CHAPTER 5

FINDINGS, SUGGESTIONS & CONCLUSION

The opinions of respondents with existence of succession plan and non-existence of succession plan towards various dimensions (working capital dimension, general business dimension, primary reasons for non-existence of succession plan and competencies required in a successor to take over the business) considered in this study were analyzed and the perceptions of the respondents segmented on their demographic characteristics towards the above said dimensions were also analyzed. The findings are stated and discussed.

5.1 PERCEPTION OF RESPONDENTS WITH EXISTENCE AND NON-EXISTENCE OF SUCCESSION PLAN TOWARDS WORKING CAPITAL DIMENSION AND GENERAL BUSINESS DIMENSION

With regard to the working capital dimension, the respondents with succession plan were concerned about their stock turnover getting delayed, though these businesses did not face any problems on the financial front. These businesses owned non-operating and non-income generating assets.

The respondents without succession plan rated the following factors to affect the drafting of succession plan:
a) Overdue to banks / hire purchase creditors
b) late payments of salary / EPF to employees
c) refusal of additional / extension of credit by banks
d) expenses increased at a rate faster than and in inverse proportion to revenue
e) Ownership of non-operating and non-income generating assets
f) Stock turnover (in days) getting longer

With regard to general business dimension, the respondents with existence of succession plan felt that a successor should sustain the present culture in addition to providing financial stability to the organization through additional investments as and when needed, thereby ensuring to enhance the profit margin.

Among the respondents with non-existence of succession plan, the factors under general business dimension that discouraged an entrepreneur from drafting a succession plan are:

a) Ensuring continuity of business,
b) Minimizing tax liability,
c) Pursuing the mission and vision of promoters,
d) The scions are into different fields,
e) Providing financial stability,
f) Sustaining the culture of organization and
g) Enhancing the profit margin of the entity.

From the above findings, it could be inferred that the respondents with succession plan own and run financially sound businesses. On the contrary, respondents without succession plan had problems in the financial front. The availability of non-operating and non incoming generating assets
could be used for raising credit if need be. On the general business front, the reasons for not drafting a succession plan reflected the intrinsic personal attribute in a person than the actual business dimension.

5.2 INFLUENCE OF GENERAL BUSINESS DIMENSION VS. WORKING CAPITAL DIMENSION

On studying the degree of influence of factors considered as general business dimension and working capital dimension on the existence or non-existence of succession plan (i.e. which of the factors, general business or working capital had greater influence on succession plan), it was inferred that the general business dimensions had greater influence on drafting of succession plan when compared to the working capital dimensions. This statement also proved our earlier discussion that working capital dimension did not influence succession planning. Nevertheless, the factors considered as general business dimension influenced succession planning.

5.3 THE PRIMARY REASONS FOR NON-EXISTENCE OF SUCCESSION PLAN AMONG THE ENTREPRENEURS

On studying the perception of respondents with existence of succession plan towards the primary reasons that could discourage the entrepreneurs from drafting a succession plan, the following reasons were attributed:

a) Lack of interest in business with successor
b) Reluctance to disown power and control
c) Discouraging cultural values for succession planning and
d) Not adopting timely plan
The entrepreneurs who lacked succession plan attributed the following reasons for not drafting a succession plan

a) Personal loss of identity
b) Fear of change
c) Lack of trust in successor
d) Dependence of clients on founder
e) The successor lacked interest in business
f) Skepticism on financial insecurity following succession
g) Reluctance to disown power and control
h) Discouraging cultural values for succession planning and
i) Non adoption of a timely plan

5.4 COMPETENCIES EXPECTED OF A SUCCESSOR TO TAKE OVER BUSINESS

The entrepreneurs’ perceptions of the expected competencies in a successor were:

i) Perception of entrepreneurs with existence of succession plan:
   a) Aspiration \ passion towards business,
   b) Adequate training in the corresponding business domain and
   c) Prior involvement in decision making process of the firm

ii) Perception of entrepreneurs with non-existence of succession plan:
    a) Knowledge on current trends in business
It could be inferred that an aspiring candidate with passion towards business should be trained in the corresponding business domain to impart adequate knowledge on the current trends in business to make him deserve to be a successor. Proper involvement in decision making process of the firm would ensure to become a successor.

5.5 MAPPING OF VARIOUS DIMENSIONS WITH DEMOGRAPHIC FACTORS

The demographic factors considered in this study were educational qualification, nature of business, type of entity and age group of the entrepreneurs. The perceptions of respondents categorized on the basis of demographic factors on various dimensions were studied. The inferences with respect to various factors are as follows:

i) Educational qualification of the entrepreneur: The respondents were divided into two groups namely graduates and non graduates. The graduates laid more emphasis on the competencies required in a successor. On the contrary, the non-graduates emphasized on working capital dimension followed by primary reasons and general business dimensions.

ii) Age of the entrepreneur: The entrepreneurs above the age of fifty, rated general business dimensions as more influential during succession planning. Entrepreneurs below the age of fifty attached much weightage to the working capital dimension followed by primary reasons and competencies required in a successor.
iii) Nature of business of the entrepreneur: A non-significant difference was observed in the perception of entrepreneurs across various dimensions irrespective of the nature of business. Competencies required were rated the highest followed by general business dimensions.

iv) Owners’ liability in the firm: With regard to ownership liability in the firm, the working capital dimensions during succession planning was considered as the major constraint to entrepreneurs of the partnership and limited liability firms of business. Conversely, the entrepreneurs of proprietor firms of businesses attached more importance to the general business dimensions.

From the above discussions, it is evident that the primary reason for lack of succession planning on the part of entrepreneurs was primarily attributed to fears related to their personal psychology which could be overcome by prudential planning and management of finance in conjunction with the degree of power they intended to hold in the business. The fear could be mitigated by clear articulation of duties and responsibilities across the ranks in the organization. If scions were involved in different fields simultaneously, ensuring commitment towards the continuity of the business could make it a difficult task for the entrepreneur beyond a certain point, more so when the entrepreneur lost his good health. This could prompt to either a sale of the business or winding up of certain operations. Commitment to continue the business could make winding up a hard option, leaving the entrepreneur with the sole option of sale. At this juncture, development of professional management could be the panacea to overcome the problem of succession planning for the SSI entrepreneur in ensuring the continuity of the business by still holding the reigns of the organization. Implementation of this suggestion might warrant intensive research in the future.
More than 50% of the respondents in this study preferred the successor to hold a post graduate degree in management. Hence, while deciding a successor, preference should be given to the educational qualification.

In order to enable the successor to tune with the existing culture of the organization, on the job training in other companies in the corresponding field besides in house training was found to be effective and imperative. This might help in overcoming the complexity of managing the organization that might arise due to the change in authority.

Moreover, the successor should possess adequate knowledge of the current trends in business which might improve the decision making process followed by sustained increase in margins and be assured of enhanced profitability.

5.6 CONCLUSION

One of the objectives of the study was to identify the reasons for lack of succession planning. The respondents who had a succession plan too attributed some reasons for non-existence of succession plan which are lack of interest on the part of successor to pursue the business, reluctance of the entrepreneur to disown power and control, lack of harmony with regard to cultural values and lack of clarity on the time frame of starting the exercise of succession planning.

The respondents seldom had any succession plan and attributed the reasons as loss of identity, fear of change, lack of belief in successor, financial insecurity and the client’s loyalty on the founder of the organization.
The above findings clearly indicated that the non-existence of succession plan was mainly on account of psychological factors. Hence, if the company had to go in for a succession plan which would ensure the continuity of business, the mindset of the entrepreneur need to be changed and should willingly allow the successor to take charge of the business with total trust on the latter.

Another objective of the study was to analyze the influence of factors identified under working capital and general business dimensions on the drafting of succession plan. Lack of financial constraints in running the business coupled with owning of non-operating and non-income generating assets influenced the respondents to opt for a succession plan even though, the time taken to exhaust their stock was getting longer. However, the respondents who lacked succession plan were confronted with problems toward payment of salaries to employees, overdue to banks, declined request for additional bank credit, swelling expenses coupled with diminishing revenue. These firms faced hardships in liquidating their stock besides owning non-operating and non-income generating assets. These assets could be liquidated to meet the working capital needs if need be. So the working capital dimension cannot be held responsible for non-drafting of succession plan. Hence the reason for not drafting a succession plan could be attributed to the influence of factors in general business dimension. The factors identified under general business dimension by entrepreneurs without succession plan is to ensure the continuity of business, minimizing the tax liability, pursuing the mission and vision of promoters, involvement of scions in different fields, providing financial stability, sustaining the culture of the organization, provide for additional investment in business and to improve the profit margin of the entity. These factors represent the personality of a person which could be mapped to distrust in successor under the reasons for non-existence of succession plan. This was in accordance with the earlier finding,
that lack of succession planning was owing to the psychological fear attitude in the mind of the entrepreneur.

Observation on the competency expected in a successor, majority of the respondents preferred that the successor should possess the aspiration\ passion towards business. The successor should have undergone training in the corresponding business domain, acquired adequate knowledge on the current trends in business, involved and exposed to decision making process of the firm to make him deserve to be a successor. Such a successor would have enough experience and value the culture and ethics prevalent in the firm, which could help in successful administration and management of the firm.

To conclude, it could be said that for the entrepreneur to continue with the business established over the years, a highly competent successor was essentially required. Lack of succession planning could be attributed to psychological fear in the minds of the entrepreneurs lest they should lose their identity and power hitherto exercised in the organization. Also, the fact that the scions’ were involved in different fields of business and other factors under the general business dimension. Once these fears on the minds of the entrepreneurs were eradicated by careful planning, educating and appropriate training supplemented with case studies in succession planning, then the benefits of succession planning could be reaped.

5.7 IMPLICATION FOR FURTHER RESEARCH

Having suggested the possibility of professional management in small and medium enterprises, it became imperative to study the entrepreneurs’ acceptance.
The cost involved and the viability of suggestions for the small and medium enterprises had to be further studied.

The present study made use of simple random sampling in identifying the respondents. Further, research could be done in studying the perception of respondents with respect to a particular industry or cluster of industries in varied environment and resource base to arrive at an in-depth understanding of the constraints related to succession planning.

Having concluded that the reason for non-existence of succession plan was the fear in the mind of the entrepreneur, further research could be carried out in identifying ways to eradicate the fear.