual succession by almost two decades. The study began with a deductive phase in which variables extracted from the literature were used to generate hypotheses. Further, in the empirical phase, data was collected to study the relation between variables and to test the hypotheses. It was decided that the study would be based on data gathered directly from families in the Indian SME sector. Therefore the survey method was selected and the data was gathered through a survey conducted using a questionnaire. This method is most appropriate when data is to be obtained from a large population, and the potential respondents are geographically scattered.

Further, the case study method had also been used, and two cases had been studied in detail. Thus the research design provided a triangulation of survey and case study methods to

arrive at its conclusions. The triangulation approach involves the use of more than one method in a study, to help to validate the results. It is considered a powerful technique for validation of outcomes through cross verification from more than one approach. If the conclusion is validated by more than one method then there can be more confidence in the outcome.

The combination of methods, and their purposes, is presented in Table 3.1 below

Table 3.1. Research Methods and purposes

| Type of research | Method | Purpose |
|------------------|---|--|
| Deductive | Analysis of published literature | Identification of variables, i.e. factors affecting succession |
| Inductive | Discussions with members of Indian businesses in SME sector | Refining and finalizing the list of variables |
| Empirical | Survey using a questionnaire | To gather data about the identified factors from a sample of respondents |
| Empirical | Two case studies of families | To validate the outcomes of the survey |

3.2 Identification of variables

There is not much literature available on the specific issue of induction of the next generation members into the business. So, by making logical connections among the earlier studies on succession based on the literature survey, this study considered the factors that affect the succession and were likely to influence the induction of the next generation members in the family business, and had consolidated them into a theoretical model.

Drawing upon the literature survey, this study had identified the variables that are likely to have an influence on the effectiveness of the induction process and on the outcome thereof.

In other words, this theoretical perspective had been used as the rationale for linking the practices during the induction process and the situational factors with the effectiveness of the outcome. In this framework the perceptions of the inductor served as the indicator of the quality of the induction process as well as the outcome. Accordingly, an integrative framework was proposed for studying the variables involved in the induction process and their effect by capturing the perceptions of the inductor.

The objective of effective induction is to have positive outcomes. The outcome is definitely linked to the business performance. It is a necessary but not a complete indicator of successful induction in the case of family business. Positive influence on the family as well as happiness of the individual inductee is also critical. Success of one at the cost of other would not be desirable at all. Therefore, three parameters have been considered as indicators of outcome of successful induction, and these are outlined below.

The positive influence on the business performance. That will be reflected in matrices in terms of growth, initiatives and value addition by the inductee.

The positive influence on the family relationships. That will be reflected in terms of reduced tensions, respect for the inductor and collective optimism for the future of the business. That would mean happiness in the family.

The positive influence on the inductee. That will be reflected in terms of his high job satisfaction and high organizational commitment. It is equally important that he is happy and has a high level of satisfaction with life in general.

The proposed model posits that an outcome in the form of positive influence on business, stronger family relations and satisfaction of the inductee will depend upon the quality of identified variables during the induction process.

Thus the effect on the business, the family and the inductee have been considered as dependent variables in our analysis.

3.3 Hypothesis formulation

From the literature survey a number of independent variables were identified which are likely to affect the effectiveness of the induction process. Various hypotheses for undertaking the research were accordingly formulated for each influencing variable as under:

3.3.1 The thoughts of the inductor on the induction process

The literature survey revealed that the inductor or successor and his motivations have an important bearing on the outcome. It was proposed that the motivations of the inductor depend on his convictions about the process of induction (Hernández-Perlines, Moreno-García and Yáñez-Araque, 2017). It is likely that the inductor could believe in the freedom of the inductee to select his career and the way forward. Or he could believe that the inductee should get trained under him. Post training he may be open to provide choice to the inductee to do what he wants or may want him to start a new business. Alternatively he may firmly believe that the inductee must join the family business. Thus the hypothesis formulated to take care of this aspect was:

H1 – The convictions and motivations of the inductor about the induction and induction process are significantly associated with the outcome of the induction process.

3.3.2 Transfer of Tacit Knowledge

It has been argued that one of the most critical challenges in business succession is the difficulty in transmitting knowledge from the inductor to the inductee (Bracci & Vagnoni, 2011). It has been also observed that one of the critical factors in the effectiveness of succession or induction is the ability of the successor to acquire the predecessor's key knowledge and skills. This key knowledge includes experiential knowledge, which can be defined as "that intuitive knowledge, based upon training and experience, which is incapable of translation into written form" (Royer et al., 2008c). This knowledge could be explicit or tacit. While there may be many methods of transferring explicit knowledge, transfer of tacit knowledge is not simple (Muskat & Zehrer, 2017). It largely depends on

the working together and observation by the inductee. If the inductee works with the inductor for sufficient time he can observe and learn from the actions of the inductor. It is important for the inductee to appreciate that the inductor may not be academically qualified but he has acquired significant amount of valuable experiential knowledge. To acquire this type of knowledge the inductee should observe the actions of the inductor patiently without becoming judgmental about them. The whole process may be facilitated if the inductor consciously puts in an effort to help the inductee acquire such tacit knowledge from him. It is proposed that this process of transfer of knowledge from the inductor to the inductee is directly related to the successful outcome of the induction process. Therefore the hypothesis formulated was:

H2 – The transfer of experiential knowledge from the inductor to the inductee is significantly associated with the outcome of the induction process.

3.3.3 Relations during the induction period

It has been argued that one of the critical factors in the effectiveness of the induction process is the quality of the relationship between the inductor and the inductee. It has been observed that the success of the induction process is directly linked to the quality of relations between them (Royer et al., 2008b). The good relations would mean that the inductee is appreciative of the experience of the inductor and listens to him and values his advice. He appreciates frank feedback from the inductor and seeks his guidance and support. On the other hand it is possible that the inductee may not be happy with the inductor and may feel that the inductor's way of doing business is not appropriate. He may feel that the inductor has not taught him enough. He may have complaints against the inductor for being conservative and not giving him enough power. It is possible that the inductee may be overconfident about himself and may not communicate with the inductor enough. In such case the relations between the inductor and the inductee are strained and this is likely to have a negative effect on the outcome of the induction process. Therefore the hypothesis formulated was:

H3 – The quality of relations between the inductor and the inductee during the process of induction is significantly associated with the outcome of the induction process.

3.3.4 Willingness of the inductee during the induction period

The effectiveness of the outcome of the induction process also depends on the willingness of the inductee to join the business and get inducted. (Royer et al., 2008b). The induction process is likely to be successful if the willingness is high. (Venter et al., 2005). The effectiveness will also depend on the motivation of the inductee during the process of induction. His abilities and intention along with his alignment of his personal needs will also affect the outcome of the induction process (Kansikas & Kuhmonen, 2008). If the inductee was excited about the business and was always keen to join the business, if he had been taking interest in the business from the very young age then he is likely to have positive experience of the process of induction. Therefore the hypothesis formulated was:

H4 – The willingness of the inductee during the process of induction is significantly associated with the outcome of the induction process.

Effective induction in the business also depends on the individual need, goals, skills and abilities of the inductee (Brockhaus, 2004). A willing and committed inductee will be motivated and the induction process will be more effective (Chrisman et al., 1998). The inductee joining the process with excitement and with high willingness is very different from his joining the process because of a sense of duty to the family and even more different when he is joining because he has no other option. Therefore the hypothesis formulated was:

H5 – The reason for the inductee to get involved in the business is significantly associated with the outcome of the induction process.

3.3.5 Stages of induction

The induction process might get spread over several stages. It may begin with the son starting at a low level and progressing gradually to taking up managerial roles and eventually becoming the leader of the business (Royer et al., 2008c). If the inductee has been visiting the family business from a young age he is likely to be more familiar with the

business, enabling a smooth transition to the final position. Therefore the hypothesis formulated was:

H6 – The stage-wise induction of the inductee is significantly associated with the outcome of the induction process.

3.3.6 Process of induction

The induction is not a one-time event. Rather it is a dynamic process based on extensive and intensive face to face communication (Higginson, 2010b). Effective induction will facilitate the inductee to get involved in the business smoothly and will eventually affect the success of the induction (Venter et al., 2005). This would avoid conflicts and ensure smooth relationships (Kansikas & Kuhmonen, 2008). There can be various approaches to the induction process. A well-planned induction process could have a positive influence on the outcome of the induction. It is important to periodically review the progress of the inductee and give him feedback. Therefore the hypothesis formulated was:

H7 – The planned process of induction of the inductee is significantly associated with the outcome of the induction process.

H8 – Outside work experience of the inductee is significantly associated with the outcome of the induction process.

3.3.7 Gender and birth order of the inductee

The induction process could be the same for male and female inductees. However, it is observed that often it is not so. As per Haberman & Danes (2007) the process is more male oriented. In case of a daughter, the female exogamy involving her moving to the husband's place seems to affect her induction process as she is treated differently (Nicholson, 2008).

Despite the fact of exogamy, the family may be more open to induct the daughter in the family business as it could be viewed as a very valuable grooming process for life. Often the daughter may resist the discrimination and may insist on being inducted in the family

business. On the other hand, the family may have a concern that the daughter should not develop emotional attachment to the family business as after the marriage the involvement may not be possible. Therefore the hypothesis formulated was:

H9 – Gender of the inductee if being male is significantly positively associated with the outcome of the induction process and if female is significantly inversely associated with the outcome of the induction process.

As far as birth order is concerned it seemed that male primogeniture is an important factor whereby the eldest sibling is expected to be treated differently (Nicholson, 2008). It is likely that the elder one is preferred for keeping family harmony (Brockhaus, 2004). All siblings might be treated equally expecting to have mutual respect or the elder one might be expected to take more responsibility and the younger one expected to respect the elder sibling. Therefore the hypothesis formulated was:

H10 – Birth order is significantly associated with the outcome of the induction process.

3.3.8 Situational Factors

The situational factors could affect the outcome of the induction process. One of the aspects is the culture of the region and the community (Gupta & Levenburg, 2010). The family culture may dictate the induction process and it may require the inductee to start from the bottom. He may be required to work under non-family managers for some time and be expected to earn acceptance from them. It may be a family tradition that the male child is expected to join the business and the female child is not encouraged to get involved in the business. The situational aspects are also related to the possible emergencies in the family or business, requiring the inductee to jump into the driving seat without proper induction. The size of the family could also affect the succession. Thus various situational factors could influence the effectiveness of the induction. Therefore the hypothesis formulated was:

H11 –Family situational factors such as size, urgency of induction, family traditions etc. are significantly associated with the outcome of the induction process.

3.3.9 Raising up within family business culture

Those inductees who have grown up within the business family have natural immersion into the business (Kansikas & Kuhmonen, 2008). They were part of the dinner table discussions on the concerns and have witnessed the process of the family business over a period of time. As a result they are exposed to the history, values and culture of the family business (Lambrecht, 2005). The inductee could imbibe the values of the family business during his upbringing (Nemilentsev, 2015). He learns about the role of the previous generations and begins to appreciate the business history and the contribution of previous generations. That could positively influence the learning during induction process and eventually the outcome. Therefore the hypothesis formulated was:

H12 – Raising up within the family culture is significantly positively associated with the outcome of the induction process.

3.3.10 Business socialization culture

One of the primary requirements for a successful business is the connection with the environment. This entails socialization skills. If the inductee is involved in the business socialization programs from a very young age, he could see the inductor interacting with different people and learn the process of socialization. Therefore the hypothesis formulated was:

H13 – Inductee acquiring business socialization skills is significantly associated with the outcome of the induction process.

3.3.11 Extended Family

There could be different challenges in inducting extended family members in the family business. A daughter-in-law who has not been raised in the family of in-laws but will now onwards be part of the family may want to participate in the business. Her induction poses

serious challenges as it is not easy to integrate her into the family business ‘naturally’ (Nicholson, 2008). The case of the son-in-law is somewhat different. It is possible that his induction could be somewhat easier (Haberman & Danes, 2007). In either case, they need to be oriented about the family business. They need to be given explanations about and appreciate the family business history, culture and business practices. Finally they have to adjust to the family business culture for ensuring effective induction. Therefore the hypothesis formulated was:

H14 – Induction of extended family is significantly positively associated with the outcome of the induction process.

3.3.12 Tensions

Induction involves interaction across generations. This is bound to lead to differing perspectives resulting in tensions between the inductor and inductee. In addition there can also be tensions among siblings. (Nicholson, 2008). The tensions across generations could be about trust, power or expectations (Venter et al., 2005). There could be tensions due to rivalry among the family siblings (Grote, 2003). The tensions could be because of lack of clarity on issues such as roles, expectations, compensation, recognition, workload etc. (Danes & Olson, 2003). While the tensions are most likely to be there, it is important that the parties involved recognize their existence and address them rather than sweeping them under the carpet. If all sides concerned have readiness and adequate skills to address the tensions then the issues can be addressed and the process smoothed. If the tensions are handled well it would result in better induction process and positive influence on the outcome. As a result the inductor is likely to have high confidence in the ability of the inductee to lead the business in the future. Therefore the hypotheses formulated were:

H15 – Existence of tensions is significantly associated inversely with the outcome of the induction process.

H16 – Ability to manage tensions is significantly associated with the outcome of the induction process.

3.4 Questionnaire design

Based on the literature review, various factors likely to affect the induction of the next generation members in the family business with specific reference to Indian context were identified to test the hypotheses formulated above. To test the hypotheses, the study considered 16 categories of independent variables and 3 categories of dependent variables, which are presented in Appendix 1.

The availability of validated scales for each of the categories was checked in the published literature. Searches were carried out on the Ebsco and Google Scholar databases to identify relevant studies. The work of Fields, who has done extensive work to screen the available validated scales by identifying 270 measures and describing 136 measures in details was reviewed (Fields, 2002). However no established scales were found suitable for the study. Therefore an original questionnaire was developed for this study.

The categories identified were discussed with members of 10 family businesses to identify questions that would capture the essence of the exploration. Questions were formed on each of the categories and were shown to them. Feedback was taken about what they understood from the questions and whether it matched with the objective of the question. In an iterative step, the questions were refined to ensure that, just based on the questions without any need for personal explanations they understood the same meaning as was intended to capture the response for the category being studied. Based on this process, 80 statements were finalized for the independent variables and 9 statements for the dependent variables.

These statements were then converted into the form of questionnaire measurement items with appropriate instructions and 5-point Likert scale, which is quite commonly used where 'objective measures' are involved (Hartley, 2014). Compared to binary questions that will fetch simple "yes/no" response, Likert scale gets more granular feedback, and as such is popular to measure latent constructs such as attitudes and opinions with a greater degree of nuance. The creator of the scale, Rensis Likert, the American social scientist, in its original

version provided “anchor terms” for each point of the scale. Some people prefer to use a 7-point scale, but it gets a bit more difficult to come up with descriptive terms for each point as you get to higher numbers (Tullis & Albert, 2010). Two most important characteristics of Likert scale are - it expresses degree of agreement with a statement and it uses an odd number of response options to allow neutral response.

For capturing perceptions about the induction process and the outcome, some special instructions were provided, e.g., “The questions do not have right or wrong answers. These are only your views and perceptions.” “Please tick the appropriate box after each statement that is close to your most frequent approach. Try to recall as many recent situations as possible in ranking these statements. (1= strongly disagree and 5 = strongly agree).”

In addition to the above, the respondents were also asked to provide background information about the inductor and his family, the business and the inductee. The questionnaire was divided into five parts. Part I and II contained questions about the family business in general. Part III sought details about the inductee. Part IV contained questions specific to the respondent’s experience of induction process. Finally Part V was about the respondent’s assessment of the post induction outcome. It was clarified that the inductee could be a male or female member and that for the purpose of convenience, only male pronouns were used.

3.5 Internal Consistency, Reliability and Validity

The reliability of a measuring instrument relates to the extent to which the measurement procedure produces the same results on repeated basis. The idea is that the result must be more than one-off incidence and should be inherently repeatable. Thus any researcher should be able to get the same results using the same instrument under the same conditions. This will ensure higher accuracy about the outcomes for testing hypothesis.

One way to ensure reliability is to use pre-tested validated instruments. In the absence of validated instruments, as was the case in the current study, where a new set of questions have been constructed, it was desirable to test the validity of the instrument for reliability.

There are several methods by which it can be tested such as test-retest method and internal consistency methods. In the test-retest method the same instrument is administered sometime after the initial test and the results compared. As far as methods of internal consistency are concerned, there are three techniques that can be used depending upon the complexity and degree of the test. One of the techniques is the Split- Halves test in which the questionnaire is divided into two halves e.g. odd and even numbered questions and the results of both the halves are analyzed. If there is a strong correlation between the two, then the reliability of the instrument is higher. The other technique is the Kuder-Richardson test. This is a more complex version of the split-halves test where correlation between all possible split half combinations are worked out and evaluated. The third technique is Cronbach's alpha which averages correlation between every possible combination of split halves and also allows multi-level responses.

Cronbach's alpha is a commonly used test for measuring internal consistency and reliability of the instrument. The alpha coefficient values oscillate between 0 and 1, where 0 implies no internal reliability. Alpha coefficient value of more than 0.7 is considered as good and recommended for acceptable reliability of a scale, but alpha coefficient values between 0.60 and 0.70 are considered acceptable. Alpha coefficient of less than 0.6 is considered as poor. This criterion had been applied in this research.

Validity of scale essentially means whether the items measure what they are meant to measure. There are various types of validity which are usually used for establishing validity of a measure.

Content validity is usually evaluated by a group of experts in the field who by examining items decide whether the scale can measure what it is meant to. The content validity of the instrument used in this study has been discussed in section 3.6.

Face validity, as the name indicates, involves personal judgment and is measured to evaluate the instrument 'at the face value'. Often it is evaluated by seeking the feedback from the respondents as to whether in their opinion the instrument was well constructed

and useful. Their feedback is used to refine the instrument. Similar to content validity the face validity of the instrument used in this study has been discussed in section 3.6.

Construct validity indicates how well the instrument actually measures what it claims to measure. The pilot studies help to establish the strength of the research. Also the results are evaluated in view of the overall literature in the field. In the current study it was observed that the pattern of findings behaved in line with the expected behavior as per the literature.

3.6 Pilot testing of the questionnaire

This stage examined content validity and face validity of the questionnaire. Face validity refers to the degree to which a question captures, what it purports to measure. This helps us understand whether the questions of the questionnaire are rightly formulated, given the context and nature of respondents. The set of questionnaire items were subjected to a scrutiny by a panel of scholars and sample of potential respondents to check the clarity, precision, and representation of all aspects that had emerged from the literature survey. A total of 12 such respondents were used for the survey. While face validity is not a quantitative model and is often terms as weak, it provides excellent opportunity to qualitatively judge the authenticity of the questions that form the questionnaire. The recommendations of the panel were very useful in revamping the questionnaire. The panel recommended some changes in the language to make it more user-friendly and usable for respondents, they suggested to drop a few items as it was not very relevant to the Indian context, especially the types of family business that the study intended to target. The survey also suggested to split certain statements forming part of the questionnaire into two to reduce ambiguity and improve clarity of thought. The panel was overall satisfied with the overall items covered in the original questionnaire, subject to the implementation of the abovementioned points. The revised questionnaire was personally administered to 10 respondents of the pilot survey to check if the revised language of the statements was clear and free from any ambiguity. It was found that the respondents understood the statements in the ways intended. Then the questionnaire was finalized and loaded on the software for obtaining responses electronically.

3.7 Sampling

There is no universally accepted definition of what constitutes the family business. In this study a family business has been defined as the one which is owned and managed by members of one or more families. This study was undertaken in India among SME family businesses. The definition of SMEs varies from country to country. As per the definition given by Ministry of Micro, Small and Medium Enterprises, Government of India, an enterprise engaged in production of goods is an SME, if the investment in plant and machinery is more than Rs 2.5 million but less than Rs.100 million. An enterprise engaged in providing services is an SME if the investment in plant and machinery is more than Rs 1 million but less than Rs.50 million.

The Ministry last conducted the census in 2006-2007 that provides data about the SMEs in various categories. However, data about whether the enterprise is a family business or not, was not collected. In their study of definitions of family business Chua et al. (1999), found some differences but they also found a general agreement among researchers that all businesses owned and managed by family are family business (Chua, Chrisman, & Sharma, 1999). SMEs by their very size are less likely to be owned by public and are more likely to be owned and managed by family. Thus it was safe to assume that all SMEs are family business.

The census classifies the data into 129 industry sectors and gives the number of enterprises - sector wise. However, at this level the data was merged with Micro enterprises and no separate details are available for only the SME category. There are industry and cluster level associations in India, but they are voluntary and may or may not be registered.

In the absence of any complete listing to identify and approach SME family businesses, the 'Snowball sampling' method was used to identify potential respondents (Gasparėnienė, Remeikienė and Schneider, 2017). When subjects are selected based on referrals from other survey respondents, it is known as snowball sampling technique (Black, 2009). In this non-random sampling technique, the researcher identifies a person who fits the profile of

subjects wanted for study. The researcher then asks this person for the names and locations of others who would also fit the profile of subjects wanted for the study. “Snowball sampling uses a small pool of initial informants to nominate, through their social networks, other participants who meet the eligibility criteria and could potentially contribute to a specific study. The term "snowball sampling" reflects an analogy to a snowball increasing in size as it rolls downhill.” (Morgan, 2008). This is a nonprobability sampling technique where an initial group with the characteristics required of respondents identifies more potential respondents from among their acquaintances. Snowball sampling is used when respondents are hard to identify because of the absence of any formal list of them. This was the case in this study as there was no available comprehensive list of SME family businesses. Further, since the identification is done by persons through acquaintance, the sample is likely to have the required characteristics. A limitation of this method is that since the full population is not identified or counted, it is not possible to ascertain how representative the sample is. In spite of this limitation, this method is acceptable when other sampling methods are not possible. Noy (2008), discussing the process and relative merits of snowball sampling, remarks that this method can generate a unique type of social knowledge.

3.8 Data collection

For this study, the initial group consisted of 50 industry associations, chambers and business community associations (listed in Appendix 3) having dispersed relevant memberships. They were approached and requested to forward the questionnaire to 20 SME family businesses among their members. By this method the questionnaire was sent to 800 possible SME family business respondents.

The questionnaire was sent in the form of an electronic link with a request to respond to the survey online. The potential respondents were requested to respond with the appeal that one of the critical questions faced in the Family Managed Business was about the insights in induction of the next generation members. To develop these insights, the survey was being conducted with family businesses where the next generation had been inducted in the business at least five years ago and their response was sought for the same.

The potential respondents were followed up by reminders and telephone calls where numbers were available. There were 14 contacts of potential respondents who were not tech savvy and could not respond to the electronic link. These respondents were personally visited and their responses recorded in physical form.

After due follow up, a total of 287 responses were received. Some of these responses were incomplete and some were incoherent. After removing such responses, a total of 135 responses were found to be complete and in order for taking up further analysis. The sample size does not enable to maintain a ratio of 1 is to 10, as far as variables are concerned for a quantitative model. However, there are similar studies in the area of family business, which admit such a deficiency and have performed study (Efferin, Hartono and Hartono, 2015).

3.9 Respondents' profile

This section gives a description of the respondents' profiles, in three phases:

- a. Characteristics of respondents
- b. Respondents' Businesses
- c. Inductees' Profiles

Table 3.2 gives a picture of the characteristics of the respondents in terms of age, experience, community, generation, education and holding percentage

Table 3.2 Respondents' Profile

| Age Group | Nos. | % | Experience | Nos. | % |
|------------------|-------------|-------------|-------------------|-------------|-------------|
| <45 | 5 | 4% | <20 | 6 | 4% |
| =>45 and <50 | 22 | 16% | =>20 and <25 | 19 | 14% |
| =>50 and <55 | 44 | 33% | =>25 and <30 | 29 | 21% |
| =>55 and <60 | 30 | 22% | =>30 and <35 | 31 | 23% |
| =>60 and <65 | 22 | 16% | =>35 and <40 | 26 | 19% |
| =>65 | 12 | 9% | =>40 and <45 | 14 | 10% |
| | | | =>45 | 10 | 7% |
| Total | 135 | 100% | | 135 | 100% |

| Community | Nos. | % | Generation | Nos. | % |
|------------------|------|------|-----------------------|------|------|
| Gujarati | 44 | 33% | Founder | 47 | 35% |
| Marwari | 41 | 30% | 1st Generation | 25 | 19% |
| Muslim | 11 | 8% | 2nd Generation | 43 | 32% |
| Christian | 8 | 6% | 3rd Generation | 14 | 10% |
| Sindhi | 3 | 2% | Beyond 3rd Generation | 6 | 4% |
| Parsi | 3 | 2% | | | |
| Others | 25 | 19% | | | |
| | 135 | 100% | | 135 | 100% |

| Education of the respondent | Nos. | % | Holding Percentage | Nos. | % |
|------------------------------------|------|------|---------------------------|------|------|
| Graduate | 68 | 50% | <50% | 12 | 9% |
| Non-graduate | 17 | 13% | =>50 and <75 | 11 | 8% |
| Post Graduate | 40 | 30% | =>75 | 112 | 83% |
| Professional(CA / MBBS etc) | 10 | 7% | | | |
| | 135 | 100% | | 135 | 100% |

It may be observed from Table 3.2 that the sample consisted of a well distributed age group of the inductors, varying from 40 years to 77 years with the average age of the full sample being around 54 years, which indicated fairly experienced respondents. In fact, more than 70% of the respondents were from the age group of 45 to 60 indicating the importance of induction for them in the last few years. This is an age where they were more likely to be concerned with induction of the next generation members in the business. The total experience of the respondents, in line with the age, varied from 11 years to 57 years with an average of 31 years for the entire sample. Almost 88% of the respondents had been in the business from 20 to 45 years. This indicated that they had been in the business for a long period and had a good grasp of the qualities and expertise required in the business. Respondents from this age and experience group are likely to have better assessment of the induction process and its outcome.

The induction process could reflect the community traditions. There were respondents from Sindhi, Shetty, Parsi and Brahmin communities, each of them constituting less than 3% of the total number of respondents. The response was dominated by Gujaratis (33%) and Marwaris (30%), together constituting almost 2/3rd of the entire sample. This proportion seemed to be in line with the general perceptions about these two communities. Gujaratis are in the forefront of India's business (Aseem Gaurav, 2014) and Marwaris are among the most influential business communities in India (Jagannathan, 2014).

The respondents constituted 54% founders and 1st generation members, 32% 2nd generation members and 14% from the 3rd generation and later generations. The educational background of the respondents varied, with 13% non-graduates, 50% graduates, 30% post graduates and 7% professionals. This represented a fairly diverse perspective on the process of induction. As far as the ownership was concerned, 83 % of the respondents indicated ownership of 75 % and above, indicating high ownership stakes in the business, and this also reflected the nature of SMEs in the Indian economy.

Table 3.3: Respondents' Businesses

| Nature of the business | | | Number of employees | | |
|-------------------------------|------|------|----------------------------|------|------|
| | Nos. | % | | Nos. | % |
| Manufacturing | 82 | 61% | <20 | 17 | 13% |
| Services | 19 | 14% | =>20 and <50 | 24 | 18% |
| Trading | 15 | 11% | =>50 and <100 | 23 | 17% |
| Retail | 7 | 5% | =>100 and <500 | 51 | 38% |
| Construction | 6 | 4% | >500 | 20 | 15% |
| Others | 6 | 4% | | | |
| | 135 | 100% | | 135 | 100% |

| Turnover Rs. Millions | Nos. | % | Annual growth | Nos. | % |
|------------------------------|------|------|----------------------|------|------|
| <100 | 20 | 15% | Negative to Zero | 9 | 7% |
| =>100 and <500 | 57 | 42% | >0 and <10 | 16 | 12% |
| =>500 and <1000 | 22 | 16% | =>10 and <25 | 60 | 44% |
| =>1000 and <5000 | 25 | 19% | =>25 and <50 | 32 | 24% |
| >5000 | 11 | 8% | >50 | 18 | 13% |
| | 135 | 100% | | 135 | 100% |

Table 3.3 presents the data about the respondents' businesses. As seen from the table, regarding the nature of the business, 61% of the businesses of the respondents represented the manufacturing sector. Trading and services constituted 11% and 14% of the sample respectively. A small 5% represented retail and construction each and 4% others sectors. Thus, though the representation of the manufacturing sector was larger, there was also some representation of other sectors.

Looking at the size of the business in terms of number of employees, Table 3.3 shows that 13% represented very small size having less than 20 employees. Enterprises having 20 to 50 employees constituted 18%, having 50 to 100 employees constituted 17%, 100 to 500 employees 38% and more than 500 employees 14%. This showed fairly wide spread of the size of the business in terms of number of employees.

Further, it is seen in Table 3.3 that the size in terms of turnover was evenly distributed with 15% reporting less than Rs. 100 million, 42% from Rs. 100 million to Rs. 500 million, 16% from Rs. 500 million to Rs. 1 billion, 19% from Rs. 1 billion to Rs. 5 billion and 8% above Rs. 5 billion. Similarly, the figures of annual growth over last three years were somewhat evenly distributed with 7% reporting negative or zero growth, 12% reporting less than 10% growth, 44% reporting 10 to 25% growth, 24% reporting 25 to 50% growth and 13% reporting more than 50% growth.

Table 3.4: Inductees' Profile

| Gender of the inductee | Nos. | % | Qualification of the inductee | Nos. | % |
|-------------------------------|------|------|--------------------------------------|------|------|
| Male | 19 | 14% | Non-graduate | 6 | 4% |
| Female | 116 | 86% | Graduate | 54 | 40% |
| | | | Post Graduate | 69 | 51% |
| | | | Professional (CA / MBBS etc.) | 6 | 4% |
| | 135 | 100% | | 135 | 100% |

| Years inductee in the business | Nos. | % |
|---------------------------------------|------|------|
| <4 years | 13 | 10% |
| =>4 years and <10 years | 92 | 68% |
| =>10 years | 30 | 22% |
| | 135 | 100% |

Table 3.4 presents the inductees' profile in terms of gender, qualifications and years in business. It is seen from the table that more than 85% of the inductees were male, confirming the demographics and the tendency in the business community to favor male children to take over the family business. By qualification, 40% of them were graduates, 51% were post graduates and 4% had professional qualifications. Only 5% of them were non-graduates. More than 90% of the inductees had been in the business for more than 4 years which was considered as adequate to observe the outcome in terms of influence on the business, family and inductee himself.

3.10 Methodology of analysis of the survey data

The responses received were analyzed using several statistical techniques including descriptive statistics, Cronbach's alpha, reliability testing etc. All the statistical techniques were applied using SPSS 15.0 software. These statistical techniques are discussed at length from the theoretical perspective and scientific context.

3.10.1 Reduction of number of variables by factor analysis

The basic purpose of factor analysis was suggested around the turn of the last century by Francis Galton and Charles Spearman among others (Chatfield & Collins, 1981). While conducting a survey, there is a tendency to collect responses to a larger number of questions than may be precisely required, resulting in a large number of variables. It invariably happens that there exist clusters of variables which turn out to be interconnected. In those situations the question is to what extent these variables have something in common (Rietveld & Hout, 1993). Factor analysis is a technique to reduce the number of variables by combining those variables which have high correlation among themselves. This reduces the redundancy or duplication from a set of variables which are highly correlated with each other. Those variables which are correlated are combined using weights generated by the factor analysis into a unique variable. Thus a new set is created of reduced variables which are relatively independent of each other. In this study responses were collected for totally 89 measurement items. As this was a large number, and there was a possibility of interconnection among them, it was necessary to apply factor analysis to examine the correlation among them and to reduce the number of unique variables.

The study aimed to explore causal relations of the independent variables on the dependent variables and for that regression analysis was carried. In the regression analysis, if one of the independent variables was highly correlated with another independent variable it was likely to result in a relatively large standard error, thus undermining the statistical significance of the independent variable. This is known as the problem of multi-collinearity. Factor analysis by identifying and combining variables with high correlation reduces this problem. The results were tested for non-presence of multi-collinearity.

The outcome of the factor analysis depends on the variables being measured, the respondents and the method of factor analysis. For applying factor analysis it is necessary that there are at least 100 respondents. The respondents should be heterogeneous on the variables being studied. (Jupp, 2006). In the current study there were 135 valid responses, meeting this requirement of adequacy of the sample size. As discussed in section 3.9 there was adequate heterogeneity among the respondents.

There are two types of factor analysis viz. exploratory and confirmatory. The exploratory factor analysis (EFA) is used to ascertain the underlying structure of a large number of variables (Exploratory Factor Analysis, 2014). It is a widely used and broadly applied statistical technique (Norris & Lecavalier, 2010). It helps to find out a set of latent constructs underlying a large number of measured variables. The confirmatory factor analysis (CFA) is largely based on theory. It is used for analyzing whether measures for the constructs are consistent with the theory or prior research. Here a hypothesis is first developed about what factors are underlying the variables used and constraints may be imposed on the model based on this hypothesis. The researcher makes a hypothesis about the number of factors, the correlation between the factors and which measures reflect which factors (“Exploratory and Confirmatory Factor Analysis,” n.d.).

This study did not count on a priori fixed number of factors and required to explore the relationship among the measurement items. Hence Exploratory Factor Analysis was used for removing the redundancy from the set of variables and to remove the problem of multicollinearity and was referred to as factor analysis.

The most commonly used method of factor analysis is R-factor and Q-factor. The R-factor analysis is used to develop a structure within variables whereas Q-factor analysis is used to develop a structure within the cases similar to cluster analysis (Hair, 2007). In our case, the sample size was not large enough to divide into clusters. Also our purpose was not to understand cluster behavior. Therefore R-factor analysis was used. Our objective here was to reduce the number of measurement items and create factors which could be treated as variables. The purpose of having a smaller number of independent variables is two-fold: one, the causal model which is used later to identify and analyse causal relationships would produce more efficient results with less independent variables, given the number of observations that support it. Also, this can take care of multicollinearity problem (high correlation among independent variables) in the causal model.

The steps for factor analysis begin with obtaining correlations between the variables. Next is to select the number of factors to be included in the study. The *Kaiser criterion* states that the study should use a number of factors equal to the number of the eigenvalues of the correlation matrix that are greater than one. This is followed by extracting the initial set of factors which is generally done by a computer program. The process involves factor rotation to find a factor solution which has the simplest interpretation. To generate uncorrelated factors orthogonal rotation is used and for which Varimax is considered as the best option. The analysis reveals the relationship between one or more variables with each of the factors. The strength of the relationship is indicated by the factor loading produced by the program. Finally factor score is constructed by combination of all related variables weighted by the corresponding factor loading. These factor scores then were used in further analysis just like any other variable.

In this way each factor was produced by combining a number of variables mechanically by the statistical technique. It is important to check the correlation within the variables merged for face validity. Once finalized, it was necessary to label or name the factor as an independent variable for exploring the relationship with the outcome variable and interpretation thereafter.

In the current study there were 89 measurement items. In the first level of data analysis, factor analysis was used to identify the structure and the interrelationship between these measurement items. Factor analysis checked how these measurement items could be combined and reduced to form fewer elements comprising unique variables, which cannot be further combined. These factors became the variables which were later used for regression.

At the next level, these grouped variables and certain unique variables (which could not be grouped under factors) were estimated as variables to predict the effectiveness of the induction. The resultant equation resulted in deriving a relationship model between the independent variables and the outcome reflecting dependent variables. Hence the second level of data analysis clearly demanded the application of multiple regression analysis.

3.10.2 Examining the variables by Univariate and Bivariate analysis

Univariate analysis is the simplest way to analyse a data set. It analysis one variable at a time and does not deal with relationship between two variables. Some of the measures to describe patterns in univariate data include measure of central tendency (mean, median and mode) and measure of dispersion (range, standard deviation). When the data set includes more than one variable, bivariate analysis is used to describe the relationship between pairs of variables.

In this study the univariate and bivariate analysis were used to understand the pattern of the data and relationship within two variables within the data set.

3.10.3 Examining influence of independent variables on the dependent variables by Regression Analysis

While conducting a survey or study, a number of variables are explored. The variables indicating the output or the result are called dependent variables. The variables indicating the input or the cause are called independent variables. The relation between these variables is detected by the technique of regression analysis. It captures how a set of independent variables influences the dependent variable.

The use of regression is as old as two centuries. It was first referred by Legendre in 1805 (Legendre, 1805). It is widely used for analysis and is one of the most pervasive statistical tools. It can be used to understand the causal relationship between variables as well as to make predictions. It can be used to forecast change in the dependent variable based on the changes in one or more independent variables.

In this study data was captured about the independent and dependent variables and it was necessary to study the causal relations among them.

3.10.4 Multiple regression analysis

When there is more than one independent variable, the technique used is known as multiple regression analysis. It is used to measure the effect of several variables on a single dependent variable. This method is widely used in social and natural sciences as it helps the researcher to ascertain the best predictor of an outcome. This technique is capable of dealing with a large number of independent variables.

In this study after the factor analysis there were 20 independent variables and 3 dependent variables and as such this technique was appropriate to assess the causal relationship of these variables on each of the dependent variable.

The multiple regression analysis is based on the assumption that the relationship between the variables is linear. There is also an assumption that the independent variables are not related among themselves. The variables which are related among them are called collinear and when several such variables are involved the system is said to have the problem of multi-collinearity. In such a case, it is not possible to isolate the relationship between the dependent and independent variables reliably. In this study with the application of factor analysis the independent variables with high correlation were combined and thus the problem of multi-collinearity was addressed.

The multiple regression analysis generated a linear equation in the form of:

$$Y = a + b_1 * X_1 + b_2 * X_2 + \dots + b_p * X_p + e_1$$

Where Y is the dependent variable and $X_1 \dots X_p$ are independent variables. The intercept of the line chosen is depicted by 'a' and b_1 through b_p are the slopes. Collectively a and all b 's are called regression coefficients. Intercept a is the expected value of Y when all the X s are equal to zero. Each slope coefficient is the expected change in Y when the particular X changes by 1 unit and the other X 's in the equation remains constant. While the X s as independent variables have effect on Y , yet the relationship is not perfect. There will be

some other factors not covered by the X s that can also influence Y . Such other omitted factors aggregated are termed as ‘noise’ and is depicted by e in the equation.

3.10.5 Checking the data fit – R-squared

To check how close the data fit the regression line a tool is used known as coefficient of determination and is denoted by R^2 pronounced as R-squared (Coefficient of Determination, 2014). It is computed as:

$$\text{R-squared} = \text{Explained variation} / \text{Total variation}$$

Generally the value of R^2 is between 0 and 100% where 0% means that the model explains none of the variability of the response data around its mean and 100% means that it explains all the variability of the response data around its mean. Thus, the higher the R-squared, the better fits of the model to the data (Regression Analysis, n.d.).

The value of R^2 can automatically and spuriously increase with extra variables added to the model. This could be misleading as variables may be added only to improve R^2 . To remove this effect Adjusted R^2 is used which will increase with the addition of new variables only if the new variable improves the R^2 more than would be expected by chance. The adjusted R^2 is could be negative and its value will be always less than or equal to that of R^2 . It has no direct interpretation but can be useful to check existence of unnecessary variables.

The study aimed to explore the causal relations of the independent variables with each of the dependent variable using multiple regression analysis. The analysis generated linear equations and it was necessary to use R^2 and Adjusted R^2 to assess the fit of the model with the data.

3.10.6 Seemingly Unrelated Regression Equations (SURE) Model

The SURE model consists of several regression equations, each having its own dependent variable and potentially different sets of independent variables (Zellner, 1962). It is a generalization of several equations where each equation is a valid linear regression on its own and can be estimated separately. When the independent variables are mostly the same,

while the dependent variables are different, there could be a high correlation among the error terms across the equations, which is termed as contemporaneous correlation. Occasionally, in such cases Seemingly Unrelated Regression Equations model (SURE) is used.

The present study involved multiple dependent variables and multiple independent variables. Also, the dependent variables were metric, and the joint influence of the independent variables on the dependent variables was to be studied. Therefore SURE model was used in this study to establish the causal relationship between the independent and dependent variables.

3.11 Conclusion

To begin with, based on the literature survey, the relevant variables were identified. On the basis of these, 16 hypotheses were formulated. To test the hypotheses data was gathered by using a questionnaire. After a pilot study, the questionnaire was sent out to potential respondents using the snowball sampling technique. A total of 287 responses were received, out of which 135 responses were found to be complete and in order for taking up further analysis. The data collected was analyzed using statistical tools of factor analysis, multiple regression and SURE model, to establish relationships between the independent variables and dependent variables. Further, the case study method had been used, and two cases had been studied in detail. Thus the research design provided a triangulation of survey and case study methods to arrive at its conclusions.

Chapter 4 : Data Analysis, Results and Interpretation

4.1 Introduction

As stated in chapter 3, the study was conducted with a tested questionnaire, based on 16 categories of independent variables that were expounded into 80 questions and 3 categories of dependent variables expounded into 9 questions, each representing a measurement item. The 16 categories of independent variables and 3 categories of dependent variable are shown in Appendix 1. The detailed questionnaire is presented in Appendix 2.

A total of 287 responses were received. These responses were scrutinized for their completeness and coherence. In 89 responses, the induction period was less than 2 years. It was felt that this was too short a period to assess the influence on the outcome. In other 63 responses, the data was incomplete to the extent of more than 40%. As such both these kinds of records totaling 152 were removed from the analysis. After the cleaning of the responses, there were 135 complete responses available for further analysis.

These 135 responses were complete but most of them had no response to some of the questions perhaps because of non-applicability of these questions to them. These questions were related to the elaboration of the following categories of independent variables:

- In case of inductee having worked outside of the family business
- In case of female inductee
- In case of the family being small
- In case of the family being large
- In case the inductee is a daughter-in-law
- In case the inductee is a son-in-law

Therefore for analyzing succession issues, the above referred independent variables were removed from further analysis.

4.2 Process of analysis of the responses

The responses were analyzed using the following steps.

4.2.1 Validation of variables

For testing the validity of the variables, Cronbach's alpha test was run on all variables (i.e., created after running exploratory factor analysis) and the result was ranging from 0.703 to 0.904. As the value is much higher than 0.70, no variable needed to be removed from the analysis.

4.2.2 Univariate analysis– pattern of response for individual variables

The result of the univariate analysis is presented Table 4.1

Table 4.1 Univariate Analysis

| | Mean | Median | Mode | Std Dev | Variance |
|--|------|--------|------|---------|----------|
| My thoughts on the induction process | | | | | |
| I believed he should do what he wants and learn himself | 3.5 | 4.0 | 5.0 | 1.3 | 1.7 |
| I believed he should get trained under me and then do what he wants | 3.3 | 3.0 | 4.0 | 1.2 | 1.4 |
| I believed he should get trained under me and then start a new business | 2.7 | 3.0 | 3.0 | 1.3 | 1.7 |
| I believed he should join my business | 3.8 | 4.0 | 5.0 | 1.3 | 1.6 |
| Transfer of Knowledge | | | | | |
| He has worked with me for sufficient time to observe my actions and learn from them. | 3.7 | 4.0 | 4.0 | 1.1 | 1.1 |
| He understands the value of my experiential knowledge. | 4.1 | 4.0 | 4.0 | 0.9 | 0.9 |
| He has tried to gain from me my experiential knowledge with patient observation. | 3.8 | 4.0 | 4.0 | 1.0 | 1.0 |
| He has acquired from me key knowledge and skills. | 3.6 | 4.0 | 3.0 | 1.0 | 1.0 |
| I have consciously tried to transfer my experiential knowledge to him. | 4.0 | 4.0 | 4.0 | 1.0 | 0.9 |
| Relation during the induction period | | | | | |
| He had been appreciative of my experience. | 4.0 | 4.0 | 4.0 | 0.9 | 0.8 |
| He had been listening to me and valued my advice. | 3.9 | 4.0 | 4.0 | 0.9 | 0.8 |
| He had been seeking my guidance and support. | 3.9 | 4.0 | 4.0 | 0.9 | 0.9 |

| | | | | | |
|--|-----|-----|-----|-----|-----|
| He complained about my conservatism. | 3.0 | 3.0 | 3.0 | 1.3 | 1.8 |
| He complained about my not giving him enough power. | 2.5 | 2.0 | 1.0 | 1.4 | 2.0 |
| He complained that I had not taught him enough. | 2.0 | 2.0 | 1.0 | 1.2 | 1.3 |
| He was overconfident and did not give attention to details. | 2.3 | 2.0 | 1.0 | 1.1 | 1.3 |
| His feet were not on the ground. | 2.1 | 2.0 | 1.0 | 1.2 | 1.5 |
| He did not communicate with me enough. | 2.4 | 2.0 | 1.0 | 1.3 | 1.6 |
| He used to think that my way of doing business was not appropriate. | 2.4 | 2.0 | 2.0 | 1.2 | 1.4 |
| He used to appreciate my giving him frank feedback about him. | 3.7 | 4.0 | 4.0 | 1.1 | 1.2 |
| His willingness during the induction period | | | | | |
| He was always very keen to join the business | 4.0 | 4.0 | 5.0 | 1.2 | 1.4 |
| He had been taking interest in the business since young age | 3.5 | 4.0 | 5.0 | 1.3 | 1.8 |
| He had been ready to put in hard work required in the business | 4.0 | 4.0 | 4.0 | 1.1 | 1.3 |
| He had been keen to learn the nitty-gritty of the business | 3.9 | 4.0 | 5.0 | 1.2 | 1.4 |
| He got involved in the business as: | | | | | |
| As a sense of duty to the family | 3.5 | 4.0 | 5.0 | 1.5 | 2.2 |
| As his own decision to join family business | 4.0 | 4.0 | 5.0 | 1.3 | 1.6 |
| As he had no other choice | 2.1 | 1.0 | 1.0 | 1.4 | 2.0 |
| Stages of induction | | | | | |
| He had been visiting the business from young age | 3.4 | 4.0 | 5.0 | 1.5 | 2.3 |
| He was aware of the business dynamics from young age | 3.3 | 3.0 | 3.0 | 1.3 | 1.8 |
| He got involved as a trainee and started from the bottom | 3.3 | 4.0 | 5.0 | 1.4 | 2.0 |
| He progressively started taking responsibility | 3.9 | 4.0 | 4.0 | 1.1 | 1.1 |
| He continued the process of learning from me while handling some aspects independently | 4.0 | 4.0 | 4.0 | 1.1 | 1.1 |
| Process of induction | | | | | |
| He followed a planned process of induction in the business | 2.8 | 3.0 | 2.0 | 1.4 | 1.8 |
| We reviewed his performance periodically | 2.7 | 3.0 | 3.0 | 1.3 | 1.8 |
| We gave him periodic feedback | 3.0 | 3.0 | 4.0 | 1.4 | 2.0 |
| In case of more than one sibling inducted in the business, I believe | | | | | |
| The elder one should take more responsibility | 2.2 | 2.0 | - | 2.0 | 4.0 |
| The younger one must respect the elder sibling. | 2.5 | 3.0 | - | 2.1 | 4.5 |

| | | | | | |
|---|-----|-----|-----|-----|-----|
| There should be mutual respect and elder/younger should not matter. | 2.8 | 4.0 | 5.0 | 2.2 | 4.9 |
| Situational Factors | | | | | |
| His interests were in line with the business | 3.7 | 4.0 | 4.0 | 1.3 | 1.6 |
| He was excited about opportunities in the business | 3.9 | 4.0 | 5.0 | 1.2 | 1.4 |
| Due to our family or business urgencies we had no time for gradual induction. | 2.8 | 3.0 | 2.0 | 1.5 | 2.2 |
| It is our family tradition that male child should join the business. | 2.6 | 2.0 | 1.0 | 1.7 | 2.7 |
| It is our family tradition that female child should not be encouraged in business | 1.8 | 1.0 | 1.0 | 1.4 | 1.8 |
| As per our family practice, he had to start from the bottom | 2.9 | 3.0 | 5.0 | 1.5 | 2.4 |
| He had to work under managers for some time | 2.9 | 3.0 | 4.0 | 1.6 | 2.6 |
| He had to earn his acceptance from managers | 3.0 | 3.0 | 5.0 | 1.6 | 2.6 |
| Raising up within family business culture | | | | | |
| He has imbibed family business's values well during his upbringing | 3.9 | 4.0 | 5.0 | 1.4 | 2.0 |
| He appreciates family business's history and contribution of earlier generation | 4.1 | 5.0 | 5.0 | 1.3 | 1.7 |
| Business socialization culture | | | | | |
| He was involved in business socialization programs from young age | 3.0 | 3.0 | 4.0 | 1.4 | 1.9 |
| He saw us interacting with all kinds of people | 3.9 | 4.0 | 5.0 | 1.3 | 1.6 |
| He has acquired the socialization skills | 3.7 | 4.0 | 4.0 | 1.3 | 1.6 |
| Tensions | | | | | |
| He is clear of his role and expectations | 3.9 | 4.0 | 4.0 | 1.2 | 1.4 |
| He is getting adequate compensation and recognition | 3.7 | 4.0 | 4.0 | 1.2 | 1.5 |
| His workload is very high | 3.1 | 3.0 | 3.0 | 1.2 | 1.5 |
| There are tensions between the siblings | 1.8 | 1.0 | 1.0 | 1.3 | 1.7 |
| There are tensions between the two generations. | 2.4 | 2.0 | 1.0 | 1.5 | 2.3 |
| I have full confidence in his ability to lead the business in future | 4.2 | 4.0 | 5.0 | 1.1 | 1.2 |
| I have good abilities to handle conflicts | 3.8 | 4.0 | 5.0 | 1.2 | 1.4 |
| He has good abilities to handle conflicts | 3.6 | 4.0 | 4.0 | 1.2 | 1.5 |
| About Business | | | | | |
| It has grown very well | 3.7 | 4.0 | 4.0 | 1.1 | 1.2 |
| He has taken several meaningful initiatives | 3.8 | 4.0 | 4.0 | 1.1 | 1.3 |
| His value addition is very high | 3.8 | 4.0 | 4.0 | 1.2 | 1.4 |

About Family

| | | | | | |
|---|-----|-----|-----|-----|-----|
| The tension with him is less | 3.6 | 4.0 | 4.0 | 1.1 | 1.3 |
| We get respect that we expect | 4.0 | 4.0 | 5.0 | 1.1 | 1.2 |
| We are confident about the future of the business | 4.2 | 5.0 | 5.0 | 1.2 | 1.4 |

About the member inducted to the family business

| | | | | | |
|--|-----|-----|-----|-----|-----|
| His organization commitment is very high | 4.2 | 4.0 | 5.0 | 1.1 | 1.1 |
| He seems to have good job satisfaction | 3.7 | 4.0 | 4.0 | 1.2 | 1.4 |
| He seems to have god satisfaction in life in general | 3.8 | 4.0 | 4.0 | 1.1 | 1.3 |

Over 40% of the variables had median as well as mode value of more than 4 indicating agreement with the statements whereas less than 15% variables had median as well as mode value of less than 2 indicating disagreement with the statements., In case of 87% of the variables the standard deviation is less than 1.5 % indicating very narrow range of dispersion with the responses. Study of these indices helped in understanding the responses better.

4.2.3 Bivariate analysis – Relationship between pairs of the data set

Bivariate was carried out within each pair of the variables in the data set. A summary of the relationship between each of the variable with the outcome variables is presented in table 4.2

Table 4.2 Bivariate Analysis

| Co-efficient of Correlation | Influence on | | |
|--|----------------|--------|----------|
| | Business | Family | Inductee |
| My thoughts on the induction process | | | |
| I believed he should do what he wants and learn himself | a23_1 (0.14) | 0.00 | 0.00 |
| I believed he should join my business | a23_4 (0.04) | 0.07 | 0.08 |
| | Fac23_1 (0.05) | (0.01) | 0.02 |
| I believed he should get trained under me and then do what he wants | a23_2 (0.05) | (0.16) | (0.12) |
| I believed he should get trained under me and then start a new business | a23_3 (0.05) | (0.10) | (0.07) |
| | Fac23_2 (0.02) | (0.15) | (0.09) |
| Transfer of Knowledge | | | |
| He has worked with me for sufficient time to observe my actions and learn from them. | a24_1 (0.26) | 0.20 | 0.40 |

| | | | | |
|--|---------|--------|--------|--------|
| He understands the value of my experiential knowledge. | a24_2 | 0.29 | 0.28 | 0.40 |
| He has tried to gain from me my experiential knowledge with patient observation. | a24_3 | 0.28 | 0.27 | 0.37 |
| He has acquired from me key knowledge and skills. | a24_4 | 0.34 | 0.30 | 0.41 |
| I have consciously tried to transfer my experiential knowledge to him. | a24_5 | 0.25 | 0.20 | 0.23 |
| | Fac24_1 | 0.30 | 0.24 | 0.36 |
| Relation during the induction period | | | | |
| He had been appreciative of my experience. | a25_1 | 0.33 | 0.31 | 0.43 |
| He had been listening to me and valued my advice. | a25_2 | 0.29 | 0.37 | 0.39 |
| He had been seeking my guidance and support. | a25_3 | 0.40 | 0.43 | 0.48 |
| | Fac25_1 | 0.35 | 0.34 | 0.41 |
| He complained about my conservatism. | a25_4 | (0.12) | (0.12) | (0.09) |
| He complained about my not giving him enough power. | a25_5 | 0.01 | (0.13) | (0.13) |
| | Fac25_2 | (0.08) | (0.16) | (0.13) |
| He complained that I had not taught him enough. | a25_6 | (0.44) | (0.35) | (0.43) |
| He was overconfident and did not give attention to details. | a25_7 | (0.18) | (0.20) | (0.26) |
| His feet were not on the ground. | a25_8 | (0.21) | (0.31) | (0.24) |
| He did not communicate with me enough. | a25_9 | (0.39) | (0.43) | (0.45) |
| | Fac25_3 | (0.43) | (0.46) | (0.49) |
| He used to think that my way of doing business was not appropriate. | a25_10 | (0.09) | (0.38) | (0.23) |
| He used to appreciate my giving him frank feedback about him. | a25_11 | 0.25 | 0.32 | 0.19 |
| | Fac25_4 | 0.22 | 0.42 | 0.25 |
| His willingness during the induction period | | | | |
| He was always very keen to join the business | a26_1 | 0.37 | 0.41 | 0.46 |
| He had been taking interest in the business since young age | a26_2 | 0.26 | 0.42 | 0.42 |
| He had been ready to put in hard work required in the business | a26_3 | 0.28 | 0.17 | 0.32 |
| He had been keen to learn the nitty-gritty of the business | a26_4 | 0.38 | 0.25 | 0.36 |
| | Fac26_1 | 0.36 | 0.33 | 0.42 |
| He got involved in the business as: | | | | |
| As a sense of duty to the family | a27_1 | (0.02) | (0.09) | 0.03 |
| As he had no other choice | a27_3 | (0.14) | (0.32) | (0.21) |
| | Fac27_1 | (0.10) | (0.25) | (0.11) |
| As his own decision to join family business | a27_2 | 0.24 | 0.29 | 0.27 |

| | | | | |
|--|---------|--------|--------|--------|
| Stages of induction | | | | |
| He had been visiting the business from young age | a28_1 | 0.13 | 0.22 | 0.22 |
| He was aware of the business dynamics from young age | a28_2 | 0.17 | 0.07 | 0.19 |
| He got involved as a trainee and started from the bottom | a28_3 | 0.25 | 0.17 | 0.22 |
| He progressively started taking responsibility | a28_4 | 0.34 | 0.18 | 0.35 |
| He continued the process of learning from me while handling some aspects independently | a28_5 | 0.43 | 0.22 | 0.42 |
| | Fac28_1 | 0.36 | 0.25 | 0.38 |
| Process of induction | | | | |
| He followed a planned process of induction in the business | a29_1 | 0.28 | 0.30 | 0.31 |
| We reviewed his performance periodically | a29_2 | 0.32 | 0.28 | 0.20 |
| We gave him periodic feedback | a29_3 | 0.25 | 0.27 | 0.25 |
| | Fac29_1 | 0.33 | 0.34 | 0.29 |
| In case of more than one sibling inducted in the business, I believe | | | | |
| The elder one should take more responsibility | a32_1 | (0.04) | (0.11) | 0.04 |
| The younger one must respect the elder sibling. | a32_2 | 0.07 | (0.01) | 0.12 |
| There should be mutual respect and elder/younger should not matter. | a32_3 | 0.10 | 0.05 | 0.17 |
| | Fac32_1 | 0.03 | (0.03) | 0.11 |
| Situational Factors | | | | |
| His interests were in line with the business | a33_1 | 0.41 | 0.29 | 0.40 |
| He was excited about opportunities in the business | a33_2 | 0.44 | 0.28 | 0.36 |
| As per our family practice, he had to start from the bottom | a33_6 | 0.14 | 0.11 | 0.10 |
| He had to work under managers for some time | a33_7 | 0.24 | 0.09 | 0.26 |
| He had to earn his acceptance from managers | a33_8 | 0.29 | 0.19 | 0.25 |
| | Fac33_1 | 0.38 | 0.24 | 0.35 |
| Due to our family or business urgencies we had no time for gradual induction. | a33_3 | 0.01 | (0.11) | (0.08) |
| It is our family tradition that male child should join the business. | a33_4 | 0.01 | (0.03) | (0.02) |
| It is our family tradition that female child should not be encouraged in business | a33_5 | (0.12) | (0.16) | (0.33) |
| | Fac33_2 | (0.04) | (0.13) | (0.19) |
| Raising up within family business culture | | | | |
| He has imbibed family business's values well during his upbringing | a36_1 | 0.41 | 0.38 | 0.43 |
| He appreciates family business's history and contribution of earlier generation | a36_2 | 0.39 | 0.33 | 0.37 |
| | Fac36_1 | 0.44 | 0.39 | 0.43 |
| Business socialization culture | | | | |

| | | | | |
|--|---------|------|--------|--------|
| He was involved in business socialization programs from young age | a37_1 | 0.31 | 0.20 | 0.20 |
| He saw us interacting with all kinds of people | a37_2 | 0.41 | 0.32 | 0.29 |
| He has acquired the socialization skills | a37_3 | 0.43 | 0.30 | 0.31 |
| | Fac37_1 | 0.45 | 0.32 | 0.31 |
| Tensions | | | | |
| He is clear of his role and expectations | a40_1 | 0.51 | 0.38 | 0.50 |
| He is getting adequate compensation and recognition | a40_2 | 0.49 | 0.34 | 0.45 |
| I have full confidence in his ability to lead the business in future | a40_6 | 0.61 | 0.44 | 0.55 |
| I have good abilities to handle conflicts | a40_7 | 0.40 | 0.43 | 0.44 |
| He has good abilities to handle conflicts | a40_8 | 0.43 | 0.43 | 0.43 |
| | Fac40_1 | 0.60 | 0.50 | 0.59 |
| There are tensions between the siblings | a40_4 | 0.08 | (0.24) | (0.02) |
| There are tensions between the two generations. | a40_5 | 0.01 | (0.35) | (0.18) |
| | Fac40_2 | 0.05 | (0.33) | (0.12) |
| His workload is very high | a40_3 | 0.34 | 0.13 | 0.35 |

The value of coefficient of correlation between the variables and the outcome variables are all higher than (0.5) and less than 0.5 which indicates that there is no strict positive or inverse correlation. However more than 30% data sets had coefficient of correlation of more than 0.3 indicating to some extent positive correlation.

Study of this analysis helped in understanding the significance of each variable and its likely influence on the outcome variable.

4.2.4 Reduction of number of variables and multi-collinearity by factor analysis.

The data collected was processed in SPSS 15.0 Windows version for factor analysis. It is necessary to verify the assumptions made by the factor analysis and for that KMO and Barlett's test of sphericity was undertaken.

KMO stands for Kaiser-Meyer-Olkin measure and it is a measure of sampling adequacy. The KMO value of near 1.0 indicates that the pattern of correlations are relatively compact

and support the factor analysis, and the KMO value of anything less than 0.5 is not amenable to factor analysis.

Bartlett's test of sphericity checks the null hypothesis that the population matrix is an identity matrix, implying that all the variables are uncorrelated and are not suitable for factor analysis. If the significant test value of less than 0.05 implies that it is not an identity matrix and therefore the null hypothesis is rejected and it can be concluded that there are correlations in the data and it is suitable for factor analysis.

The findings are shown in Appendix 4. In all the categories the KMO was more than 0.5 and significance test score was highly significant ($P < 0.001$) and therefore factor analysis was found appropriate.

To ensure the sampling adequacy the Anti-image correlation matrices were extracted. This is a matrix where diagonal values provide for individual measure of sampling adequacy. Anti-image values of more than 0.5, for each of the variables, are considered acceptable for factor analysis. In case there are variables with value of less than 0.5, they are removed from the factor analysis and are treated as unique variables which cannot be combined with any other variable to form a factor.

The final Anti-image matrices are shown in Appendix 5. In all the categories in the anti-image matrices the diagonal values were more than 0.5, representing the measure of sampling adequacy. Therefore each of the categories was considered acceptable for factor analysis.

In factor analysis it is important to find out the common variance in the data structure by studying communalities extracted by the Principal Components method. The communality is the amount of variance accounted for in each variable (IBM Information Center Masthead, 2011). For principal components the communality measure is always equal to 1.0 for correlation analysis. The extraction communality is the estimate of the variance in each variable accounted for by the components. High communalities indicate that the

extracted component represents the variables well. If one or more variable has communality value of less than 0.5, the variable with the lowest communality value is excluded first and factor analysis is conducted again. The iterative process continues till all variables have value of more than 0.5.

In this study, the communality was studied for each category. In two cases the extracted communality values were less than 0.5. One variable was ‘Inductee joined the business as his own decision’ with communality value of 0.168. The other variable was ‘Inductee’s workload was very high’ with communality value of 0.492. After removing these two variables, factor analysis was reprocessed. Appendix 6 shows the final communalities of each of the categories.

In the factor analysis, to find the actual number of factors to be extracted, it is necessary to study the ‘total variance explained’. It shows the initial eigenvalues i.e. the amount of variance in the original variables accounted for by each component and is used in deciding how many factors to extract in the overall factor analysis. As the eigenvalue drops it would indicate that no more factors will be formed. Appendix 7 shows the table for each of the categories in detail. The summary of the number of variables reduced is given in table 4.3.

Table 4.3 Factors extractable as per eigenvalues explained

| Category No. | Category | No of variables | Cumu. % of Eigenvalues explained | By number of variables |
|------------------------------|---|-----------------|----------------------------------|------------------------|
| Independent Variables | | | | |
| 1 | The thoughts of the inductor on the induction process | 4 | 68.47 | 2 |
| 2 | Transfer of Tacit Knowledge | 5 | 73.41 | 1 |
| 3 | Relations during the induction period | 11 | 69.47 | 4 |
| 4 | Willingness of the inductee during the induction period | 4 | 89.24 | 1 |
| 5 | Motivation of the inductee for getting involved in the business | 3 | 67.14 | 1 |

| | | | | |
|---------------------|---|---|-------|---|
| 6 | Stages of induction | 5 | 62.29 | 1 |
| 7 | Process of induction | 3 | 78.29 | 1 |
| 8 | Working outside family business | 3 | 96.36 | 1 |
| 9 | Gender of the inductee | 4 | 86.65 | 1 |
| 10 | Birth order of the inductee | 3 | 86.45 | 1 |
| 11 | Situational Factors | 8 | 65.86 | 2 |
| 12 | Size of the family | 2 | 79.18 | 1 |
| 13 | Raising up within family business culture | 2 | 89.13 | 1 |
| 14 | Business socialization culture | 3 | 80.96 | 1 |
| 15 | Extended Family | 5 | 93.82 | 1 |
| 16 | Tensions | 8 | 78.70 | 2 |
| Dependent Variables | | | | |
| 1 | Influence on the business | 3 | 85.30 | 1 |
| 2 | Influence on the family | 3 | 82.70 | 1 |
| 3 | Influence on the inductee | 3 | 85.29 | 1 |

The rotational components matrix shows which variables load to which component after rotation. High score of the variable under the component column indicates that the variable can be combined to make the factor. If the variables are being combined in only one factor, the solution cannot be rotated and thus this matrix will not be available. Appendix 8 shows the table for each category.

Finally the component score coefficient matrix indicates the weight to be used for computing the factor loading. The components with higher values are combined together as factors. The relative value of each variable is calculated and used for factor loading. Appendix 9 shows the component score coefficient matrix, the variables being combined together and loading of each variable of the factor.

After factor analysis 80 independent variables were reduced to 20 new variables and 9 dependent variables were reduced to 3. Each factor was given a specific name signifying

the essence of the variables that were combined to form the factor and an acronym. The table with the factor names and the acronyms is shown as Table 4.4 The table also depicts the Cronbach's Alpha for all the factors created, dependent and independent. This ensures internal consistency of data.

Table 4.4 : Factor Names, Acronyms and Cronbach's Alpha

| Factor no. | Variables Description | Acronym | Cronbach's Alpha |
|------------------------------|---|---------|------------------|
| Independent Variables | | | |
| Fac23_1 | Option to join the business | OJB | 0.772 |
| Fac23_2 | Should get trained under me | STO | 0.703 |
| Fac24_1 | Transfer of tacit knowledge by working together | TTKWT | 0.755 |
| Fac25_1 | Positive relations during induction period | PEIP | 0.901 |
| Fac25_2 | Inductee having reservations | IHR | 0.843 |
| Fac25_3 | Inductee overconfident and complaining | IOC | 0.735 |
| Fac25_4 | Inductee appreciative of frank feedback | IAFF | 0.846 |
| Fac26_1 | Willingness of the inductee during the induction period | WDIP | 0.764 |
| Fac27_1 | Inductee joining the business by compulsion | IJBC | 0.886 |
| a27_2 | His own decision to join family business | ODJ | 0.877 |
| Fac28_1 | Stage-wise induction process | SWIP | 0.746 |
| Fac29_1 | Planned process of induction | PPI | 0.720 |
| Fac32_1 | Importance of mutual respect among inductees | IMRAI | 0.853 |
| Fac33_1 | Inductee's excitement to join the business and go through induction | IEJBI | 0.796 |
| Fac33_2 | Unwilling inductee and absence of time for induction | UITI | 0.773 |
| Fac36_1 | Inductees' positive appreciation of family values and contribution | IPAFCV | 0.782 |
| Fac37_1 | Inductee acquiring socializing skills | IASS | 0.888 |
| Fac40_1 | Harmonious management of tensions | HMT | 0.850 |
| Fac40_2 | Existence of tensions | ET | 0.803 |
| a40_3 | Workload is very high | WVH | 0.771 |
| Dependent Variables | | | |
| Fac41_1 | Influence on business | IOB | 0.904 |
| Fac42_1 | Influence on family | IOF | 0.703 |
| Fac43_1 | Influence on inductee | IOI | 0.755 |

4.2.5 Regression Analysis – Causal Relationship

Regression analysis was carried out to check the influence of the independent variables on the dependent variables. Since there were more than one independent variable multiple regressions analysis was done. As seen earlier in section 3.10.1, in this analysis it is essential to ensure that there is no multi-collinearity which means that the variables are not related to each other. As discussed in section 4.2.2 the possible multi-collinearity was removed by Factor Analysis, hence the study proceeded further with multiple regression analysis.

In regression analysis it is assumed that the all random variables in the sequence have the same finite variance. It is known as being homoscedastic. When this assumption is violated it is said that the errors are heteroscedastic and it is a serious concern (Hayes & Cai, 2007). To deal with this limitation, EView 8.0 version was used to generate ‘White heteroskedasticity-consistent standard errors & covariance’ results for each of the dependent variables.

The result of the regression analysis for the dependent variable ‘Influence on business’ is presented in Table 4.5.

Table 4.5 – The influence on the dependent variable ‘Influence on Business’

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|-------------|------------|-------------|-------|
| Option to join the business | (0.087) | 0.070 | (1.233) | 0.220 |
| Should get trained under me | 0.039 | 0.051 | 0.762 | 0.448 |
| Transfer of tacit knowledge by working together | (0.120) | 0.122 | (0.984) | 0.327 |
| Positive relations during induction period | 0.149 | 0.119 | 1.256 | 0.212 |
| Inductee having reservations | 0.044 | 0.070 | 0.624 | 0.534 |
| Inductee overconfident and complaining | (0.219) | 0.112 | (1.959) | 0.053 |
| Inductee appreciative of frank feedback | 0.009 | 0.008 | 1.197 | 0.234 |
| Willingness of the inductee during the induction period | 0.199 | 0.125 | 1.596 | 0.113 |
| Inductee joining the business by compulsion | 0.026 | 0.077 | 0.334 | 0.739 |
| His own decision to join family business | (0.020) | 0.074 | (0.270) | 0.787 |
| Stage-wise induction process | (0.125) | 0.163 | (0.767) | 0.445 |
| Planned process of induction | (0.110) | 0.081 | (1.354) | 0.179 |
| Importance of mutual respect among inductees | (0.062) | 0.038 | (1.637) | 0.105 |
| Inductee’s excitement to join the business and go through induction | (0.002) | 0.085 | (0.022) | 0.982 |
| Unwilling inductee and absence of time for induction | (0.111) | 0.079 | (1.400) | 0.164 |
| Inductees' positive appreciation of family values and contribution | 0.022 | 0.085 | 0.262 | 0.794 |
| Inductee acquiring socializing skills | 0.123 | 0.100 | 1.225 | 0.223 |
| Harmonious management of tensions | 0.443 | 0.118 | 3.761 | - |
| Existence of tensions | 0.138 | 0.058 | 2.367 | 0.020 |
| Workload is very high | 0.100 | 0.063 | 1.600 | 0.112 |

The R^2 in the above analysis was 0.51 and adjusted R^2 was 0.41 which meant that the equation explained reasonably the variability of the response data around its mean and there was reasonable fit of the equation with the data.

The significance of the variables is ascertained by p-value. If p-value is less than 0.01 it means that the variable is significant at 99 percent level of confidence. If it is between 0.01 and 0.05 it is significant at 95 percent level of confidence. And if it is between 0.05 and

0.10 it is significant at 90 percent level of confidence. Hence any variable having p-value higher than 0.10, is considered as insignificant.

It was observed from the Table 4.5 that 3 factors namely 'Inductee overconfident and complaining', 'Harmonious management of tensions' and 'Existence of tensions' had emerged as significant with 1 of them at 99 percent level of confidence, 1 at 95 percent level of confidence and 1 at 90 percent level of confidence. Out of these 3 factors, 1 namely 'Inductee overconfident and complaining' had an inverse relationship with the influence on business as indicated by negative coefficient and the other 2 namely 'Harmonious management of tensions' and 'Existence of tensions' had a direct relationship. A closer look at these significant variables revealed the following:

The variable 'Inductee overconfident and complaining' had p value of 0.053 and the coefficient of -0.219 implying 90 percent level of confidence and inverse relationship. This factor was a combination of four variables namely:

- Inductee complained that the inductor had not taught him enough.
- Inductee was overconfident and did not give attention to details.
- Feet of the inductee were not on the ground.
- Inductee did not communicate with the inductor enough.

This implied that the inductee was overconfident and complaining during the process of induction and this had a negative influence on the business.

The variable 'Harmonious management of tensions' had p value of 0.00 and the coefficient of 0.443 implying 99 percent level of confidence and direct relationship. This factor was a combination of five variables namely:

- Inductee is clear about his role and expectations
- Inductee is getting adequate compensation and recognition
- Inductor has full confidence in inductee's ability to lead the business in future.
- Inductor has good abilities to handle conflicts and
- Inductee has good abilities to handle conflicts.

This implied that ability to harmoniously manage the tensions had a positive influence on the business.

The variable 'Existence of tensions' had p value of 0.020 and the co-efficient of 0.138 implying 95 percent level of confidence and direct relationship. This factor was a combination of two variables namely:

- Existence of tensions between the siblings, and
- Existence of tensions between the two generations.

Seen in isolation, this positive relation of the existence of tensions with the influence on business was somewhat strange. Souder, et al (2017) discuss how tension between siblings can jeopardize business outcomes. But seen along with the existence of the other significant factor of ability to harmoniously manage the tensions having direct positive relations on the influence on business clarified the anomaly. It showed that when there are tensions and they are managed well, then the influence on business is positive.

Thus it can be summarized that there will be tensions between family members but the ability to manage them well will have positive influence on the business. On the other hand, if the inductee is overconfident and complaining during the induction process then it is likely to have a negative influence on the business.

The result of the regression analysis for the dependent variable 'Influence on the family' is presented in Table 4.6.

Table 4.6 – The influence on the dependent variable ‘Influence on Family’

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|-------------|------------|-------------|-------|
| Option to join the business | -0.052 | 0.056 | -0.93 | 0.354 |
| Should get trained under me | -0.019 | 0.063 | -0.3 | 0.765 |
| Transfer of tacit knowledge by working together | -0.149 | 0.13 | -1.142 | 0.256 |
| Positive relations during induction period | 0.146 | 0.131 | 1.121 | 0.265 |
| Inductee having reservations | 0.062 | 0.072 | 0.864 | 0.39 |
| Inductee overconfident and complaining | -0.129 | 0.102 | -1.266 | 0.208 |
| Inductee appreciative of frank feedback | 0.016 | 0.007 | 2.211 | 0.029 |
| Willingness of the inductee during the induction period | 0.177 | 0.102 | 1.735 | 0.086 |
| Inductee joining the business by compulsion | -0.009 | 0.062 | -0.145 | 0.885 |
| His own decision to join family business | 0.06 | 0.089 | 0.676 | 0.5 |
| Stage-wise induction process | -0.208 | 0.173 | -1.198 | 0.234 |
| Planned process of induction | -0.012 | 0.075 | -0.158 | 0.875 |
| Importance of mutual respect among inductees | -0.031 | 0.035 | -0.902 | 0.369 |
| Inductee’s excitement to join the business and go through induction | -0.053 | 0.101 | -0.525 | 0.601 |
| Unwilling inductee and absence of time for induction | -0.06 | 0.074 | -0.812 | 0.419 |
| Inductees' positive appreciation of family values and contribution | 0.129 | 0.08 | 1.617 | 0.109 |
| Inductee acquiring socializing skills | 0.018 | 0.102 | 0.174 | 0.863 |
| Harmonious management of tensions | 0.339 | 0.15 | 2.259 | 0.026 |
| Existence of tensions | -0.135 | 0.07 | -1.924 | 0.057 |
| Workload is very high | 0.011 | 0.059 | 0.186 | 0.853 |

The R^2 in the above analysis was 0.49 and adjusted R^2 was 0.39, which meant that the equation explained reasonably the variability of the response data around its mean and there was reasonable fit of the equation with the data.

It was observed from Table 4.6 that 4 factors namely ‘Inductee appreciative of frank feedback’, ‘Willingness of the inductee during the induction period’, ‘Existence of tensions’ and ‘Harmonious management of tensions’ had emerged as significant with 2 of them at 95 percent level of confidence and 2 at 90 percent level of confidence. Out of these

4 factors, 1 namely 'Existence of tensions' had an inverse relationship with the influence on the family as indicated by negative coefficient and the other 3 namely 'Inductee appreciative of frank feedback', 'Willingness of the inductee during the induction period', and 'Harmonious management of tensions' had a direct relationship. A closer look at these significant variables revealed the following:

The variable 'Inductee appreciative of frank feedback' had p value of 0.0291 and the coefficient of 0.016 implying 95 percent level of confidence and direct relationship. Receiving feedback on family business management can create an environment of profitability and sustainability (Tegtmeier and Classen, 2017). This factor was a combination of two variables namely:

- Inductee used to think that inductor's way of doing business was appropriate,
- Inductee used to appreciate inductor's giving him frank feedback about him.

This implied that the inductee's appreciation of the inductor's way of doing business and appreciating his frank feedback had a positive influence on the family.

The variable 'Willingness of the inductee during the induction period' had p value of 0.086 and the co-efficient of 0.177 implying 90 percent level of confidence and direct relationship.

This factor was a combination of four variables namely:

- He was always very keen to join the business,
- He had been taking interest in the business since young age,
- He had been ready to put in hard work required in the business,
- He had been keen to learn the nitty-gritty of the business.

This implied that willingness to join the business and keenness during the induction had a positive influence on the family.

The variable 'Harmonious management of tensions' had p value of 0.026 and the co-efficient of 0.339 implying 95 percent level of confidence and direct relationship. This factor was a combination of five variables namely:

- Inductee is clear about his role and expectations
- Inductee is getting adequate compensation and recognition
- Inductor has full confidence in inductee's ability to lead the business in future.
- Inductor has good abilities to handle conflicts and
- Inductee has good abilities to handle conflicts.

This implied that the ability to harmoniously manage the tensions had a positive influence on the family.

The variable 'Existence of tensions' had p value of 0.057 and the co-efficient of -0.135 implying 90 percent level of confidence and inverse relationship. This factor was a combination of two variables namely:

- Existence of tensions between the siblings, and
- Existence of tensions between the two generations.

The existence of tensions had a negative effect on the family.

Thus it can be summarized that the existence of tensions with the inductee had a negative influence on the family. But willingness of the inductee and his keenness to join the business and the ability to manage the tensions had a positive influence on the family.

The result of the regression analysis for the dependent variable 'Influence on the inductee' is presented in Table 4.7.

Table 4.7 – The influence on the dependent variable ‘Influence on Inductee’

| Variable | Coefficient | Std. Error | t-Statistic | Prob. |
|---|-------------|------------|-------------|-------|
| Option to join the business | -0.009 | 0.065 | -0.137 | 0.891 |
| Should get trained under me | -0.063 | 0.061 | -1.034 | 0.304 |
| Transfer of tacit knowledge by working together | -0.003 | 0.117 | -0.025 | 0.98 |
| Positive relations during induction period | 0.152 | 0.113 | 1.351 | 0.179 |
| Inductee having reservations | 0.021 | 0.052 | 0.412 | 0.682 |
| Inductee overconfident and complaining | -0.225 | 0.077 | -2.925 | 0.004 |
| Inductee appreciative of frank feedback | 0.005 | 0.006 | 0.807 | 0.421 |
| Willingness of the inductee during the induction period | 0.154 | 0.121 | 1.274 | 0.205 |
| Inductee joining the business by compulsion | 0.082 | 0.067 | 1.222 | 0.225 |
| His own decision to join family business | -0.018 | 0.076 | -0.237 | 0.813 |
| Stage-wise induction process | -0.055 | 0.153 | -0.359 | 0.72 |
| Planned process of induction | -0.14 | 0.068 | -2.06 | 0.042 |
| Importance of mutual respect among inductees | 0.013 | 0.031 | 0.405 | 0.687 |
| Inductee’s excitement to join the business and go through induction | -0.022 | 0.082 | -0.27 | 0.788 |
| Unwilling inductee and absence of time for induction | -0.197 | 0.08 | -2.469 | 0.015 |
| Inductees' positive appreciation of family values and contribution | 0.153 | 0.067 | 2.269 | 0.025 |
| Inductee acquiring socializing skills | -0.102 | 0.087 | -1.174 | 0.243 |
| Harmonious management of tensions | 0.398 | 0.136 | 2.918 | 0.004 |
| Existence of tensions | -0.009 | 0.059 | -0.157 | 0.875 |
| Workload is very high | 0.18 | 0.057 | 3.177 | 0.002 |

The R^2 in the above analysis was 0.56 and adjusted R^2 was 0.48, which meant that the equation explained reasonably the variability of the response data around its mean and there was reasonable fit of the equation with the data.

It was observed from the Table 4.7 that 6 factors namely ‘His workload is very high’, ‘Inductee overconfident and complaining’, ‘Harmonious management of tensions’, ‘Unwilling inductee and absence of time for induction’, ‘Inductee’s positive appreciation of family values and contribution’ and ‘Planned process of induction’ had emerged as

significant with 3 of them at 99 percent level of confidence and the other 3 at 95 percent level of confidence. Out of these 6 factors, 3 namely 'Inductee overconfident and complaining', 'Unwilling inductee and absence of time for induction' and 'Planned process of induction' had an inverse relationship with the influence on the inductee as indicated by negative coefficient and the rest 3 namely 'His workload is very high', 'Harmonious management of tensions' and 'Inductee's positive appreciation of family values and contribution' had a direct relationship. A closer look at these significant variables revealed the following:

The variable 'His workload is very high' had p value of 0.002 and the co-efficient of 0.188 implying 95 percent level of confidence and direct relationship. This variable indicated that the high workload of the inductee was positively related with the outcome in terms of influence on the life of the inductee, resulting in high organizational commitment and satisfaction with work and life.

The variable 'Inductee overconfident and complaining' had p value of 0.004 and the co-efficient of -0.225 implying 99 percent level of confidence and inverse relationship. This factor was a combination of four variables namely:

- Inductee complained that inductor had not taught him enough,
- Inductee was overconfident and did not give attention to details,
- Feet of inductee were not on the ground, and
- Inductee did not communicate with inductor enough.

Distelberg and Schwarz (2015) discuss how mentoring can be a vehicle to create confidence during the induction process. This implied that the inductee was overconfident and complaining and did not communicate enough. This was inversely related with the outcome in terms of influence on the life of the inductee with lack in organizational commitment and lack of satisfaction of work and life.

The variable 'Harmonious management of tensions' had p value of 0.004 and the co-efficient of 0.398 implying 99 percent level of confidence and direct relationship. This factor was a combination of five variables namely:

- Inductee is clear about his role and expectations,
- Inductee is getting adequate compensation and recognition,
- Inductor has full confidence in inductee's ability to lead the business in future,
- Inductor has good abilities to handle conflicts and
- Inductee has good abilities to handle conflicts.

This implied that existence of ability to harmoniously manage the tensions had a positive influence on the life of the inductee.

The variable 'Unwilling inductee and absence of time for induction' had p value of 0.015 and the co-efficient of -0.197 implying 95 percent level of confidence and inverse relationship. This factor was a combination of three variables namely:

- due to family or business urgencies they had no time for gradual induction,
- it is the family tradition that the male child should join the business, and
- it is the family tradition that the female child should not be encouraged in business

This implied that an unwilling inductee and the lack of time for gradual induction negatively affects the life of the inductee in terms of satisfaction with work and life and also organizational commitment.

The variable 'Inductee's positive appreciation of family values and contribution' had p value of 0.025 and the co-efficient of 0.153 implying 95 percent level of confidence and direct relationship. This factor was a combination of two variables namely:

- Inductee has imbibed family business's values well during his upbringing and
- Inductee appreciates family business's history and contribution of earlier generation.

This implied that the inductee's positive appreciation of family values and contribution of earlier generations had a positive influence on the life of the inductee in terms of satisfaction with work and life and also organizational commitment.

The variable 'Planned process of induction' had p value of 0.042 and the co-efficient of -0.14 implying 95 percent level of confidence and inverse relationship. This factor was a combination of three variables namely:

- Inductee followed a planned process of induction in the business,
- Inductor reviewed inductee's performance periodically and
- Inductor gave inductee periodic feedback.

This indicated that a planned process of induction negatively affects the life of the inductee. This seemed to be an aberration as most of the research so far had found it to be the other way round (Grote, 2003; Venter, Boshoff, & Maas, 2005; Van der Merwe, 2011).

4.2.6 Examining influence of independent variables on the dependent variables by SURE model

When a set of equations has similar or identical independent variables, it is often unrealistic that the error terms of the equations will be uncorrelated. This phenomenon is called contemporaneous correlation. A Breusch-Pagan test with the null hypothesis of zero contemporaneous correlation was rejected at 99% level of confidence. As the equations were discovered to be correlated through the error terms, the Seemingly Unrelated Regression Equations (SURE) model (Zellner, 1962) was applied.

The analysis resulted in the following equations. For the purpose of ease in reading the variables in the equations have been replaced with the acronyms.

1. Influence on the business:

$$\text{IOB} = \text{C}(1) + \text{C}(2) * \text{IOC} + \text{C}(3) * \text{IAFF} + \text{C}(4) * \text{WDIP} + \text{C}(5) * \text{UITI} + \text{C}(6) * \text{HMT} + \text{C}(7) * \text{ET} + \text{C}(8) * \text{WVH}$$

2. Influence on the family:

$$\text{IOF} = \text{C}(9) + \text{C}(10) * \text{IOC} + \text{C}(11) * \text{IAFF} + \text{C}(12) * \text{WDIP} + \text{C}(13) * \text{UITI} + \text{C}(14) * \text{HMT} + \text{C}(15) * \text{ET} + \text{C}(16) * \text{WVH}$$

3. Influence on the inductee:

$$\text{IOI} = \text{C}(17) + \text{C}(18) * \text{IOC} + \text{C}(19) * \text{IAFF} + \text{C}(20) * \text{WDIP} + \text{C}(21) * \text{UITI} + \text{C}(22) * \text{HMT} + \text{C}(23) * \text{ET} + \text{C}(24) * \text{WVH}$$

The outcome of the SURE model is presented in Table 4.8.

Table 4.8 : Seemingly Unrelated Regression Equation (SURE)

Linear estimation after one-step weighting matrix

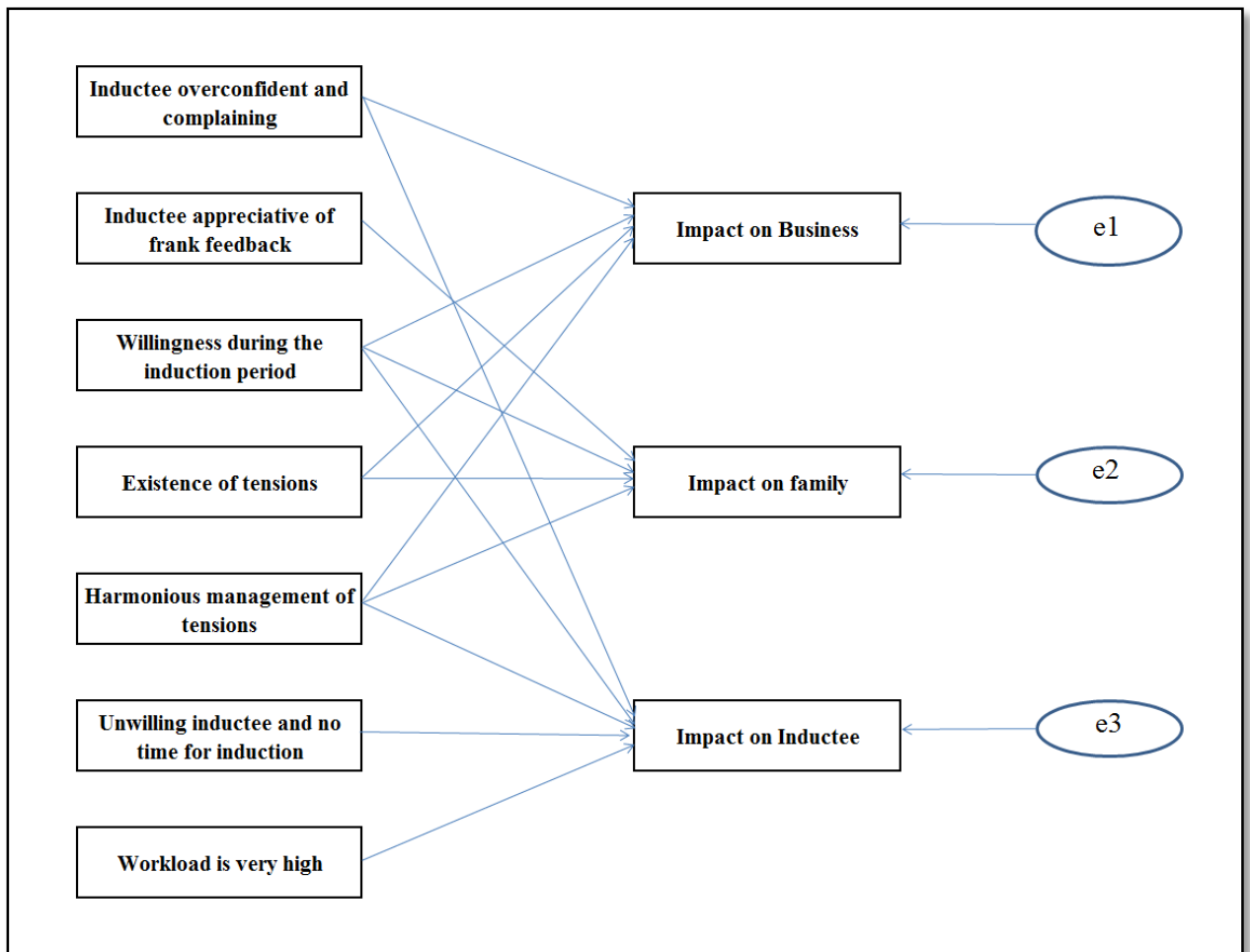
| | Coefficient | Std. Error | t-Statistic | Prob. | Name of the Variable |
|-------|-------------|------------|-------------|--------|---|
| C(1) | 1.7114 | 0.4594 | 3.7250 | 0.0002 | Intercept |
| C(2) | -0.2434 | 0.0862 | -2.8229 | 0.0050 | Inductee overconfident and complaining |
| C(3) | 0.0045 | 0.0052 | 0.8750 | 0.3821 | Inductee appreciative of frank feedback |
| C(4) | 0.1235 | 0.0675 | 1.8314 | 0.0678 | Willingness of the inductee during the induction period |
| C(5) | -0.0620 | 0.0600 | -1.0338 | 0.3019 | Unwilling inductee and absence of time for induction |
| C(6) | 0.4284 | 0.0840 | 5.0979 | 0.0000 | Harmonious management of tensions |
| C(7) | 0.1149 | 0.0589 | 1.9488 | 0.0521 | Existence of tensions |
| C(8) | 0.0931 | 0.0580 | 1.6062 | 0.1090 | His workload is very high |
| C(9) | 2.4813 | 0.4486 | 5.5307 | 0.0000 | Intercept |
| C(10) | -0.1074 | 0.0842 | -1.2750 | 0.2031 | Inductee overconfident and complaining |
| C(11) | 0.0148 | 0.0051 | 2.9204 | 0.0037 | Inductee appreciative of frank feedback |
| C(12) | 0.1228 | 0.0659 | 1.8641 | 0.0631 | Willingness of the inductee during the induction period |
| C(13) | -0.0316 | 0.0586 | -0.5396 | 0.5898 | Unwilling inductee and absence of time for induction |
| C(14) | 0.3722 | 0.0821 | 4.5366 | 0.0000 | Harmonious management of tensions |
| C(15) | -0.1623 | 0.0576 | -2.8205 | 0.0050 | Existence of tensions |
| C(16) | 0.0025 | 0.0566 | 0.0439 | 0.9650 | His workload is very high |
| C(17) | 2.1655 | 0.4332 | 4.9990 | 0.0000 | Intercept |
| C(18) | -0.2378 | 0.0813 | -2.9247 | 0.0037 | Inductee overconfident and complaining |
| C(19) | 0.0025 | 0.0049 | 0.5199 | 0.6034 | Inductee appreciative of frank feedback |
| C(20) | 0.1861 | 0.0636 | 2.9252 | 0.0036 | Willingness of the inductee during the induction period |
| C(21) | -0.1474 | 0.0566 | -2.6054 | 0.0095 | Unwilling inductee and absence of time for induction |
| C(22) | 0.3705 | 0.0792 | 4.6770 | 0.0000 | Harmonious management of tensions |
| C(23) | -0.0094 | 0.0556 | -0.1691 | 0.8658 | Existence of tensions |
| C(24) | 0.1397 | 0.0546 | 2.5573 | 0.0109 | His workload is very high |

Table 4.8 continued ..

| Name of the Variable | Acronym | Equation | | | |
|--|------------------------------------|---|------|--------------------|------|
| Inductee overconfident and complaining Inductee appreciative of frank feedback Willingness of the inductee during the induction Unwilling inductee and absence of time for induction Harmonious management of tensions | IOC IAFF WDIP UITI HMT | Equation 1: Influence on Business (IOB) $IOB=C(1)+C(2)*IOC+C(3)*IAFF+C(4)*WDIP + +C(5)*UITI+C(6)*HMT+C(7)*ET+C(8)*WVH.$ | | | |
| Existence of tensions | ET | R-squared | 0.45 | Adjusted R-squared | 0.42 |
| His workload is very high | WVH | Equation 2: Influence on Family (IOF) | | | |
| Inductee overconfident and complaining Inductee appreciative of frank feedback Willingness of the inductee during the induction Unwilling inductee and absence of time for induction Harmonious management of tensions | IOC IAFF WDIP UITI HMT | $IOF=C(9)+C(10)*IOC+C(11)*IAFF+C(12)*WDIP+ C(13)*UITI+C(14)*HMT+C(15)*ET+C(16)*WVH.$ | | | |
| Existence of tensions | ET | R-squared | 0.44 | Adjusted R-squared | 0.41 |
| His workload is very high | WVH | Equation 3: Influence on Inductee (IOI) | | | |
| Inductee overconfident and complaining Inductee appreciative of frank feedback Willingness of the inductee during the induction Unwilling inductee and absence of time for induction Harmonious management of tensions | IOC IAFF WDIP UITI HMT | $IOI=C(17)+C(18)*IOC+C(19)*IAFF+C(20)*WDIP+C(21)*UITI+C(22)*HMT+C(23)*ET+ C(24)*WVH$ | | | |
| Existence of tensions | ET | R-squared | 0.5 | Adjusted R-squared | 0.47 |
| His workload is very high | WVH | | | | |

The outcome is pictorially represented in Figure 4.1 to show the direct dependencies among the variables. It shows the dependencies of output factors on the input factors. The output factors were also affected by factors outside the model including measurement error. Such extraneous factors affecting the dependent variable are depicted by 'e1', 'e2' and 'e3' in the model.

Figure 4.1: Pictorial Representation of Findings



The observations are listed below:

Influence on the Business

The variable 'Inductee overconfident and complaining' with coefficient of -0.2434 and p value of 0.005 indicated a strong inverse effect on the business. On the other hand, the

variable 'Willingness of the inductee during the induction period' with coefficient of 0.1235 and p value of 0.0678, the variable 'Harmonious management of tensions' with coefficient of 0.4284 and p value of 0, and the variable 'Existence of tensions' with coefficient of 0.1149 and p value of 0.0521 indicated a strong direct effect on the business.

Influence on the Family

The variable 'Inductee appreciative of frank feedback' with coefficient of 0.0148 and p value of 0.0037, the variable 'Willingness of the inductee during the induction period' with coefficient of 0.1228 and p value of 0.0631, and the variable 'Harmonious management of tensions' with coefficient of 0.3722 and p value of 0 indicated a strong direct influence on the family. On the other hand the variable 'Existence of tensions' with coefficient of -0.1623 and p value of 0.005 had a negative effect on the family.

Influence on the Inductee

The variable 'Inductee over confident and complaining' with coefficient of -0.2378 and p value of 0.0037 and the variable 'Unwilling inductee and absence of time for induction' with coefficient of -0.1474 and p value of 0.0095 indicated negative influence on the inductee. On the other hand, the variable 'Willingness of the inductee during the induction period' with coefficient of 0.1861 and p value of 0.0036, the variable 'Harmonious management of tensions with coefficient of 0.3705 and p value of 0 and the variable 'Workload is very high with coefficient of 0.1397 and p value of 0.0109 indicated a strong direct effect.

4.2.7 Interpretations of the results of Regression analysis and SURE model

The findings are compiled together in table 4.9.

Table 4.9 : Results from Regression and SURE model

| Variable | Influence on Business | | Influence on Family | | Influence on inductee | |
|--|-----------------------|----------|---------------------|----------|-----------------------|----------|
| | Regres | SURE | Regres | SURE | Regres | SURE |
| Workload is very high | | | | | Positive | Positive |
| Inductee overconfident and complaining | Inverse | Inverse | | | Inverse | Inverse |
| Inductee appreciative of frank feedback | | | Positive | Positive | | |
| Willingness of the inductee during the induction period | | Positive | Positive | Positive | | Positive |
| Planned process of induction | | | | | Inverse | |
| Unwilling inductee and absence of time for induction | | | | | Inverse | Inverse |
| Inductees' positive appreciation of family values and contribution | | | | | Positive | |
| Harmonious management of tensions | Positive | Positive | Positive | Positive | Positive | Positive |
| Existence of tensions | Positive | Positive | Inverse | Positive | | |

The table shows 9 variables having causal relationship with the 3 dependent variables arrived at by regression or SURE analysis or both. These relationships are discussed below:

4.2.7.1 Existence of tensions and harmonious management of tensions

There are often tensions between the two generations. And there is a paradox of the tensions. Some tensions are required and foster a constructive climate with an element of challenge. This provides possibilities of different perspectives and contributes to learning of both generations. On the other hand those tensions can create an environment of lack of trust and fellowship which could lead to frustration (Danes & Olson, 2003). The critical point is that at what point the constructive tensions turn into destructive tensions. Business continuity and family harmony are the two most important aspects of induction and succession planning (Gilding, Gregory & Cosson, 2015).

The finding of the study as is evident from Table 4.5 indicated that existence of tensions accompanied with the ability to harmoniously manage the tensions positively influenced

the business, family as well as the inductee. This involved a combination of considerations such as the inductee being clear about his/her role and responsibilities, getting adequate compensation and recognition and good trust and communication among the inductor and the inductee.

Conflict is natural to human relationships and the family is no exception. However if the conflict results in tensions then it could be detrimental. The tension within the family is likely to affect the induction process and its outcome. If the parents do not have trust in the successor's ability it could result in tensions that could affect the induction and the eventual outcome. (Venter et al., 2005b). There can be parent off-spring tensions and there can also be rivalry amongst siblings. Both could cause conflict and tensions (Nicholson, 2008). According to Grote (2003), family and sibling rivalry and inter-generational strife would create tensions within the family. And such tensions will definitely affect the process of induction and its outcome. Apart from that there can be tensions arising from lack of clarity of roles or from the issues of fairness in compensation and workload etc. (Danes & Olson, 2003). Such tensions would also affect the process.

In such circumstances both the inductor and inductee having good ability to handle tensions could result in a positive effect on the success of the induction process.

4.2.7.2 Willingness of the inductee during the induction period

The finding of the study as is evident from table 4.5 indicated that the willingness of the inductee during the induction period had a positive influence on the business, family as well as the inductee. The result shows the importance of encouraging the next generation members to take interest in the business since young age. In that case they will be more receptive, will appreciate the incumbent's approach to the business and will have humility to learn the nitty-gritty of the business. Consequently they are likely to be excited to join the business and will be more receptive in the induction process. They are also likely to put in the hard work required in the business.

Willingness of the incumbent to join the business and get inducted is an important element in the success of the induction (Royer et al., 2008c). It has a highly positive relationship with success of succession (Venter, Boshoff, & Maas, 2005b). The will and motivation of the inductee is a key determinant in the process of induction. Further the abilities and intention of the inductee along with the alignment of his/her personal needs will help in more effective induction (Kansikas & Kuhmonen, 2008). Many business families induct the next generation members from early childhood. Initially they may come to the business for playing and having fun. But as they grow they start playing small roles in the business. Such early business socialization plays an important role in the willingness of the incumbent (Haberman & Danes, 2007).

There is also a psychological perspective to the issue. The inductee is likely to have a desire to be like 'dad' on one hand and have his own dreams and style on the other. It is common for the child to face a paradox wherein the parents generally encourage him or her to take charge but are hesitant in giving up the control. On the other hand, the parent can complain that the kids want all the power but are not putting in enough efforts required to justify the same (Grote, 2003).

4.2.7.3 Inductee appreciative of frank feedback

It is evident from Table 4.6 that the appreciation of the inductee of frank feedback had a positive influence on the family. This consists of the consideration that the inductee appreciated the inductor's way of doing business and the inductee appreciated being given frank feedback. It is necessary that the inductee is given feedback to improve his learning process (Brockhaus, 2004). But if the inductee ends up taking it as personal criticism then it would harm the process. Often underlying these qualities is a general difficulty in communicating between the parent and next-generation family members (Handler, 1991). This general difficulty in effective communication between two generations does not bode well for the future of the family business.

4.2.7.4 Inductee's positive appreciation of family values and contribution

It is evident from Table 4.5 that the inductee imbibing the family business's values during his upbringing and his positive appreciation of the family business's history and contribution of earlier generation had a positive influence on the inductee. The children learn about the history, culture and values of the business during upbringing at home (Gallo, 2002; Lambrecht, 2005). Those who have grown up within the family have natural immersion and are likely to appreciate the family values and contribution of the previous generations (Kansikas & Kuhmonen, 2008).

4.2.7.5 Inductee overconfident and complaining

It is evident from Table 4.5 that an overconfident and complaining inductee had negative influence on the business as well as the inductee. This involves a combination of considerations such as inductee complaining of not being taught enough, being overconfident and not giving attention to details, his feet not being on the ground and not having adequate communication with the inductor. Often underlying these qualities is a general difficulty of communicating between the parent and next-generation family members (Handler, 1991).

4.2.7.6 Unwilling inductee and absence of time for induction

It is evident from Table 4.7 that the unwillingness of the inductee had a negative effect on the inductee. This consists of considerations such as non-availability of adequate time for induction due to family or business urgencies, or the induction is more because of the family tradition than by choice. In such cases the inductee is not willing but is forcibly getting into the business and is obviously likely to be unhappy. The induction of the next generation member into the family business is likely to be affected by certain situational factors such as company age, organization size, inadequate time for induction etc. (Davis, Allen, & Hayes, 2010).

4.2.7.7 Workload is very high

The finding of the study as is evident from Table 4.7 indicated that high workload on the inductee had a positive effect on him. This shows that high workload is directly related to high organization commitment and the inductee's satisfaction with work as well as life in general.

4.2.7.8 Planned process of induction

The finding of the study as is evident from table 4.7 indicated that a planned process of induction had a negative effect on the inductee. However this seems to be an aberration as most studies have shown that a planned induction process in fact has a positive effect on the outcome of the induction. (Grote, 2003; Venter, Boshoff, & Maas, 2005; Van der Merwe, 2011).

4.3 Validation of the Hypotheses

4.3.1 Hypotheses Abandoned

As discussed in section 4.1 the following independent variables were removed from the study as there were not many responses to the questions related to these variables.

- In case of inductee having worked outside of the family business
- In case of female inductee
- In case of the family being small
- In case of the family being large
- In case the inductee is a daughter-in-law
- In case the inductee is a son-in-law

Consequently the following hypotheses connected with these variables were dropped in the study:

H8 – Outside work experience of the inductee is significantly associated with the outcome of the induction process.

H9 – Gender of the inductee if being male is significantly positively associated with the outcome of the induction process and if female is significantly inversely associated with the outcome of the induction process.

H10 – Birth order is significantly associated with the outcome of the induction process.

H14 – Induction of extended family is significantly positively associated with the outcome of the induction process.

4.3.2 Hypotheses that could not be validated as the correlation could not be established.

The study involved analysis of the data with both regression as well as SURE model. No correlations could be established with the variables related to the following hypotheses with the effectiveness of the outcome.

H1 – The convictions and motivations of the inductor about the induction and induction are significantly associated with the outcome of the induction process.

H2 – The transfer of experiential knowledge from the inductor to the inductee is significantly associated with the outcome of the induction process.

H5 – The reason for the inductee to get involved in the business is significantly associated with the outcome of the induction process.

H6 – The stage-wise induction of the inductee is significantly associated with the outcome of the induction process.

H7 – The planned process of induction of the inductee is significantly associated with the outcome of the induction process.

H13 – Inductee acquiring business socialization skills is significantly associated with the outcome of the induction process.

4.3.3 Hypotheses Validated

- a. The existence of tensions and harmonious management of tensions had a high influence on the outcome. This validates the hypotheses H15 – Existence of tensions is significantly associated inversely with the outcome of the induction process and H16 – Ability to manage tensions is significantly associated with the outcome of the induction process.
- b. The willingness of the inductee during the induction period had a positive influence on the outcome. This validates hypothesis H4 – The willingness of the inductee during the process of induction is significantly associated with the outcome of the induction process.
- c. It is also evident from the above analysis that in case the inductee is appreciative of frank feedback and inversely is overconfident and complaining, influences the succession outcome. This validates the hypothesis H3 – The quality of relations between the inductor and the inductee during the process of induction is significantly associated with the outcome of the induction process.
- d. The inductees' positive appreciation of family values and contribution validates the hypothesis H12 – Raising up within the family culture is significantly positively associated with the outcome of the induction process.
- e. Above all, the unwilling inductee and absence of time for induction validates H11 – family situational factors such as size, urgency of induction, family traditions etc. are significantly associated with the outcome of the induction process.

4.4 Conclusion

Indian family business is comparatively quite young (Manikutty, 2000). With more than 85% of the respondents from founder, first or second generation businesses this aspect was reinforced. The study conducted in the context of Indian SME family business confirmed

some of the findings from the previous studies. Like many countries of the east, India has had a strong family culture since time immemorial (Karofsky, 2000). In that context, the study identified that quality of relations between the inductor and inductee and ability to harmoniously manage the tensions as the key drivers of the effective induction.

Chapter 5: Convergence of the Findings: A Triangulation Approach

5.1 Introduction

As discussed in Chapter 3, the triangulation approach is often used to suggest that more than one method is used in a study to validate the results. It is considered a powerful technique for validation of data through cross verification from more than one source. If the conclusion is validated by more than one method then it results in greater confidence about the outcome. By deploying more than one method, the weakness or intrinsic biases in the research process and the problems that come from single method, single-observer and single-theory studies are likely to be reduced. (“Triangulation (social science),” 2014).

In the present study, two case studies were undertaken to recheck the validity of the research findings by qualitative interviews of the subjects in similar positions. Interviews were conducted with two families over a period of time to gather data on the succession process. Specifically the case studies focused on the level of willingness of the successors and the influence of the same on the family and the business. Both the families have shared all aspects of their business and life but have requested anonymity. As such the names and some of the details have been replaced to retain confidentiality.

5.2 Case study 1

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

and children. Rajeev also has two sons, the elder one Rohit, now aged 42, and younger one Siddharth, now aged 37. Anil also has one daughter Meena now aged 42, married and living in Mumbai with her husband and children. Anil has two sons, the elder one Anuj, now aged 38 and the younger one Suresh now aged 32.

Rajeev was very particular in bringing up his children. He believed in a rigorous and demanding approach. He encouraged his children to take up various courses such as photography, public speaking, personality development etc. He used to discuss with them about planning their career. He was very clear that both his sons should join the family business and they were consciously groomed for it. The elder son Rohit was not very good at studies, but Rajeev had very high hopes on him. He did not want Rohit to pursue graduation in engineering but to specifically do a diploma in Mechanical Engineering. He wanted him to specialize in tooling which was central to their business. Rohit exactly followed his father's plans. He completed his diploma in engineering and did a specialized tooling course. While he was pursuing his studies, Rajeev kept him involved in the factory and business. Once he completed his studies, Rajeev planned for his working with his Italian supplier at their plant for 2 months to get exposure to European practices. He deputed him to the factory to study the working and learn the operations.

Rohit joined the business in 1992 and for the next three years Rajeev planned the detailed program to facilitate his learning. Rohit was of mild temperament and whenever he had any differences with his father, out of respect for his father he would follow the suggestions of the father. He worked hard and got himself immersed in all the nitty-gritties of the business. Siddharth, Rajeev's second son, was of an independent thinking nature and was interested to do things in his own way. He decided to pursue graduation in commerce and worked outside for two years to gain experience. He too was clear that he would join the family business and did so in 2001. Rajeev suggested to him to spend three months each in various departments. Siddharth followed it well, worked hard and in a short time developed a good grip on the various aspects of the business. Thus, Rajeev had carefully groomed his sons for joining the business and helped them to systematically plan their induction and

they also in turn followed the plan by putting in hard work, in spite of their differences in temperament and independence.

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

Rajeev and Anil had very good equations between them. They had fixed a monthly withdrawal amount but could also further withdraw any amount from the business as may be required. They never asked each other about the same. Rajeev's elder son Rohit joined the business in 1992 and he did not get himself involved in the accounts of the business. However after Rajeev's second son Siddharth joined the business in 2001, with his commerce background he got involved in the accounts and finance of the business.

Siddharth soon realized that his uncle Anil had withdrawn large sums of money on two occasions to give capital to his sons Anuj and Suresh for their ventures with their friends. On both the occasions the ventures had failed. Siddharth felt that these ventures were not well thought out and in any case he felt that such matters should have been discussed as after all the money was going out from the family business. Siddharth first brought these matters to the attention of his brother Rohit and together they decided that it should be taken up with the elders, their father Rajeev and uncle Anil. When they called for a meeting and raised the issue, both the elders were silent and were not inclined to take the discussion forward as it would rock the boat. However the cousins continued to lose money on more

occasions and eventually it became a serious matter of misunderstanding even between Rajeev and Anil. Rajeev was always concerned that Anil had not groomed his sons well. Anil on the other hand felt that there was no harm if children make some losses as they would learn the business in that way only. Both his sons would try new ventures and come out with reasons why the venture could not succeed and continue to project that they were good but the situation turned out unfavorable. That is, from a locus of control perspective, both were externals that led to blaming circumstances and environment rather than themselves for the failure of the businesses.

Eventually there was a split in the family in 2010. Rajeev and his sons took one part of the business and Anil took another part. Both of Anil's sons eventually joined him in the business. Finally in 2016, Rajeev had almost withdrawn from the business. Both his sons are now actively pursuing the business with tremendous sincerity and have grown the business manifold. They reached sales of Rs. 400 million in 2016 with good 19.5% profitability i.e. net profit margin. They are excited and believe that they are in great business and plan for a quantum jump in the coming times. They have signed up with three international suppliers for representing them in India. With one foreign partner they set up a manufacturing unit as a joint venture. They have 40 sales persons all over India. Rohit handles the technical queries of the clients and once the product is finalized, Siddharth focusses on converting that into an order. Developing new products and relationships is Rohit's area and getting orders to execution and recovery of money is Siddharth's forte. Rajeev has been concerned about the success of his sons' business and keeps giving them feedback about their working and they appreciate the same with open minds. Occasionally there are serious disagreements between them but they manage the same and make a virtue out of the same.

Anil continued to carry on his part of the business. His elder son Anuj has been in the business for 8 years now and has become more realistic. However he does not have an idea about different aspects of running the business successfully and Anil has to take care of the same himself. They also have grown the business to Rs. 150 million. However their profitability is 5%. The younger son Suresh joined the business in 2010 but even now he

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

Over the years and with experience, Anuj has become more mature and has taken up various responsibilities. But as he does not have a full grip of the business, he is unable to handle all the challenges. Managing a factory, multiple products, all-India marketing, competition from cheap imports from China and managing cash flows are serious challenges. Anil remains fully involved in the business and together the two of them are struggling to run the business. The younger son Suresh continues to remain non-committal. He has a lot of advice to give to his father and brother but he does not own up to any business responsibility.

5.2.1 Validation of the research findings

This section examines how the effects of various factors, found in the previous chapter are supported by the analysis of Case 1.

5.2.1.1 Existence of tensions and harmonious management of tensions

As per the research findings, discussed in section 4.2.5.1 existence of tensions and harmonious management of tensions, had positively influenced the business, the family as well as the inductee. This involved a combination of considerations such as the inductee being clear about his role and responsibilities, getting adequate compensation and recognition, both the inductor and inductee having good ability to handle conflicts and the inductor having confidence in the abilities of the inductee.

The facts of the case indicated that in the case of Rajeev, the incumbent and successors had good understanding between them, the father seems to have invested time and energy in inducting them and finally had good confidence in them.

There is no explicit mention about tensions between the inductor and inductees. The personalities of each of the three are different and this is likely to generate tensions. There are often disagreements but they seem to have the ability to manage the same. Perhaps because of that the perception of the tensions is not strong, and they are able to manage the situation. Since the outcome on the business front is positive, it can be said that to some extent the finding that existence and proper management of tensions in the relations between the inductor and inductee has positive influence on business was validated.

In the case of Anil, it is evident that initially there was indifference and eventually there was tension. But the father and sons do not seem to display the ability to manage the tensions. When there are arguments they end up avoiding talking to each other. This shows the inability to manage the tensions. Thus the absence of the ability to manage the tension had negative influence on the business. The influence on the family was also negative. To that extent it partially explains the finding that inability to manage tensions harmoniously had negative influence on business, family as well as inductee. Thus in the case of Anil also this research finding was validated.

5.2.1.2 Willingness of the inductee during the induction period

As discussed in section 4.2.5.2 willingness of the inductee during the induction period had a direct positive effect on the business, the family as well as the inductee and was a combination of considerations such as the inductee's keenness to join the business, taking interest in the business since young age, readiness to put in hard work required in the business and keenness to learn the nitty-gritty of the business. This finding has been validated in this case.

In this case both sons of Rajeev were clear and keen to join the business. Both Rajeev and his sons took interest in learning about the business from a young age and both the sons put in hard work to learn the nitty-gritty of the business. On the other hand both the sons of Anil were not keen to join the business. They tried their hand at new ventures and in fact did not put in the required effort to learn the threads of the family business.

The outcome is noticeable that both sons of Rajeev are handling the business well. The business has grown with good profitability, they have taken many initiatives and their contribution in the business is very high. On the other hand both sons of Anil have not contributed much to the business. Their business has grown but more due to the direct efforts of Anil and that too with poor profitability. Both the sons are not taking any responsibility and are not accountable.

Thus the earlier finding that inductee's willingness to join the business had positive influence on the business has been validated in this case.

In this case both sons of Rajeev are running the business well and he has gradually withdrawn from the business. They have followed his guidance and now he seems to be confident about their abilities. In the case of Anil his sons reluctantly joined the business. They do not seem to have full grip on the business and Anil is fully involved in the business. As a family there is poor communication between them and business has become a cause of tensions within family.

Thus the earlier finding that the inductee's willingness to join the business had positive influence on the family has been validated in this case.

Finally both sons of Rajeev, Rohit and Siddharth, are excited about the business, have taken charge of the business, believe that they are in great business and plan for a quantum jump in the coming times. This shows their organization commitment, job satisfaction and contentment in life. On the other hand both sons of Anil, have not taken full responsibilities.

Both of them do what they want and are neither inspired nor accountable. They are unhappy.

Thus the earlier finding that the inductee's willingness to join the business had positive influence on the inductee had been validated in this case.

5.2.1.3 Inductee appreciative of frank feedback

As discussed in section 4.2.5.3, the inductee's appreciation of frank feedback had a positive influence on the family. This consisted of the consideration that the inductee appreciated the inductor's way of doing the business and the inductee appreciated being given frank feedback.

In the case of Rajeev, both his sons seem to be aligned to his guidance. They are appreciative of his feedback. The outcome in terms of influence on the family is positive and thus the research finding has been validated.

In the case of Anil, both his sons resent his feedback and do not have respect for their elder's way of doing business. The influence on the family had been negative and thus the research finding has been validated.

5.2.1.4 Inductee overconfident and complaining

As discussed in section 4.2.5.5, the inductee being overconfident and complaining had a negative influence on the business as well as the inductee. This involved a combination of considerations such as inductee complaining about not being taught enough, being overconfident and not giving attention to details, his feet not being on the ground and him not having adequate communication with the inductor.

In case of Rajeev, both his sons show humility in their attitude. Rohit has followed the guidance of his father all along. Siddharth, though of independent nature, has also followed the plan given by his father. They do not seem to be of complaining nature. As seen above

the outcome in the form of influence on the business as well as on the inductee has been positive. Thus this research finding was validated.

In the case of Anil, in fact both the sons have been overconfident. They believed their elders were not doing business well and wanted to start something of their own. When they failed in their ventures, instead of realizing their mistakes, they seemed to resort to excuses. They complain about the elder's way of doing business. The outcome in terms of influence on the business as well as on them was negative. Thus the finding that overconfidence and complaining nature of the inductee was inversely related with both the influence on the business and the influence on the inductee was validated in this case also.

5.2.1.5 Unwilling inductee and absence of time for induction

As discussed in section 4.2.5.6 the unwillingness in an inductee had a negative influence on the inductee. The unwillingness may arise if the incumbent has not been able to find adequate time for induction because of family or business pressures; it may also be because the inductee is joining the business due to family tradition rather than by his choice.

In case of Rajeev, he had carefully planned the induction of his sons. Both his sons joined the business out of their choice. They were willing inductees. The outcome in terms of influence on the inductee has been positive. Thus the finding that unwillingness in an inductee has a direct negative influence on the inductee has been validated. In Anil's case, he did not plan the induction of his sons. They joined the business in a way out of compulsion as they could not succeed in their other ventures. The outcome in the form of influence on the inductees has been negative. Thus the finding has been validated.

5.2.1.6 Effect of high workload

As discussed in section 4.2.5.7 high workload on the inductee had a positive effect on him. This showed that high workload is directly related to high organization commitment and the inductee's satisfaction with work as well as life in general.

In the case of Rajeev, both his sons followed the rigorous and demanding approach of induction. They seemed to be working hard and were excited about the business. In their case the outcome in terms of influence on the inductee had been positive. Thus the research finding has been validated. In the case of Anil, both his sons were not serious in the family business and did seem to have high workload. The outcome in terms of influence on the inductee has been negative. Thus the research finding has been validated.

To summarize, the findings of the case study have validated the major findings of the research related to the influence of the identified variables on the business, family and the inductee. Thus the triangulation approach has been useful in supporting the findings of the research study.

5.3 Case study 2

Pramod, now aged 55, a commerce graduate, started a business of processing polymers in Mumbai in 1978. His father was a broker in the textiles market and had a very small business. Pramod decided to learn the business with his uncle in the polymer industry. He initially started with trading and eventually in 1985, set up his own unit in Silvasa in Gujarat. By 1999 he had a turnover of Rs. 500 million, and profitability i.e. net profit margin of 15%. Polymers is a highly capital intensive and technical industry. Pramod is involved in downstream products which are comparatively less capital intensive but are highly technical. At this level the industry is highly fragmented and to remain competitive in the business it is important to remain cost efficient as well as constantly develop new products.

Pramod has a son Tarun. Tarun was not good at studies. He also did not take much interest in his father's business. He maintained that his father's business was too small and he would start a new business and make it big. He managed to complete his graduation in commerce in the year 1997. He tried to start a venture of his own but could not succeed. Eventually he decided to join the father's business in 1999 at the age of 22. He did not have any idea about polymers. He started attending the office but had no clear responsibilities. As he observed his father, he felt that his father was getting too involved in the nitty-gritty

instead of appointing competent people and delegating the work. When he discussed this point, his father would explain that in this business it was necessary to be hands on. In that way you would know all aspects of the business as well as gain respect from the employees.

Pramod was not very happy with the attitude of his son of not getting involved in the details of the business. He tried several times to advise Tarun to get more actively involved in the business and take responsibilities. Tarun could not get much grasp over these aspects and instead of trying harder he would take a stand that it was not his job. He asserted the opinion that professionals should be employed to look after the running of the business and they should report to him. He also expressed the need for a management information system. Tarun always had reasons to justify why he could not work effectively and believed that his father's style was wrong and it was because of that the business was still very small. He believed that given a free hand, he would grow the business very fast but Pramod would not give him a free hand. Eventually they had a strained relationship between them. They started avoiding each other and that finally led to having very minimal communication between the two.

Over the years, Tarun did get more involved in the business. He started taking responsibilities, and the business grew to nearly Rs. 1 billion but the profitability drastically declined to less than 5%. Tarun would fix tough targets for his people and would shout at them for failing to achieve them. This was exactly opposite to the style of Pramod who would go into detail, see feasibility and help his team to achieve higher targets. In the process many key people developed by Pramod left the organization as they found Tarun's demands unreasonable. Tarun did not have much first-hand experience in the business and as such could not come up with any innovations. There were some new products launched by Pramod and those saved the company from becoming bankrupt. In the meantime the relations between the father and son continued to remain strained. Pramod felt that Tarun was not giving him enough respect and did not appreciate the value of his experience. Tarun felt that his father was old-fashioned and did not want to hand over the control of the business to him. Both of them occasionally did appreciate the contribution of the other, but soon drifted into the criticism of each other's style and approach.

Tarun got married in 2004 and within the next three years wanted to live separately. (In India it is quite common that after marriage the son and his wife stay with the parents of the son.) Pramod was very sad about this demand. He believed that this signaled his failure as a father and a separate house would eventually lead to separation in business. He kept on avoiding the demand on the excuse of not having adequate liquidity. They stayed together but with constant tensions between both of them.

By now Pramod had reduced his involvement in the business and Tarun started taking over the reins of the business. He hired a CEO for the company. He wanted to give a free hand to the CEO and did not like it when his father Pramod questioned his practices. The CEO took decisions of removing some of the old team members and increasing salaries by more than 50%. He also increased the manpower strength from 100 to 300 in the name of organization building. While manpower costs went up significantly the sales did not increase and in the process there was heavy pressure on the profitability. Pramod was extremely worried as these were irreversible decisions and would influence the long-term viability of the business. Initially Tarun did not listen to Pramod and relied heavily on the CEO. When he finally saw that the business was suffering, he reluctantly agreed to remove the CEO.

Even now Tarun is not in a position to have a full grip on the business. By now, markets have become extremely competitive, margins are constantly under pressure and costs are going up. The profitability has reduced to less than 2%. Pramod kept overseeing the finance and HR aspects of the business, which in Tarun's opinion were the worst managed departments and bottlenecks in the company's growth. On the other hand he did not want to take over the responsibilities as he believed that he was overloaded and would not be able to handle more load.

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

5.3.1 Validation of the research findings

5.3.1.1 Existence of tensions and harmonious management of tensions

As discussed in section 4.2.5.1 existence of tensions accompanied with the ability to harmoniously manage the tensions positively influences the business, the family as well as the inductee. This is a combination of considerations such as inductee being clear about his role and responsibilities, getting adequate compensation and recognition, both the inductor and inductee having good ability to handle conflicts and the inductor having confidence in the abilities of the inductee.

In this case Tarun joined the business at the age of 22. Initially he did not take much responsibility. He felt that his father did not give him a free hand. There was tension between the two and eventually they avoided facing each other and had minimal communication. That reflects a lack of abilities on both sides to handle the conflicts. The father was unhappy at the attitude of the son for not going into the details which in other words meant that he did not have confidence in the son's abilities.

Thus there was existence of tensions and there was lack of ability to handle them harmoniously and this had a negative influence on the business, the family and the life of the inductee. This validated the research finding about the direct influence of the harmonious management of tensions on the outcome.

5.3.1.2 Willingness of the inductee during the induction period

As discussed in section 4.2.5.2 willingness of the inductee during the induction period had a positive influence on the business, the family as well as the inductee. This is a combination of considerations such as inductee's keenness to join the business, taking interest in the business since young age, readiness to put in hard work required in the business and keenness to learn nitty-gritty of the business.

In this case Tarun did not want to join his father's business and he did not take much interest in the family business. Eventually he joined the business but did so reluctantly. He tried to start a separate venture and only when he could not succeed in that venture, he joined the

father's business. On joining the business he did not put in much hard work and believed in just delegating the work. He was critical of his father's hands-on business style. He did not develop a good grasp of the business. He could maintain the business but could not come up with new initiatives and innovations to make a quantum jump in the business. The outcome is noticeable that over the years the business has grown but nominally. The profitability has declined. Pramod as well as Tarun are unhappy. There was a lack of willingness on the part of Tarun during the induction period and the business, the family as well as Tarun himself had suffered. Thus the research finding has been validated.

5.3.1.3 Inductee appreciative of frank feedback

As discussed in section 4.2.5.3 the inductee's appreciation of frank feedback had a positive influence on the family. This consisted of the consideration that the inductee appreciated the inductor's way of doing the business and the inductee appreciated being given frank feedback. In this case Pramod's advice of getting involved did not mean much to Tarun and instead he was critical of his father's approach. Tarun did not seem to have much respect for his father's way of working.

Thus the research finding that the inductee being appreciative of frank feedback has a direct positive influence on the family is validated in this case.

5.3.1.4 Inductee overconfident and complaining

As discussed in section 4.2.5.2 an overconfident and complaining inductee had a negative influence on the business as well as the inductee. This involved a combination of considerations such as the inductee complaining of not being taught enough, being overconfident and not giving attention to details, his feet not being on the ground and not having adequate communication with the inductor.

This finding has been validated in this case. Tarun did not take much interest in the business and used to complain about his father's style. Despite his father advising him many times to get involved in the details, he did not do that and instead criticized his father for being over involved in the nitty-gritty of the business. It is evident that he was overconfident and

did not pay much attention to the details. He did not have much grip on the business. There was constant tension between the father and the son and they ended up with minimal communication.

There is not enough data in this case to comment about the following research findings.

- a. Inductees' positive appreciation of family values and contribution
- b. Unwilling inductee and absence of time for induction
- c. Workload is very high

Table 5.1 shows the influence of the different factors on the families.

Table 5.1: Analysis of Factors
(H = High, A = Average, L = Low or nil)

| | Family 1, Branch 1 Rohit & Siddharth | Family 1, Branch 2 Anuj & Suresh | Family 2 Tarun |
|--|---|---|-------------------|
| Quality of relations | | | |
| Inductee listening to and valuing the advice of the inductor | H | L | L |
| Inductee seeking the guidance and support of the inductor | H | L | L |
| Inductee appreciate of inductor giving frank feedback | H | L | L |
| Inductee complaining about the conservatism of the inductor | L | H | H |
| Inductee complaining about the inductor not giving him enough power | L | L | H |
| Inductee overconfident and complaining | L | H | H |
| Inductee thinking that the inductor's way of doing business is not appropriate | L | H | H |
| | | | |
| Inductee's willingness | | | |
| Inductee keen to join the business | H | L | L |
| Inductee taking interest in the business from a very young age | H | L | L |
| Inductee willing to put in the hard work required in the business | H | L | L |

| | | | |
|---|---|---|---|
| Inductee keen to learn the nitty-gritty of the business | H | L | L |
| | | | |
| Tensions | | | |
| Existence of tensions | L | H | H |
| Ability to harmoniously manage the tensions | H | L | L |
| | | | |
| RESULTS | | | |
| Success and expansion of business | H | A | A |
| Family Relation of mutual respect | H | L | L |
| Feeling of satisfaction in younger generation | H | L | L |

To summarize, the findings of the case study have validated the major findings of the research related to the influence of the identified variables on the business, family and the inductee. Thus the triangulation approach had been useful in supporting the findings of the research study.

5.4 Conclusion

Two case studies were studied. Both were Indian SME family managed business that had gone through the process of induction with different results. The findings were compared with the research findings. It was found that most of the findings were validated.

Chapter 6: Findings, Limitations and Future Scope of Work

The main objective of this research was to examine the influence of the process of induction of the members of the new generation in the family businesses in India and particularly in the SME segment. The induction process has significant influence on the issues that are likely to arise in managing the generation gap and eventually in assuring smooth succession. The aim was to empirically examine the influence of the factors affecting succession as identified from literature study, on the effective induction in the Indian SME family businesses. The study further aimed to explore the causal relationship between the variables identified and the effectiveness of induction, in terms of positive influence on business, family and the inductee. The overarching aim was to provide insights that can help business families to manage the induction process of their next generation - sons and daughters more effectively.

A summary of the findings and their theoretical as well as managerial implications has been discussed in this chapter.

6.1. Induction, succession and outcomes: the Context

The study aimed at understanding the concept, process and implications of induction on the growth of family businesses with particular reference to SMEs. It was necessary to make a bridge between induction which is largely an initial part of the involvement of the next generation family members in the business and succession which is a later and concluding part of the transfer of power from one generation to the next. A good amount of literature is available on succession, and from this it was possible to identify various factors that affect the succession process. Further, discussions with members of families running businesses in India, yielded additional factors that are specific to the Indian context. Thus a list of the parameters to be studied was evolved, and this formed the basic framework for the study.

The efficacy of each factor was explored in terms of the influence on the business, the family and the individual inductee. It may be mentioned that the intent of the study was not

to treat the induction process as the only driver of the outcome in terms of influence on business, family and the inductee. It is recognized that a number of external and situational factors affect these outcomes. According to Handler (1994), for the process of succession, five streams of research can be highlighted: [i] succession as a process, [ii] the role of the founder, [iii] the perspective of the next generation, [iv] multiple levels of analysis, and [v] characteristics of effective successions. However, the attempt in this study was to explore the relationship between the induction process and the outcomes to arrive at specific factors that contribute to smooth and effective succession in family businesses.

It has been observed that the mere fact of the inductee being a son or daughter in the family does not mean automatic success. There are various dimensions related to managing the process of induction which would influence the success of the induction process. The findings of this research has opened up a new line of thinking in the context of induction in the family business and its relevance to future growth of business. While individual skills and abilities have been always acknowledged as factors leading to superior performance in business and family dynamics, effective management of the induction process has been added as an important responsible factor, as identified from this study.

6.2 Effects of identified variables on the succession outcomes

Identification of willingness of the inductee during the induction period having a direct influence on the effectiveness of the induction, re-affirms the role of parents in providing continuous positive reinforcement of the image of the family business to the inductee. This is not possible without a supporting climate with open communication and mutual respect within the family. Similarly the finding of the important role and ability to manage tensions among the inductor and inductee again reinstates the need of healthy communication and mutual respect within the family. The study revealed that the power of proactive investment of time and energy in creating an intentional constructive environment within the family, and openness to learn about managing tensions, are determinants of the success of the induction in terms of positive influence on business and family as well as happiness of the inductee.

The importance of humility as opposed to overconfidence and nature of acceptance as opposed to the complaining attitude of the inductee, for the effectiveness of the induction process is in line with the traditional literature about desirable attitudes in group and organizational behavior (Handler, 1991) (Danes & Olson, 2003). Thus the importance of proactive inculcation of such attitudes has been reaffirmed in the context of induction in the family business.

The three dependent variables namely success in business, positive view on family and happiness of the inductee are the most important objectives espoused by all family businesses. The study contributed by demonstrating the role of creating a constructive environment within the family, openness to learning about managing tensions and importance of cultivating attitude of humility and acceptance in leading to these outcomes.

The analysis clearly identified the direct relationship of different factors on the outcome variables. As shown in table 4.7 and discussed in section 4.2.5, the findings are summarized below:

- a) Ability to manage tensions harmoniously was the most important factor affecting all the three dimensions in terms of positively affecting business, family as well as the inductee. This came out from both regression as well as SURE model and was also got validated by two case studies. It involved ability to handle conflicts in both the inductor as well as the inductee and clarity about role compensation and adequate recognition to the inductee.
- b) Willingness of the inductee was the next important factor having positive influence on business, family as well as inductee. It involved keenness to join and interest in the business from young age, willingness to put hard work and readiness to learn the nitty-gritties of the business.
- c) The next important finding was the inverse influence of overconfident and complaining attitude of the inductee. It was found to have negative influence on the business as well

as inductee. Overconfident and not paying required attention to details, feet on the ground, poor communication with the inductor and complaining about inadequate teaching by the inductor are the manifestations of this attitude.

The above three factors have emerged as most important as it was evident from both regression analysis as well as SURE model to be having significant effect on the outcome of the induction process. Four other factors were found to influence at least one of the three outcomes viz. business, family or inductee though the influence on the other outcomes could not be established.

- a) High workload was found to have positive influence on the inductee.
- b) Unwilling inductee and absence of time for induction was found to have inverse effect on the inductee.
- c) Inductee appreciative of frank feedback was found to have positive influence on the family.
- d) Inductees' positive appreciation of family values and contribution was found to have positive influence on the inductee.

There were two other findings which were counter-intuitive.

- a) Existence of tension was found to be positively related to influence on business and family. This was difficult to understand. However this finding was combined with the existence of ability to harmoniously manage tensions. Thus it was concluded that in the family business, tensions would exist but if there is ability to manage the tensions than it would have positive influence on the business, family and the inductee.
- b) Planned process of induction was found to have inverse influence on the inductee. The literature suggests other way round (Kansikas & Kuhmonen, 2008). No explanation was feasible for this finding and as such it was treated as aberration.

6.3 Implications for family businesses

The study identified the variables that can be more relevant and directly affect the outcome in terms of influence on the business, family and the inductee. This research augmented the theory of intergenerational dynamics in family business and highlighted the power of proactive investment of time and energy in the induction process for ensuring the success of the family business and eventual transition to the next generation.

It demonstrated that a positive influence on business, family and the inductee depends to a large extent on the willingness and excitement of the inductee to join the business and the ability of both the inductor and inductee to manage the tensions. Both these aspects have been analysed in detail to come out with specific findings. If the inductor inculcates in the inductee, from a young age, a pride about the family business and generates excitement for joining the business, it will eventually help in positive induction. At the same time, both inductor and inductee should learn to recognize the tensions likely to arise in the process of induction and instead of sweeping them under the carpet, they should make a conscious effort to develop the ability to manage these tensions effectively.

The positive relationship between the incumbent leader and the successor is facilitated by a number of elements. One of these is a healthy sense of self-confidence on the part of the successor. The other is that the successor must earn the respect of the incumbent leader. It is no less important that the incumbent leader allow the successor sufficient freedom, which is only possible if the incumbent leader has a positive self-image. This will contribute to the development of a mentoring relationship, wherein the incumbent leader can take pleasure in seeing that the successor is acting independently.

Unfortunately, in some cases the relationship between incumbent and successor is seriously disturbed. In that event, successors complain about conservatism, lack of trust and critical attitude of the incumbent. A total lack of positive feedback and recognition as well as faulty communication is also symptomatic of a poor relationship. Such an attitude on the part of the incumbent leader sometimes has deep psychological roots. Regrettably enough, in a

number of cases this has led to a complete failure of the succession process. This has been illustrated by the second case study carried out as part of this research.

Empirical evidence from this study strongly supports the need of preparing the next generation and intentionally managing the process of transition and its consequent effect on success of the business and family dynamics and happiness of the inductee. The findings extend the current state of understanding about the construct of attitude inculcation and its influence on group and organization behavior. The study further provides a novel approach for studying family business dynamics as an integrative process wherein it throws light on the relationship of management of the induction process and its influence on the outcome. The findings on the importance of the induction process variables and their influence on the outcome have significant contribution to the literature.

It is evident from the results that only focusing on the external aspects of the development of the inductee will not lead to an overall positive influence unless the inductor plays an active role in facilitating an effective induction process. Also, the traditional methods of training the inductee by apprenticeship alone will not result in superior outcomes unless the family makes focused efforts to create a climate that fosters communication and mutual respect within the family. This in a way reflects the change that have taken place in the social relationships, and the consequent need for instituting practices that give scope for positive participation by both the generations.

An important contribution made by this study lies in its finding that even for high performing individuals, success will depend to some extent on the proactive induction process. In other words, an intentional and supportive climate is pivotal for ensuring effective transition in the family business. In this context, the findings from the survey have been supported by the findings from the two case studies undertaken. The case studies have shown, in real environments, the willingness and excitement of the inductee to join the business as well as the ability to effectively manage inter-generation tensions lead to positive outcomes. Conversely, a poor relationship between incumbent and successor arising out of the personality traits and attitudes of both, are detrimental to the sustainability

of the business. These findings have far reaching implications with respect to the importance of proactive intentional induction processes with the family businesses.

6.4 Limitations

While the best efforts have been made to utilize a rigorous methodology involving a triangulation of the survey and case study method, the study is subject to some unavoidable limitations, which are discussed below.

a) Subjectivity of perception of respondents

The data about the different dimensions of the induction process as well as the outcome was gathered using a questionnaire. Responses to a questionnaire are perception based and reflect the perceptions of the inductor. They are therefore subjective. Further, it is possible that the inductee may have different perceptions. This study could not explore and address the gap in perception of the inductor and inductee.

b) Limitations of the sample

The population to be studied consisted of all family businesses in the SME sector that had undergone the succession process. In the absence of availability of a comprehensive listing of the population, it was not possible to use a probability sampling method. Therefore, a non-probability sampling method, i.e. snowball sampling, was used. To ensure a high-quality, representative sample, the respondents were sought to be identified by requesting 50 industry associations, chambers and business community associations to forward the questionnaire to 20 SME family businesses among their members. Thus the questionnaire could reach a wide spectrum of businesses. However, this sampling method is subject to the limitations of non-probability sampling. Thus, while the study was cross-sectional in nature it may not represent all sectors and organizations.

c) Slant in nature of respondents

As the respondents were identified through professional associations, the sample consisted predominantly of families which have some level of education. Also, the respondents were all sufficiently educated to be able to respond to the questionnaire in English. Thus the

findings may not generalize to families having a lower level of education. The influence of the process of induction for inductees with different educational background and exposure can't be the same, but the study did not have sufficient scope to explore it more rigorously.

To conclude, an extreme degree of caution is required before drawing generalizations as the study has limitations of sample size and the representations of different sector or other drivers such as community influence etc. Given that a variety of constructs were measured solely in a self-report survey, the study is vulnerable to the effects of variability in the perceptions and subjectivity. Such effects could artificially inflate the relationships among variables. Future research might explore methods for collecting information from more than one source such as inductor, inductee, a family observer etc.

6.5 Scope for Future Research

Since this is one of the few studies on the Indian SME family business that has the distinct context of eastern culture and developing economy, it will be worth examining whether the findings can be generalized and be applicable in other contexts as well. It will depend on further insights into the extent to which such contexts distinctly affect the family business in general and issue of succession in particular.

The current research identifies underlying facets of the induction process as perceived by the inductor. Future research endeavors could be focused on examining the inter-relationships between the perceptions of the inductor and the inductee. Further studies using the measure developed across larger samples and a more wide-spread population would help in refining and validating measures.

Considering that the induction process emerged as a powerful predictor of important outcomes, further research needs to be undertaken to identify its relationship with objective and other subjective parameters such as business performance on one hand and perceptions of contribution, satisfaction, relations etc. of family business dynamics.

Although almost 2/3rd of the entire sample of the study was from the Gujarati and Marwari communities, the influence of the cultural context was not an objective of the study. There

is scope for future research on examining the effect of such cultural factors on the induction process and its outcome, by expanding the sample to other prominent communities.

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Appendices

Appendix 1

List of categories of independent and dependent variables

| Category | Description |
|-----------------------|---|
| Independent Variables | |
| 1 | Inductor's thoughts on the induction process |
| 2 | Transfer of Tacit Knowledge |
| 3 | Relation during the induction period |
| 4 | Willingness of the inductee during the induction period |
| 5 | Reason for joining the business |
| 6 | Stages of induction |
| 7 | Process of induction |
| 8 | Working outside |
| 9 | Gender of the inductee |
| 10 | Birth order of the inductee |
| 11 | Situational Factors |
| 12 | Influence of size of the business |
| 13 | Raising up within family business culture |
| 14 | Business socialization culture |
| 15 | Extended family |
| 16 | Tensions |
| Dependent Variables | |
| 1 | Influence on the business |
| 2 | Influence on the family |
| 3 | Influence on the inductee |

The Survey Instrument

Dear Family Business Owner

One of the critical questions faced in the Family Managed Business is about the insights in induction of the next generation members. To develop these insights, we are conducting a survey with family businesses where the next generation has been inducted in the business at least five years ago.

We will be grateful for your response to this survey.

The survey form is divided into five parts. Part I and II contains questions about the family business in general. Part III seeks details about the inductee. Part IV contains questions specific to your experience of the induction. Finally Part V is about your assessment of the Post Induction outcome.

It should not take more than 15 minutes to complete the entire survey. Your answers will be treated in strict confidence and will be used for research purpose only.

The induction could be of male or female members. For the purpose of convenience only male pronouns are used.

Thank you
Parimal Merchant

Survey form

Note : In case of multiple family businesses, please answer the following questions in context of the business you are handling.

Part I : About you and your family

Your name : _____ Your age _____

Your Gender : Male / Female Your community : _____

Are you the founder: Yes /No If no, you are which generation _____

Education : Non-graduate Graduate Post Graduate Professional(CA/MBBS etc)

Number of year you have been in the business:

Number of family members working in the business:

Members of different generation involved in the business: Founder ____ 1st Gen. ____
2nd Gen. ____ 3rd Gen ____
4th Gen ____

How much is your family's holding of the ownership : _____

Part II : About the business

Nature of business Manufacturing Trading Construction Retail Services Others

How old is your business number of years

Number of employees

Turnover of your business in 2012-13 (Appr. Rs. Crores):

Overall business growth in last three years approx. percentages:

Part III – About the inductee

Please fill in for one inductee. In case of more than one inductee, please fill in the survey separately.

Name : _____ Age : _____ Gender Male /female

In the business for how many years : _____

Education Non-graduate Graduate Post Graduate Professional(CA/MBBS etc)

Done FMB program of S. P. Jain institute of Management Yes /No

Part IV – The induction process.

The questions do not have right or wrong answers. These are only your views and perceptions.

Please check the appropriate box after each statement that is close to your most frequent approach. Try to recall as many recent situations as possible in ranking these statements.

| | Strongly Disagree | | | | Strongly Agree | | |
|--|----------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | ↓ | 1 | 2 | 3 | 4 | ↓ | 5 |
| My thoughts on the induction process | | | | | | | |
| I believed he should do what he wants and learn himself. | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| I believed he should get trained under me and then do what he wants. | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| I believed he should get trained under me and then start a new business. | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| I believe he should join my business. | | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Transfer of Knowledge.

| | 1 | 2 | 3 | 4 | 5 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| He has worked with me for sufficient time to observe my actions and learn from them. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| He understands the value of my experiential knowledge. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| He has tried to gain from me my experiential knowledge with patient observation. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| He has acquired from me key knowledge and skills. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| I have consciously tried to transfer my experiential knowledge to him. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Relations during the induction period

| | 1 | 2 | 3 | 4 | 5 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| He had been appreciative of my experience. | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

He had been listening to me and valued my advice.

He had been seeking my guidance and support.

He complained about my conservatism.

He complained about my not giving him enough power.

He complained that I have not taught him enough.

He was overconfident and did not give attention to details.

His feet were not on the ground.

He did not communicate with me enough.

He used to think that my way of doing business was not appropriate.

He used to appreciate my giving him frank feedback about him.

His willingness during the induction period

1 2 3 4 5

He was always very keen to join the business

He had been taking interest in the business since young age

He had been ready to put in hard work required in the business

He had been keen to learn the nitty-gritty of the business

He got involved in the business as:

1 2 3 4 5

As a sense of duty to the family.

As his own decision to join family business.

As he had no other choice.

Stages of induction

1 2 3 4 5

He had been visiting the business from young age

He was aware of the business dynamics from young age

He got involved as a trainee and started from the bottom

He progressively started taking responsibility

He continued the process of learning from me while handling some aspects independently

Process of induction

1 2 3 4 5

He followed a planned process in induction in the business.

We reviewed his performance periodically.

We gave him periodic feedback.

In case he worked outside of the family business (skip if he did not work outside and directly joined the family business

1 2 3 4 5

His work experience helped him learn about the business.

He gained confidence through his work experience.

His work experience enriched his business sense.

In case of female inductee (skip in case of male inductee)

1 2 3 4 5

Her induction in business was because of family conviction

Her induction in business was because of her insistence

I believe that she should not develop emotional attachment with the business

I believe that after marriage she should continue to remain involved in this business

In case of more than one sibling inducted in the business, I believe

1 2 3 4 5

The elder one should take more responsibility

The younger one must respect the elder sibling.

There should be mutual respect and elder/younger should not matter.

Situational factors

1 2 3 4 5

His interests were in line with the business.

He was excited about the opportunities in the business.

Due to our family or business urgencies we had no time for gradual induction.

It is our family tradition that male child should join family business.

It is our family tradition that female child should not be encouraged in business.

As per our family tradition he had to start from the bottom.

He had to work under managers for some time.

He had to earn his acceptance from the managers.

In case the family was small and because of that (skip this question if the family was large)

1 2 3 4 5

There was no time to give more personal attention to him.

We had mutual understanding and better communication.

In case the family was large and because of that (skip this question if the family was small)

1 2 3 4 5

There had to be equality in induction of all next generation members

There was no business urgency and there was enough time for gradual induction.

Raising up within family business culture

1 2 3 4 5

He has imbibed family business values well during her his upbringing.

He appreciates family business's history and contribution of earlier generation.

Business socialization culture

1 2 3 4 5

He has been involved in the business socialization programs from young age.

He has seen us interacting with all kinds of people.

He has acquired the socialization skills.

In case the inductee is daughter in law (skip this question in case it is not applicable)

1 2 3 4 5

It was difficult to integrate her 'naturally'.

She needed to be orientated about our family business.

She appreciated our family culture and business practice.

She has adjusted to our family business culture.

The tensions will be higher if her parents get involved in our family business.

In case the inductee is son in law (skip this question in case it is not applicable)

1 2 3 4 5

It was difficult to integrate him 'naturally'.

He needed to be orientated about our family business.

He appreciated our family culture and business practice.

He has adjusted to our family business culture.

The tensions will be higher if his parents get involved in our family business.

Tensions

1 2 3 4 5

He is clear of his role and expectations from him.

He is getting adequate compensation and recognition.

His workload is very high.

There are tensions between the siblings.

There are tensions between the two generations.

I have full confidence in his ability to lead the business in future.

I have good abilities to handle conflicts.

He has good abilities to handle conflicts.

Part V - Post Induction

About Business

1 2 3 4 5

It has grown very well.

He has taken several meaningful initiatives.

His value addition is very high.

About Family

1 2 3 4 5

The tensions with him is less.

We get respect that we expect.

We are confident about the future of the business.

About the member inducted to the family business

1 2 3 4 5

His organization commitment is very high.

He seems to have good job satisfaction.

He seems to have good satisfaction in life in general.

Appendix 3

The List of Industry Associations

| Sr | Short name | Name | Geographical | Nature | Industry |
|----|------------|---|--------------|------------|--|
| 1 | AIAI | All India Association of Industries All India Food Processing Machinery | All India | Chamber | Food Processing Machinery |
| 2 | AIFPMMA | Manufacturers Association | All India | | |
| 3 | AIMA | All India MSME association All India Plastics Manufacturing | All India | Chamber | |
| 4 | AIPMA | Association | All India | | Plastics |
| 5 | AIRIA | All India Rubber Industries Association, Kerala | Kerala | | Rubber |
| 6 | AIRIA | All India Rubber Industries Association, Kolkatta | Kolkatta | | Rubber |
| 7 | AIRIA | All India Rubber Industries Association, Mumbai | Mumbai | | Rubber Engineering Construction Contractors |
| 8 | AECC | Association of Engineering Construction Contractors | All India | | |
| 9 | BMA | Baroda Management Association | Vadodara | Management | |
| 10 | BGTA | Bombay Goods Transport Association | Mumbai | | Transport |
| 11 | BIA | Bombay Industries Association | Mumbai | Chamber | |
| 12 | BIMA | Bombay Iron Merchants Association | Mumbai | | Iron and steel traders |
| 13 | BMA | Bombay Management Association | Mumbai | Management | |
| 14 | CII | Chamber of Indian Industries, Indore | Indore | Chamber | |
| 15 | CII | Chamber of Indian Industries, Jaipur | Jaipur | Chamber | |
| 16 | CII | Chamber of Indian Industries, Kolkatta | Kolkatta | Chamber | |
| 17 | CII | Chamber of Indian Industries, Surat Chamber of Marathawada Industries & Agriculture | Surat | Chamber | |
| 18 | CMIA | Confederation of Real Estate Developers of India | Maharashtra | Chamber | |
| 19 | CREDAI | Control Panel and Switchgear Manufacturers Association | All India | | Real estate Control and Switchgear |
| 20 | COSMA | Manufacturers Association | All India | | |
| 21 | DMA | Delhi Management Association | Delhi | Management | |
| 22 | EEPC | Engineering Export Promotion Council Federation of corrugated Box | All India | | Engineering |
| 23 | FCBM | Manufactures Federation of Karnataka Chambers of commerce and Industry | All India | | Corrugated Box |
| 24 | FKCCI | Federation of Paper Traders Association of India | Karnataka | Chamber | |
| 25 | FPTA | | All India | | Paper Traders |

| | | | | | |
|----|-------|--|---------------|------------|--------------------------|
| 26 | FAFAI | Fragrance and Flavors Association of India | All India | | Fragrance |
| 27 | GJEPC | Gem and Jewelry Export Promotion Council | All India | | Gem and Jewelry |
| 28 | IBCC | India Bunts chambers of commerce | All India | Community | |
| 29 | IMC | Indian Merchants Chamber | All India | Chamber | |
| 30 | IPCA | Indian Paint and Coating Association | All India | | Paint and Coating |
| 31 | ISSPA | Indian small Scale Paint Manufacturers Association | Maharashtra | | Paint |
| 32 | IMA | Indore Management Association | Indore | Management | |
| 33 | IBAI | Insurance Brokers Association of India | All India | | Insurance Brokers |
| 34 | JITO | Jain International Trade Organization | All India | Community | |
| 35 | JEA | Jalna Entrepreneur Association | Jalna | Chamber | |
| 36 | KBC | Kapole Business Community | All India | Community | |
| 37 | KCF | Kutch Corporate forum | All India | Community | |
| 38 | MCHI | Maharashtra Chamber of Housing Industry | Maharashtra | | Real Estate Construction |
| 39 | MBVA | Marathi Bandhkam Vyavsayik Association | Maharashtra | | contractors |
| 40 | MCCI | MCCI chamber of commerce and Industry | Maharashtra | Chamber | |
| 41 | NEF | Nasik Entrepreneur Forum | Nashik | Chamber | |
| 42 | NMA | Navsari Management Association | Navsari | Chamber | |
| 43 | OPPI | Organization of Plastics Processors of India | All India | | Plastics |
| 44 | OTOAI | Outbound Tour Operators Association of India | All India | | Outbound tour Operators |
| 45 | RAI | Retailers Association of India | All India | | Retailers |
| 46 | SMEF | Sangli Miraj Entrepreneurs Forum | Sangli | Management | |
| 47 | SSEAM | Small Scale Entrepreneurs Association of Mumbai | Mumbai | Chamber | |
| 48 | TMI | Textile Manufacturers of India | All India | | Textile |
| 49 | VIA | Vidarbha Industries Association | Maharashtra | Chamber | |
| 50 | WICMA | Western India Corrugated Manufacturing Association | Western India | | Corrugated Box |

KMO and Barlett’s test of sphericity for Factor Analysis

| No. | Category of independent variables | KMO | Bartlett's Test of Sphericity |
|-----|---|------|-------------------------------|
| 1 | The thoughts of the inductor on the induction process | 0.53 | 0.00 |
| 2 | Transfer of Tacit Knowledge | 0.87 | 0.00 |
| 3 | Relations during the induction period | 0.73 | 0.00 |
| 4 | Willingness of the inductee during the induction period | 0.73 | 0.00 |
| 5 | Motivation of the inductee for getting involved in the business | 0.50 | 0.00 |
| 6 | Stages of induction | 0.77 | 0.00 |
| 7 | Process of induction | 0.71 | 0.00 |
| 8 | Working outside family business | 0.76 | 0.00 |
| 9 | Gender of the inductee | 0.84 | 0.00 |
| 10 | Birth order of the inductee | 0.72 | 0.00 |
| 11 | Situational Factors | 0.76 | 0.00 |
| 12 | Size of the family | 0.50 | 0.00 |
| 13 | Raising up within family business culture | 0.50 | 0.00 |
| 14 | Business socialization culture | 0.73 | 0.00 |
| 15 | Extended Family | 0.82 | 0.00 |
| 16 | Tensions | 0.81 | 0.00 |
| No. | Category of dependent variables | | |
| 1 | Influence on the business | 0.71 | 0.00 |
| 2 | Influence on the family | 0.72 | 0.00 |
| 3 | Influence on the inductee | 0.75 | 0.00 |

Anti-image Matrices for the Factor Analysis

| No. | Category of independent variables | | | | | | | | | | |
|-----|-----------------------------------|---|---|---|---|---|---|---|---|----|----|
| | Measurement Items | | | | | | | | | | |
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |

The thoughts of the inductor on the induction process

1

| | | | | |
|---|--------|--------|--------|--------|
| 1 | 0.61 | (0.02) | (0.11) | (0.23) |
| 2 | (0.02) | 0.52 | (0.47) | (0.25) |
| 3 | (0.11) | (0.47) | 0.51 | 0.09 |
| 4 | (0.23) | (0.25) | 0.09 | 0.52 |

2 Transfer of Tacit Knowledge

| | | | | | |
|---|--------|--------|--------|--------|--------|
| 1 | 0.90 | (0.26) | (0.04) | (0.32) | (0.15) |
| 2 | (0.26) | 0.84 | (0.51) | (0.14) | (0.20) |
| 3 | (0.04) | (0.51) | 0.84 | (0.34) | (0.10) |
| 4 | (0.32) | (0.14) | (0.34) | 0.88 | (0.11) |
| 5 | (0.15) | (0.20) | (0.10) | (0.11) | 0.94 |

3 Relations during the induction period

| | | | | | | | | | | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 1 | 0.83 | (0.19) | (0.27) | (0.03) | 0.00 | 0.13 | 0.02 | 0.10 | (0.21) | (0.03) | (0.07) |
| 2 | (0.19) | 0.74 | (0.63) | 0.05 | (0.03) | 0.00 | 0.27 | (0.00) | (0.19) | 0.03 | (0.16) |
| 3 | (0.27) | (0.63) | 0.72 | (0.02) | (0.10) | (0.03) | (0.05) | (0.01) | 0.38 | 0.06 | 0.11 |
| 4 | (0.03) | 0.05 | (0.02) | 0.60 | (0.36) | (0.11) | (0.15) | 0.01 | 0.06 | (0.17) | (0.24) |
| 5 | 0.00 | (0.03) | (0.10) | (0.36) | 0.64 | (0.16) | (0.19) | 0.01 | 0.10 | (0.19) | 0.19 |
| 6 | 0.13 | 0.00 | (0.03) | (0.11) | (0.16) | 0.75 | 0.04 | 0.01 | (0.38) | 0.04 | (0.06) |
| 7 | 0.02 | 0.27 | (0.05) | (0.15) | (0.19) | 0.04 | 0.78 | (0.39) | (0.27) | 0.23 | 0.04 |

| | | | | | | | | | | | |
|----|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 8 | 0.10 | (0.00) | (0.01) | 0.01 | 0.01 | 0.01 | (0.39) | 0.82 | (0.21) | (0.21) | (0.04) |
| 9 | (0.21) | (0.19) | 0.38 | 0.06 | 0.10 | (0.38) | (0.27) | (0.21) | 0.70 | (0.11) | 0.22 |
| 10 | (0.03) | 0.03 | 0.06 | (0.17) | (0.19) | 0.04 | 0.23 | (0.21) | (0.11) | 0.68 | 0.25 |
| 11 | (0.07) | (0.16) | 0.11 | (0.24) | 0.19 | (0.06) | 0.04 | (0.04) | 0.22 | 0.25 | 0.69 |

4 Willingness of the inductee during the induction period

| | | | | |
|---|--------|--------|--------|--------|
| 1 | 0.78 | (0.53) | (0.01) | (0.33) |
| 2 | (0.53) | 0.75 | (0.30) | 0.14 |
| 3 | (0.01) | (0.30) | 0.71 | (0.72) |
| 4 | (0.33) | 0.14 | (0.72) | 0.69 |

5 Motivation of the inductee for getting involved in the business

| | | |
|---|--------|--------|
| 1 | 0.50 | (0.34) |
| 2 | (0.34) | 0.50 |

6 Stages of induction

| | | | | | |
|---|--------|--------|--------|--------|--------|
| 1 | 0.72 | (0.65) | (0.04) | (0.16) | 0.03 |
| 2 | (0.65) | 0.73 | (0.11) | (0.03) | (0.16) |
| 3 | (0.04) | (0.11) | 0.86 | (0.37) | (0.13) |
| 4 | (0.16) | (0.03) | (0.37) | 0.76 | (0.50) |
| 5 | 0.03 | (0.16) | (0.13) | (0.50) | 0.80 |

7 Process of induction

| | | | |
|---|--------|--------|--------|
| 1 | 0.82 | (0.34) | (0.23) |
| 2 | (0.34) | 0.66 | (0.64) |
| 3 | (0.23) | (0.64) | 0.68 |

8 Working outside family business

| | | | |
|---|--------|--------|--------|
| 1 | 0.91 | (0.35) | (0.19) |
| 2 | (0.35) | 0.69 | (0.83) |
| 3 | (0.19) | (0.83) | 0.71 |

9 Gender of the inductee

| | | | | |
|---|--------|--------|--------|--------|
| 1 | 0.88 | (0.23) | (0.30) | (0.38) |
| 2 | (0.23) | 0.82 | 0.00 | (0.65) |
| 3 | (0.30) | 0.00 | 0.92 | (0.24) |
| 4 | (0.38) | (0.65) | (0.24) | 0.78 |

10 Birth order of the inductee

| | | | |
|---|--------|--------|--------|
| 1 | 0.72 | (0.69) | (0.08) |
| 2 | (0.69) | 0.65 | (0.53) |
| 3 | (0.08) | (0.53) | 0.80 |

11 Situational Factors

| | | | | | | | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|
| 1 | 0.75 | (0.69) | 0.04 | (0.16) | 0.01 | 0.00 | (0.09) | (0.14) |
| 2 | (0.69) | 0.73 | (0.16) | 0.10 | (0.03) | (0.03) | (0.01) | (0.06) |
| 3 | 0.04 | (0.16) | 0.78 | (0.21) | (0.32) | (0.06) | (0.01) | (0.02) |
| 4 | (0.16) | 0.10 | (0.21) | 0.74 | (0.32) | (0.19) | 0.11 | (0.12) |
| 5 | 0.01 | (0.03) | (0.32) | (0.32) | 0.65 | (0.05) | 0.09 | 0.06 |
| 6 | 0.00 | (0.03) | (0.06) | (0.19) | (0.05) | 0.86 | (0.38) | (0.04) |
| 7 | (0.09) | (0.01) | (0.01) | 0.11 | 0.09 | (0.38) | 0.73 | (0.65) |
| 8 | (0.14) | (0.06) | (0.02) | (0.12) | 0.06 | (0.04) | (0.65) | 0.78 |

12 Size of the family

| | | |
|---|------|--------|
| 1 | 0.50 | (0.58) |
|---|------|--------|

| | | |
|---|--------|------|
| 2 | (0.58) | 0.50 |
|---|--------|------|

13 Raising up within family business culture

| | | |
|---|--------|--------|
| 1 | 0.50 | (0.78) |
| 2 | (0.78) | 0.50 |

14 Business socialization culture

| | | | |
|---|--------|--------|--------|
| 1 | 0.81 | (0.39) | (0.25) |
| 2 | (0.39) | 0.68 | (0.61) |
| 3 | (0.25) | (0.61) | 0.71 |

15 Extended Family

| | | | | | |
|---|--------|--------|--------|--------|--------|
| 1 | 0.76 | (0.84) | (0.19) | 0.54 | (0.18) |
| 2 | (0.84) | 0.76 | (0.19) | (0.60) | 0.11 |
| 3 | (0.19) | (0.19) | 0.96 | (0.13) | (0.20) |
| 4 | 0.54 | (0.60) | (0.13) | 0.76 | (0.62) |
| 5 | (0.18) | 0.11 | (0.20) | (0.62) | 0.88 |

16 Tensions

| | | | | | | | |
|---|--------|--------|--------|--------|--------|--------|--------|
| 1 | 0.83 | (0.44) | (0.11) | 0.17 | (0.43) | (0.12) | (0.08) |
| 2 | (0.44) | 0.87 | (0.02) | (0.16) | (0.13) | (0.22) | 0.11 |
| 3 | (0.11) | (0.02) | 0.57 | (0.65) | (0.17) | 0.15 | 0.09 |
| 4 | 0.17 | (0.16) | (0.65) | 0.53 | 0.06 | (0.08) | (0.06) |
| 5 | (0.43) | (0.13) | (0.17) | 0.06 | 0.86 | (0.18) | (0.30) |
| 6 | (0.12) | (0.22) | 0.15 | (0.08) | (0.18) | 0.86 | (0.46) |
| 7 | (0.08) | 0.11 | 0.09 | (0.06) | (0.30) | (0.46) | 0.84 |

| | |
|-----|---------------------------------|
| No. | Category of dependent variables |
|-----|---------------------------------|

1 Influence on the business

| | | | |
|---|--------|--------|--------|
| 1 | 0.85 | (0.43) | (0.09) |
| 2 | (0.43) | 0.64 | (0.75) |
| 3 | (0.09) | (0.75) | 0.69 |

2 Influence on the family

| | | | |
|---|--------|--------|--------|
| 1 | 0.72 | (0.63) | (0.16) |
| 2 | (0.63) | 0.66 | (0.47) |
| 3 | (0.16) | (0.47) | 0.80 |

3 Influence on the inductee

| | | | |
|---|--------|--------|--------|
| 1 | 0.77 | (0.30) | (0.52) |
| 2 | (0.30) | 0.78 | (0.49) |
| 3 | (0.52) | (0.49) | 0.71 |

Communalities

| Measurement Items | | |
|-------------------|---|------------|
| | Initial | Extraction |
| 1 | The thoughts of the inductor on the induction process | |
| | a23_1 | 1.00 0.59 |
| | a23_2 | 1.00 0.73 |
| | a23_3 | 1.00 0.77 |
| | a23_4 | 1.00 0.65 |
| 2 | Transfer of Knowledge | |
| | a24_1 | 1.00 0.71 |
| | a24_2 | 1.00 0.81 |
| | a24_3 | 1.00 0.79 |
| | a24_4 | 1.00 0.77 |
| | a24_5 | 1.00 0.59 |
| 3 | Relations during the induction period | |
| | a25_1 | 1.00 0.68 |
| | a25_2 | 1.00 0.81 |
| | a25_3 | 1.00 0.80 |
| | a25_4 | 1.00 0.78 |
| | a25_5 | 1.00 0.70 |
| | a25_6 | 1.00 0.53 |
| | a25_7 | 1.00 0.63 |
| | a25_8 | 1.00 0.55 |
| | a25_9 | 1.00 0.79 |
| | a25_10 | 1.00 0.65 |
| | a25_11 | 1.00 0.72 |
| 4 | Willingness of the inductee during the induction period | |
| | a26_1 | 1.00 0.76 |
| | a26_2 | 1.00 0.67 |
| | a26_3 | 1.00 0.81 |
| | a26_4 | 1.00 0.78 |
| 5 | Motivation of the inductee for getting involved in the business | |
| | a27_1 | 1.00 0.67 |
| | a27_3 | 1.00 0.67 |
| 6 | Stages of induction | |

| | | | |
|----|---|------|------|
| | a28_1 | 1.00 | 0.59 |
| | a28_2 | 1.00 | 0.63 |
| | a28_3 | 1.00 | 0.57 |
| | a28_4 | 1.00 | 0.70 |
| | a28_5 | 1.00 | 0.62 |
| 7 | Process of induction | | |
| | a29_1 | 1.00 | 0.70 |
| | a29_2 | 1.00 | 0.84 |
| | a29_3 | 1.00 | 0.81 |
| 8 | Working outside family business | | |
| | a30_1 | 1.00 | 0.94 |
| | a30_2 | 1.00 | 0.98 |
| | a30_3 | 1.00 | 0.97 |
| 9 | Gender of the inductee | | |
| | a31_1 | 1.00 | 0.89 |
| | a31_2 | 1.00 | 0.88 |
| | a31_3 | 1.00 | 0.77 |
| | a31_4 | 1.00 | 0.92 |
| 10 | Birth order of the inductee | | |
| | a32_1 | 1.00 | 0.86 |
| | a32_2 | 1.00 | 0.92 |
| | a32_3 | 1.00 | 0.82 |
| 11 | Situational Factors | | |
| | a33_1 | 1.00 | 0.67 |
| | a33_2 | 1.00 | 0.59 |
| | a33_3 | 1.00 | 0.60 |
| | a33_4 | 1.00 | 0.60 |
| | a33_5 | 1.00 | 0.71 |
| | a33_6 | 1.00 | 0.54 |
| | a33_7 | 1.00 | 0.78 |
| | a33_8 | 1.00 | 0.77 |
| 12 | Size of the family | | |
| | a34_1 | 1.00 | 0.79 |
| | a34_2 | 1.00 | 0.79 |
| 13 | Raising up within family business culture | | |
| | a35_1 | 1.00 | 0.95 |

| | | | |
|----|--------------------------------|------|------|
| | a35_2 | 1.00 | 0.95 |
| 14 | Business socialization culture | | |
| | a36_1 | 1.00 | 0.89 |
| | a36_2 | 1.00 | 0.89 |
| 15 | Extended Family | | |
| | a37_1 | 1.00 | 0.75 |
| | a37_2 | 1.00 | 0.85 |
| | a37_3 | 1.00 | 0.82 |
| 15 | Extended Family | | |
| | a38_1 | 1.00 | 0.92 |
| | a38_2 | 1.00 | 0.97 |
| | a38_3 | 1.00 | 0.95 |
| | a38_4 | 1.00 | 0.92 |
| | a38_5 | 1.00 | 0.93 |
| 16 | Tensions | | |
| | a40_1 | 1.00 | 0.81 |
| | a40_2 | 1.00 | 0.71 |
| | a40_4 | 1.00 | 0.83 |
| | a40_5 | 1.00 | 0.82 |
| | a40_6 | 1.00 | 0.83 |
| | a40_7 | 1.00 | 0.79 |
| | a40_8 | 1.00 | 0.71 |

Categories of dependent variables

| | | | |
|---|---------------------------|------|------|
| 1 | Influence on the business | | |
| | a41_1 | 1.00 | 0.78 |
| | a41_2 | 1.00 | 0.91 |
| | a41_3 | 1.00 | 0.87 |
| 2 | Influence on the family | | |
| | a42_1 | 1.00 | 0.82 |
| | a42_2 | 1.00 | 0.88 |
| | a42_3 | 1.00 | 0.78 |
| 3 | Influence on the inductee | | |
| | a43_1 | 1.00 | 0.84 |
| | a43_2 | 1.00 | 0.84 |
| | a43_3 | 1.00 | 0.88 |

Total Variance Explained

| Component | Initial Eigenvalues | | | Extraction Sums of Squared Loadings | | | Rotation Sums of Squared Loadings | | |
|-----------|---|---------------|--------|-------------------------------------|---------------|--------|-----------------------------------|---------------|--------|
| | Total | % of Variance | Cumu % | Total | % of Variance | Cumu % | Total | % of Variance | Cumu % |
| 1 | The thoughts of the inductor on the induction process | | | | | | | | |
| 1 | 1.69 | 42.20 | 42.20 | 1.69 | 42.20 | 42.20 | 1.47 | 36.77 | 36.77 |
| 2 | 1.05 | 26.27 | 68.47 | 1.05 | 26.27 | 68.47 | 1.27 | 31.70 | 68.47 |
| 3 | 0.79 | 19.72 | 88.19 | | | | | | |
| 4 | 0.47 | 11.81 | 100.0 | | | | | | |
| 2 | Transfer of Knowledge | | | | | | | | |
| 1 | 3.67 | 73.41 | 73.41 | 3.67 | 73.41 | 73.41 | | | |
| 2 | 0.49 | 9.82 | 83.23 | | | | | | |
| 3 | 0.37 | 7.50 | 90.72 | | | | | | |
| 4 | 0.28 | 5.66 | 96.38 | | | | | | |
| 5 | 0.18 | 3.62 | 100.0 | | | | | | |
| 3 | Relations during the induction period | | | | | | | | |
| 1 | 3.85 | 34.99 | 34.99 | 3.85 | 34.99 | 34.99 | 2.38 | 21.66 | 21.66 |
| 2 | 1.66 | 15.07 | 50.06 | 1.66 | 15.07 | 50.06 | 2.24 | 20.38 | 42.03 |
| 3 | 1.11 | 10.13 | 60.19 | 1.11 | 10.13 | 60.19 | 1.56 | 14.22 | 56.26 |
| 4 | 1.02 | 9.28 | 69.47 | 1.02 | 9.28 | 69.47 | 1.45 | 13.21 | 69.47 |
| 5 | 0.81 | 7.40 | 76.87 | | | | | | |
| 6 | 0.72 | 6.52 | 83.40 | | | | | | |
| 7 | 0.56 | 5.06 | 88.46 | | | | | | |
| 8 | 0.44 | 3.98 | 92.44 | | | | | | |

| | | | | | | |
|----|---|-------|-------|------|-------|-------|
| 9 | 0.35 | 3.17 | 95.61 | | | |
| 10 | 0.31 | 2.86 | 98.47 | | | |
| 11 | 0.17 | 1.53 | 100.0 | | | |
| 4 | Willingness of the inductee during the induction period | | | | | |
| 1 | 3.02 | 75.49 | 75.49 | 3.02 | 75.49 | 75.49 |
| 2 | 0.55 | 13.75 | 89.24 | | | |
| 3 | 0.29 | 7.21 | 96.45 | | | |
| 4 | 0.14 | 3.55 | 100.0 | | | |
| 5 | Motivation of the inductee for getting involved in the business | | | | | |
| 1 | 1.34 | 67.14 | 67.14 | 1.34 | 67.14 | 67.14 |
| 2 | 0.66 | 32.86 | 100.0 | | | |
| 6 | Stages of induction | | | | | |
| 1 | 3.11 | 62.29 | 62.29 | 3.11 | 62.29 | 62.29 |
| 2 | 0.85 | 17.01 | 79.29 | | | |
| 3 | 0.49 | 9.77 | 89.07 | | | |
| 4 | 0.30 | 6.09 | 95.15 | | | |
| 5 | 0.24 | 4.85 | 100.0 | | | |
| 7 | Process of induction | | | | | |
| 1 | 2.35 | 78.29 | 78.29 | 2.35 | 78.29 | 78.29 |
| 2 | 0.43 | 14.31 | 92.60 | | | |
| 3 | 0.22 | 7.40 | 100.0 | | | |
| 8 | Working outside family business | | | | | |
| 1 | 2.89 | 96.36 | 96.36 | 2.89 | 96.36 | 96.36 |
| 2 | 0.09 | 2.87 | 99.23 | | | |

| | | | | | | | | | | |
|----|---|-------|-------|------|-------|-------|------|-------|-------|--|
| 3 | 0.02 | 0.77 | 100.0 | | | | | | | |
| 9 | Gender of the inductee | | | | | | | | | |
| 1 | 3.47 | 86.65 | 86.65 | 3.47 | 86.65 | 86.65 | | | | |
| 2 | 0.31 | 7.68 | 94.33 | | | | | | | |
| 3 | 0.15 | 3.69 | 98.02 | | | | | | | |
| 4 | 0.08 | 1.98 | 100.0 | | | | | | | |
| 10 | Birth order of the inductee | | | | | | | | | |
| 1 | 2.59 | 86.45 | 86.45 | 2.59 | 86.45 | 86.45 | | | | |
| 2 | 0.29 | 9.57 | 96.02 | | | | | | | |
| 3 | 0.12 | 3.98 | 100.0 | | | | | | | |
| 11 | Situational Factors | | | | | | | | | |
| 1 | 3.60 | 45.00 | 45.00 | 3.60 | 45.00 | 45.00 | 3.34 | 41.81 | 41.81 | |
| 2 | 1.67 | 20.86 | 65.86 | 1.67 | 20.86 | 65.86 | 1.92 | 24.05 | 65.86 | |
| 3 | 0.86 | 10.76 | 76.62 | | | | | | | |
| 4 | 0.58 | 7.27 | 83.89 | | | | | | | |
| 5 | 0.50 | 6.23 | 90.12 | | | | | | | |
| 6 | 0.43 | 5.32 | 95.43 | | | | | | | |
| 7 | 0.20 | 2.48 | 97.91 | | | | | | | |
| 8 | 0.17 | 2.09 | 100.0 | | | | | | | |
| 12 | Size of the family | | | | | | | | | |
| 1 | 1.58 | 79.18 | 79.18 | 1.58 | 79.18 | 79.18 | | | | |
| 2 | 0.42 | 20.82 | 100.0 | | | | | | | |
| 13 | Raising up within family business culture | | | | | | | | | |
| 1 | 1.78 | 89.13 | 89.13 | 1.78 | 89.13 | 89.13 | | | | |

| | | | | | | | | | | |
|----|--------------------------------|------|-------|-------|------|-------|-------|------|-------|-------|
| | 2 | 0.22 | 10.87 | 100.0 | | | | | | |
| 14 | Business socialization culture | | | | | | | | | |
| | 1 | 2.43 | 80.96 | 80.96 | 2.43 | 80.96 | 80.96 | | | |
| | 2 | 0.36 | 12.02 | 92.98 | | | | | | |
| | 3 | 0.21 | 7.02 | 100.0 | | | | | | |
| 15 | Extended Family | | | | | | | | | |
| | 1 | 4.69 | 93.82 | 93.82 | 4.69 | 93.82 | 93.82 | | | |
| | 2 | 0.18 | 3.66 | 97.48 | | | | | | |
| | 3 | 0.06 | 1.20 | 98.68 | | | | | | |
| | 4 | 0.05 | 1.06 | 99.74 | | | | | | |
| | 5 | 0.01 | 0.26 | 100.0 | | | | | | |
| 16 | Tensions | | | | | | | | | |
| | 1 | 3.94 | 56.24 | 56.24 | 3.94 | 56.24 | 56.24 | 3.78 | 54.04 | 54.04 |
| | 2 | 1.57 | 22.46 | 78.70 | 1.57 | 22.46 | 78.70 | 1.73 | 24.67 | 78.70 |
| | 3 | 0.52 | 7.37 | 86.08 | | | | | | |
| | 4 | 0.37 | 5.27 | 91.35 | | | | | | |
| | 5 | 0.23 | 3.32 | 94.67 | | | | | | |
| | 6 | 0.21 | 2.97 | 97.64 | | | | | | |
| | 7 | 0.17 | 2.36 | 100.0 | | | | | | |

Categories of dependent variables

| | | | | | | | | | | |
|---|---------------------------|------|-------|-------|------|-------|-------|--|--|--|
| 1 | Influence on the business | | | | | | | | | |
| | 1 | 2.56 | 85.30 | 85.30 | 2.56 | 85.30 | 85.30 | | | |
| | 2 | 0.33 | 10.93 | 96.22 | | | | | | |
| | 3 | 0.11 | 3.78 | 100.0 | | | | | | |

2 Influence on the family

| | | | | | | |
|---|------|-------|-------|------|-------|-------|
| 1 | 2.48 | 82.70 | 82.70 | 2.48 | 82.70 | 82.70 |
| 2 | 0.34 | 11.39 | 94.09 | | | |
| 3 | 0.18 | 5.91 | 100.0 | | | |

3 Influence on the inductee

| | | | | | | |
|---|------|-------|-------|------|-------|-------|
| 1 | 2.56 | 85.29 | 85.29 | 2.56 | 85.29 | 85.29 |
| 2 | 0.26 | 8.56 | 93.85 | | | |
| 3 | 0.18 | 6.15 | 100.0 | | | |

Rotated Component Matrix

| | | Where more than one factor are identified | | | |
|----|---|---|-------------|-------------|---------------|
| | | Component | | | |
| | | 1 | 2 | 3 | 4 |
| 1 | The thoughts of the inductor on the induction process | | | | |
| | a23_1 | 0.07 | 0.76 | | |
| | a23_2 | 0.83 | 0.21 | | |
| | a23_3 | 0.88 | (0.01) | | |
| | a23_4 | 0.10 | 0.80 | | |
| 3 | Relations during the induction period | | | | |
| | a25_1 | 0.82 | (0.04) | (0.05) | (0.03) |
| | a25_2 | 0.86 | (0.23) | (0.03) | (0.14) |
| | a25_3 | 0.81 | (0.34) | 0.08 | (0.11) |
| | a25_4 | (0.07) | 0.12 | 0.86 | (0.10) |
| | a25_5 | 0.05 | 0.14 | 0.77 | 0.31 |
| | a25_6 | (0.01) | 0.70 | 0.20 | (0.04) |
| | a25_7 | (0.41) | 0.64 | 0.22 | 0.06 |
| | a25_8 | (0.27) | 0.65 | 0.11 | 0.21 |
| | a25_9 | (0.17) | 0.83 | (0.10) | 0.26 |
| | a25_10 | (0.07) | 0.09 | 0.31 | 0.74 |
| | a25_11 | 0.15 | (0.17) | 0.11 | (0.81) |
| 11 | Situational Factors | | | | |
| | a33_1 | 0.80 | 0.19 | | |
| | a33_2 | 0.74 | 0.20 | | |
| | a33_3 | 0.20 | 0.75 | | |
| | a33_4 | 0.24 | 0.74 | | |
| | a33_5 | (0.11) | 0.84 | | |
| | a33_6 | 0.71 | 0.20 | | |
| | a33_7 | 0.88 | (0.05) | | |
| | a33_8 | 0.88 | 0.02 | | |
| 16 | Tensions | | | | |
| | a40_1 | 0.89 | 0.11 | | |
| | a40_2 | 0.81 | 0.24 | | |
| | a40_4 | 0.12 | 0.90 | | |
| | a40_5 | 0.06 | 0.90 | | |
| | a40_6 | 0.90 | 0.14 | | |
| | a40_7 | 0.89 | 0.01 | | |
| | a40_8 | 0.84 | (0.02) | | |

Component Score Coefficient Matrix and computation of factor loading

| | Component | | | | Factor | | | | Factor Loading | | | |
|---|-----------|--------|--------|--------|--------|------|------|---|----------------|------|------|---|
| | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 | 1 | 2 | 3 | 4 |
| 1 The thoughts of the inductor on the induction process | | | | | | | | | | | | |
| a23_1 | (0.08) | 0.62 | | | | 0.62 | | | | 0.49 | | |
| a23_2 | 0.55 | 0.04 | | | 0.55 | | | | 0.47 | | | |
| a23_3 | 0.63 | (0.16) | | | 0.63 | | | | 0.53 | | | |
| a23_4 | (0.07) | 0.65 | | | | 0.65 | | | | 0.51 | | |
| | | | | | 1.18 | 1.27 | | | | | | |
| 2 Transfer of Knowledge | | | | | | | | | | | | |
| a24_1 | 0.23 | | | | 0.23 | | | | 0.20 | | | |
| a24_2 | 0.25 | | | | 0.25 | | | | 0.21 | | | |
| a24_3 | 0.24 | | | | 0.24 | | | | 0.21 | | | |
| a24_4 | 0.24 | | | | 0.24 | | | | 0.20 | | | |
| a24_5 | 0.21 | | | | 0.21 | | | | 0.18 | | | |
| | | | | | 1.17 | | | | | | | |
| 3 Relations during the induction period | | | | | | | | | | | | |
| a25_1 | 0.45 | 0.21 | (0.07) | 0.06 | 0.45 | - | - | - | 0.37 | - | - | - |
| a25_2 | 0.41 | 0.11 | (0.02) | 0.00 | 0.41 | - | - | - | 0.34 | - | - | - |
| a25_3 | 0.35 | (0.00) | 0.08 | 0.03 | 0.35 | - | - | - | 0.29 | - | - | - |
| a25_4 | (0.06) | (0.04) | 0.60 | (0.18) | - | - | 0.60 | - | - | - | 0.55 | - |
| a25_5 | 0.06 | (0.06) | 0.48 | 0.16 | - | - | 0.48 | - | - | - | 0.45 | - |
| a25_6 | 0.16 | 0.44 | 0.05 | (0.18) | - | 0.44 | - | - | - | 0.29 | - | - |
| a25_7 | (0.06) | 0.28 | 0.07 | (0.12) | - | 0.28 | - | - | - | 0.19 | - | - |

| | | | | | | | | | | | | | |
|---|---|--------|--------|--------|--------|---|------|---|--------|---|------|---|--------|
| | a25_8 | 0.03 | 0.30 | (0.02) | 0.02 | - | 0.30 | - | - | - | 0.20 | - | - |
| | a25_9 | 0.15 | 0.47 | (0.20) | 0.06 | - | 0.47 | - | - | - | 0.32 | - | - |
| | a25_10 | 0.03 | (0.14) | 0.14 | 0.55 | - | - | - | 0.55 | - | - | - | (7.14) |
| | a25_11 | (0.04) | 0.06 | 0.17 | (0.63) | - | - | - | (0.63) | - | - | - | 8.14 |
| 4 | Willingness of the inductee during the induction period | | | | | | | | | | | | |
| | a26_1 | 0.29 | | | | | 0.29 | | | | 0.25 | | |
| | a26_2 | 0.27 | | | | | 0.27 | | | | 0.24 | | |
| | a26_3 | 0.30 | | | | | 0.30 | | | | 0.26 | | |
| | a26_4 | 0.29 | | | | | 0.29 | | | | 0.25 | | |
| | | | | | | | 1.15 | | | | | | |
| 5 | Motivation of the inductee for getting involved in the business | | | | | | | | | | | | |
| | a27_1 | 0.61 | | | | | 0.61 | | | | 0.50 | | |
| | a27_3 | 0.61 | | | | | 0.61 | | | | 0.50 | | |
| | | | | | | | 1.22 | | | | | | |
| 6 | Stages of induction | | | | | | | | | | | | |
| | a28_1 | 0.25 | | | | | 0.25 | | | | 0.20 | | |
| | a28_2 | 0.26 | | | | | 0.26 | | | | 0.20 | | |
| | a28_3 | 0.24 | | | | | 0.24 | | | | 0.19 | | |
| | a28_4 | 0.27 | | | | | 0.27 | | | | 0.21 | | |
| | a28_5 | 0.25 | | | | | 0.25 | | | | 0.20 | | |
| | | | | | | | 1.27 | | | | | | |
| 7 | Process of induction | | | | | | | | | | | | |
| | a29_1 | 0.36 | | | | | 0.36 | | | | 0.32 | | |
| | a29_2 | 0.39 | | | | | 0.39 | | | | 0.34 | | |
| | a29_3 | 0.38 | | | | | 0.38 | | | | 0.34 | | |
| | | | | | | | 1.13 | | | | | | |

| | | | | | | | |
|----|---------------------------------|--------|--------|-------|------|------|------|
| 8 | Working outside family business | | | | | | |
| | a30_1 | 0.34 | | 0.34 | | | 0.33 |
| | a30_2 | 0.34 | | 0.34 | | | 0.34 |
| | a30_3 | 0.34 | | 0.34 | | | 0.33 |
| | | | | <hr/> | | | |
| | | | | 1.02 | | | |
| 9 | Gender of the inductee | | | | | | |
| | a31_1 | 0.27 | | 0.27 | | | 0.25 |
| | a31_2 | 0.27 | | 0.27 | | | 0.25 |
| | a31_3 | 0.25 | | 0.25 | | | 0.24 |
| | a31_4 | 0.28 | | 0.28 | | | 0.26 |
| | | | | <hr/> | | | |
| | | | | 1.07 | | | |
| 10 | Birth order of the inductee | | | | | | |
| | a32_1 | 0.36 | | 0.36 | | | 0.33 |
| | a32_2 | 0.37 | | 0.37 | | | 0.34 |
| | a32_3 | 0.35 | | 0.35 | | | 0.32 |
| | | | | <hr/> | | | |
| | | | | 1.08 | | | |
| 11 | Situational Factors | | | | | | |
| | a33_1 | 0.23 | 0.02 | 0.23 | - | 0.19 | - |
| | a33_2 | 0.22 | 0.03 | 0.22 | - | 0.18 | - |
| | a33_3 | (0.02) | 0.40 | - | 0.40 | - | 0.32 |
| | a33_4 | (0.00) | 0.38 | - | 0.38 | - | 0.30 |
| | a33_5 | (0.12) | 0.48 | - | 0.48 | - | 0.38 |
| | a33_6 | 0.20 | 0.04 | 0.20 | - | 0.17 | - |
| | a33_7 | 0.29 | (0.12) | 0.29 | - | 0.24 | - |
| | a33_8 | 0.28 | (0.09) | 0.28 | - | 0.23 | - |
| | | | | <hr/> | | | |

| | | | | | | | |
|----|---|--------|--------|-------|------|------|------|
| | | | | 1.22 | 1.26 | | |
| 12 | Size of the family | | | | | | |
| | a34_1 | 0.56 | | 0.56 | | 0.50 | |
| | a34_2 | 0.56 | | 0.56 | | 0.50 | |
| | | | | <hr/> | | | |
| | | | | 1.12 | | | |
| 13 | Raising up within family business culture | | | | | | |
| | a36_1 | 0.53 | | 0.53 | | 0.50 | |
| | a36_2 | 0.53 | | 0.53 | | 0.50 | |
| | | | | <hr/> | | | |
| | | | | 1.06 | | | |
| 14 | Business socialization culture | | | | | | |
| | a37_1 | 0.36 | | 0.36 | | 0.32 | |
| | a37_2 | 0.38 | | 0.38 | | 0.34 | |
| | a37_3 | 0.37 | | 0.37 | | 0.34 | |
| | | | | <hr/> | | | |
| | | | | 1.11 | | | |
| 15 | Extended Family | | | | | | |
| | a38_1 | 0.20 | | 0.20 | | 0.12 | |
| | a38_2 | 0.21 | | 0.21 | | 0.13 | |
| | a38_3 | 0.21 | | 0.21 | | 0.13 | |
| | a38_4 | 0.20 | | 0.20 | | 0.12 | |
| | a38_5 | 0.21 | | 0.83 | | 0.50 | |
| | | | | <hr/> | | | |
| | | | | 1.65 | | | |
| 16 | Tensions | | | | | | |
| | a40_1 | 0.24 | (0.02) | 0.24 | - | 0.21 | - |
| | a40_2 | 0.20 | 0.07 | 0.20 | - | 0.17 | - |
| | a40_4 | (0.05) | 0.54 | - | 0.54 | - | 0.50 |

| | | | | | | |
|-------|--------|--------|-------|------|------|------|
| a40_5 | (0.07) | 0.55 | - | 0.55 | - | 0.50 |
| a40_6 | 0.24 | 0.00 | 0.24 | - | 0.20 | - |
| a40_7 | 0.25 | (0.08) | 0.25 | - | 0.21 | - |
| a40_8 | 0.24 | (0.09) | 0.24 | - | 0.20 | - |
| | | | <hr/> | | | |
| | | | 1.16 | 1.09 | | |

Categories of dependent variables

1 Influence on the business

| | | | | | |
|-------|------|--|-------|--|------|
| a41_1 | 0.34 | | 0.34 | | 0.32 |
| a41_2 | 0.37 | | 0.37 | | 0.34 |
| a41_3 | 0.36 | | 0.36 | | 0.34 |
| | | | <hr/> | | |
| | | | 1.08 | | |

2 Influence on the family

| | | | | | |
|-------|------|--|-------|--|------|
| a42_1 | 0.37 | | 0.37 | | 0.33 |
| a42_2 | 0.38 | | 0.38 | | 0.34 |
| a42_3 | 0.35 | | 0.35 | | 0.32 |
| | | | <hr/> | | |
| | | | 1.10 | | |

3 Influence on the inductee

| | | | | | |
|-------|------|--|-------|--|------|
| a43_1 | 0.36 | | 0.36 | | 0.33 |
| a43_2 | 0.36 | | 0.36 | | 0.33 |
| a43_3 | 0.37 | | 0.37 | | 0.34 |
| | | | <hr/> | | |
| | | | 1.08 | | |

List of Publications and Presentations

Publication 1

Title of the article - The Role of Quality of Relations in Succession Planning of Family Businesses in India'

Publication Journal of Asian Finance, Economics and Business (JAFEB)
Printed in Vol. 4 no. 3 on the date of August 30, 2017,
Print ISSN: 2288-4637

Publication 2

Title of the article - Factors Influencing Family Business Continuity in the Indian Small and Medium Enterprises (SME)

Publication Journal of Family and Economic Issues (JFEI)
Printed in Vol.39 no.2 in June 2018. Print ISSN : 1058-0476
DOI : 10.1007/s10834-017-9562-3

Presentation 1

Paper Family Business continuity concerns in the Indian SME segment

Conference International conference on Evidence Based Management 2017
(ICEBM), BITS, Pilani
March 2017
Adjudged as best paper in the Strategy section

Brief Biography of the Candidate

Parimal Merchant holds a professional degree in Accountancy from The Institute of Cost and Works Accountants of India (1982). He is the Director of the Global Program for Family Managed Business (GFMB) at S. P. Jain School of Global Management, Dubai, Mumbai Singapore, and Sydney. He has been in the field of management education for 25 years out of which 20 years have been exclusively with the Management Program for Family Managed Businesses, and in the process has interacted with over 4,000 students from family businesses. He has given more than 500 seminars on family businesses in India, Pakistan, Dubai, Kenya, Singapore and South Korea. He is advisor to the Asian Institute for Family Managed Business, a not for profit company, formed to promote excitement among youngsters to join the family business.

Brief Biography of the Supervisor 1

Prof. Debasis Mallik is a PhD in environmental economics. He is currently a Professor of Economics and Statistics and Head, Global Management Program (GMP) at S. P. Jain Institute of Management & Research, Mumbai, India. His diverse research interests include demand-side management of water, dynamics of family businesses in India, leadership and emotional intelligence, etc. He has published in top tier journals, presented his papers globally and has served as reviewer to several journals.

Brief Biography of the Supervisor – 2

Prof. Arya Kumar is presently Professor and Dean Alumni Relations, BITS, Pilani, India. He completed his M.A. (Hons.) Economics, standing first class first, in the year 1977, and his Ph.D. from BITS, Pilani in 1982. He has diverse experience of more than 39 years at educational institutions, research organizations, banks and financial institutions. He has co-authored three books and has contributed more than 40 research papers in the areas of energy, entrepreneurship, water resources, educational planning and banking, in national and international journals. He has guided a number of projects in the areas of energy sector and entrepreneurship. He is a member of the National Entrepreneurship Network (NEN) India Faculty Advisory Board and certified faculty in the area of entrepreneurship.