ABSTRACT

For most companies, developing a successful succession plan has a direct impact on their future revenue streams and growth of business. Some of the questions business owners ask are "Am I getting too old to continue with my company?" "Should I retire early and enjoy my financial success?" "When is a good time to pass the business on to my adult children?" "Can I take a chance on my kids continuing in my successful footsteps?" "Should I look outside my family for my successor?

The factors that could influence or affect the drafting of succession plan where studied under three different dimensions namely the working capital dimension which deals with the financial aspect of the business, the general business dimension which measures the entrepreneur’s perception on the non-financial aspects of the business and some primary reasons related to the personal front of the entrepreneur. The study also attempts to identify the competencies a successor should possess to take over the business. Around 450 respondents were interviewed using a structured questionnaire.

For the purpose of statistical analysis non parametric tests such as Friedman test with K-Related samples and appropriate post hoc test of Wilkoxon Rank sign test, Mann-Whitney U Test and Kruskal Wallis test of k-independent samples have been applied.
Findings suggest that the factors under general business dimension play an influential role during succession planning compared to the working capital dimension. Factors such as personal loss of identity, fear of change, lack of belief in successor, dependence of clients on founder and successor do not possess interest in business were some of the personal reasons identified to affect drafting of succession plan. The major competency required in a successor to take part in the business is the aspiration/passion inherent in the successor to run a business. The study concludes that the psychological fear in the mind of the entrepreneur is the reason for not drafting a succession plan.