

## **AN EXPLORATORY STUDY ON PROBLEMS EXPERIENCED BY PROPRIETORS DURING THE SUCCESSION OF FAMILY BUSINESSES IN AHMEDNAGAR CITY**

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### **ABSTRACT**

Family business is a firm where the family has possession of the major portion of the stock and the family is having complete control over all aspects in the firm. Succession planning is a process of transferring ownership and management control to a successor. One of the most important strategic tasks in a family business is to transfer the business to next generation. Succession should be planned ahead to avoid the circumstance of void in the management of family-owned businesses. Research studied and analyzed the different problems experienced by proprietors during the succession of family businesses in Ahmednagar city. Proprietors who were actively involved and concerned in the execution of succession process of family businesses were contacted. Primary data was gathered from 45 (forty five) proprietors through semi-structured interviews and one-to-one discussions.

Keywords: Family Businesses, Proprietors, Succession, Problems

### **I) INTRODUCTION**

Family business is the one which is governed and / or managed on a sustainable, potentially cross-generational basis by the members of one family. Also to shape and pursue the formal vision and mission of the business held by members of the same family or small number of families. Family business is a firm where the family has possession of the major portion of the stock and the family is having complete control over all aspects in the firm. The contribution of family business to economic growth and wealth creation has made it an important topic for various groups especially researchers. The Indian economy depends heavily on the continuity and success of the family business.

Succession planning is a process of transferring ownership and management control to a successor. One of the most important strategic tasks in a family business is to transfer the business to next generation. Succession should be planned ahead to avoid the circumstance of void in the management of family-owned businesses. Entrepreneurial process does not end with the creation of new venture, but that firm succession is a vital part of the entrepreneurship process. Lack of true succession in family business has become the bane of family business continuity.

For the purpose of present study, researcher has considered and analyzed following problems experienced by proprietors during the succession of family businesses:

- Absence of required skills and knowledge to manage family business
- Bureaucracy and delay in transfer of family business

- Complex family issues and business matters
- Disputes and conflicts in family members about succession
- Lack of clarity and ambiguity in succession process
- Non co-operation or no support from previous owner
- Non-acceptance of successor by stakeholders
- Successor not ready or not prepared to run family business
- Resistance and opposition from family members

## II) RESEARCH DESIGN

- **Objective of Study:**
  - To study and analyze the different problems experienced by proprietors during the succession of family businesses
- **Scope of Study:**
  - Exploratory Research was conducted that covered proprietors (owners) of family businesses located in Ahmednagar city in Maharashtra State.
  - Proprietors actively involved and concerned in the execution of succession process of family businesses were contacted.
  - Retail family businesses involved in business of trading of goods and commodities were covered.
- **Data Collection:** Primary data was gathered from 45 (forty five) individual proprietors by carrying out field survey. Data was collected through semi-structured interviews and one-to-one discussions with the proprietors of family owned businesses.
- **Sampling Plan:**
  - Population included proprietors (owners) of family businesses located in Ahmednagar city.
  - Sampling Frame included proprietors (owners) who were involved and concerned in the execution of succession process of family businesses.
  - Sample Size was 45 (forty five) individual proprietors.
  - Judgmental sampling method was used to draw the sample.

## III) ANALYSIS AND INFERENCES

Table 1: Table showing respondent-wise problems experienced by proprietors during the succession of family businesses

Problems experienced by proprietors during	Degree of Experience	Total
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succession	Highly Experienced	Moderately Experienced	Less Experienced	Not Experienced	Neutral	
Absence of required skills and knowledge to manage family business	4	5	13	20	3	45
Bureaucracy and delay in transfer of family business	3	3	26	8	5	45
Complex family issues and business matters	4	5	22	10	4	45
Disputes and conflicts in family members about succession	22	18	3	1	1	45
Lack of clarity and ambiguity in succession process	9	21	12	2	1	45
Non co-operation or no support from previous owner	20	19	2	1	3	45
Non-acceptance of successor by stakeholders	10	13	18	2	2	45
Not ready or not prepared to run family business	4	7	12	20	2	45
Resistance and opposition from family members	23	16	2	3	1	45

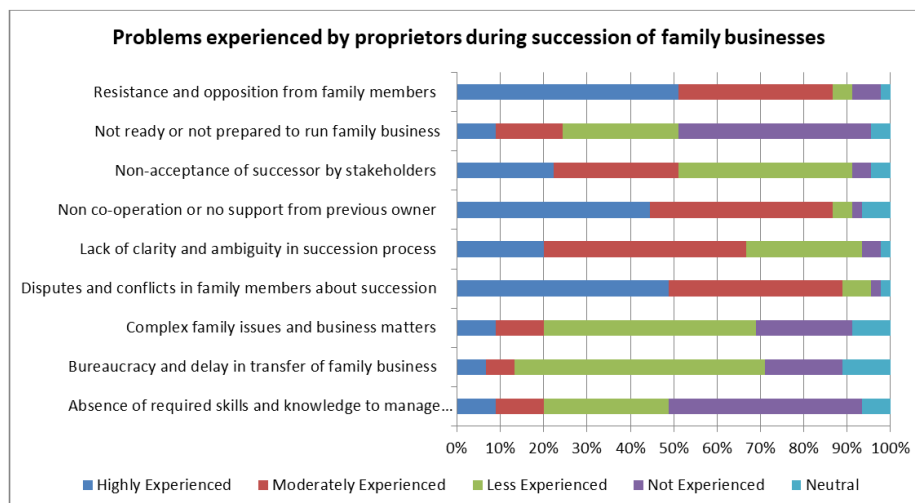
*Source: Compilation from primary data collected*

Table 2: Table showing proportion-wise problems experienced by proprietors during the succession of family businesses

Problems experienced by proprietors during succession	Proportion of Degree of Experience					Total Percentage
	Highly Experienced	Moderately Experienced	Less Experienced	Not Experienced	Neutral	
Absence of required skills and knowledge to manage family business	8.89	11.11	28.89	44.44	6.67	100.00

Bureaucracy and delay in transfer of family business	6.67	6.67	57.78	17.78	11.11	100.00
Complex family issues and business matters	8.89	11.11	48.89	22.22	8.89	100.00
Disputes and conflicts in family members about succession	48.89	40.00	6.67	2.22	2.22	100.00
Lack of clarity and ambiguity in succession process	20.00	46.67	26.67	4.44	2.22	100.00
Non co-operation or no support from previous owner	44.44	42.22	4.44	2.22	6.67	100.00
Non-acceptance of successor by stakeholders	22.22	28.89	40.00	4.44	4.44	100.00
Not ready or not prepared to run family business	8.89	15.56	26.67	44.44	4.44	100.00
Resistance and opposition from family members	51.11	35.56	4.44	6.67	2.22	100.00

**Graph 1: Graph showing proportion-wise problems experienced by proprietors during the succession of family businesses**



Above tables and graph indicated respondents wise and proportion-wise problems experienced by proprietors during the succession of family businesses in Ahmednagar city. Following inferences were drawn based on above analysis:

- Problem of absence of required skills and knowledge to manage and handle the family businesses was not experienced by more than 44% of proprietors and less experienced by nearly 29% of proprietors.
- Problem of bureaucracy and delay in transfer of family businesses was less experienced by less than 58% of proprietors and not experienced by under 18% of proprietors.

- Problem of complex and complicated family issues and business matters was less experienced by about 49% of proprietors and not experienced by more than 22% of proprietors.
- Problem of disputes and conflicts in family members about succession was highly experienced by nearly 49% of proprietors and moderately experienced by 40% of proprietors.
- Problem of lack of clarity and ambiguity in succession process was moderately experienced by more than 46% of proprietors and less experienced by more than 26% of proprietors.
- Problem of non-cooperation or lack of support from previous owner was highly experienced by more than 44% of proprietors and moderately experienced by over 42% of proprietors.
- Problem of non-acceptance of successor by the stakeholders was less experienced by 40% of proprietors and moderately experienced by nearly 29% of proprietors.
- Problem of successors not ready or not prepared to run family businesses was not experienced by more than 44% of proprietors and less experienced by less than 27% of proprietors.
- Problem of resistance and opposition from family members was highly experienced by over 51% of proprietors and moderately experienced by more than 35% of proprietors.

#### **IV) CONCLUSION**

Following problems were highly experienced by the proprietors during the succession of family businesses:

- Disputes and conflicts among the family members regarding succession of family businesses
- Non-cooperation and lack of support from previous owner of family businesses
- Resistance and opposition from family members against successors

Following problems were moderately experienced by the proprietors during the succession of family businesses:

- Lack of clarity, confusion and ambiguity in succession process

Following problems were less experienced by the proprietors during the succession of family businesses:

- Bureaucracy and delay in transfer of family businesses to successors
- Complex family issues and complicated business matters
- Non-acceptance of the successors by various stakeholders of family businesses

Following problems were not experienced by the proprietors during the succession of family businesses:

- Absence of required skills and knowledge to manage the family businesses
- Successors not ready or not prepared to run or manage family business

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