REVIEW OF LITERATURE

Don Bradley and Lance Burroughs, University of Central Arkansas (2010) in their paper on A Strategy for Family Business Succession Planning have summarized that most family businesses do not have a succession plan in place due to various reasons such as reluctance of founders to let go of the reins, etc leading to astonishingly high rate of failures in business succession. The authors have prescribed a five stage process of to ensure successful succession of the business as according to them succession planning is critical for ensuring the continuation of any family owned business and for smooth transition in management and ownership with a minimum of transfer taxes.

Subrata Chakrabarty (2009) in his paper on The Influence of National Culture and Institutional Voids on Family Ownership of Large Firms has presented competing theoretical viewpoints on what influences country level variation in both the extent to which large publicly listed firms are family owned and the dominance of such family owned firms in the stock markets. According to the author on the one hand institutional economists have suggested that institutional voids can have a strong influence while on the other hand cultural sociologists suggest that a country’s culture can also exert strong influence. The country level empirical study conducted by Chakrabarty has suggested that both national culture and institutional voids influence family ownership patterns around the world and that institutional voids moderate the influence of national culture.

James Marshall Page (2001) has investigated the relationships between family business owners’ leadership and conflict management styles, their perceptions of the importance of succession planning and actually planning for succession, and the demographic variables of the business owner’s age and the number of generations the business has been in operation. These relationships were studied using a national data set of family business owners and a structural equation model was employed with leadership styles, conflict management styles, and the importance of succession planning as the primary constructs of interests. Significant relationships were found between the owners’ age and a controlling conflict management style, and between the number of generations the
business had been in operation and the flexible conflict management styles, cooperative leadership styles, and the perceived importance of succession planning on the part of the owner.

Hutcheson (2000) indicated that succession planning is a relatively new field of study. He explained that it is new because in patriarchal societies, family patriarchs usually ran the business until their deaths, at which time it was customary to turn the family business over to the eldest son, regardless of the skill level or of other family members who might have been interested in running the business.

R Nandagopal and Ms. V. Thilakam Nagaraj (2008) have studied and brought out four cases of the success of succession planning of the Coimbatore family businesses that are industrial corporates and the plan which have kept them successful till date. The study found that the four cases of family businesses studied have been started early on in the beginning of the twentieth century and are well into the third or fourth generation right now. They all have been very successful in planning their succession. This was due to the vision the founder incumbent had for the business ventures as well as the families.

Ramchandran (2010) has observed that the rate of survival and the reasons for successful survival of Indian Family businesses is still a least deliberated topic. Succession Planning appears to be one of the “Ten Commandments of Family Business”. The sustenance and growth of family owned businesses beyond two or three generations is not at all easy. Still many make it, specifically in the Indian context.

Le-Breton Miller, Miller, & Steier (2004) in their research expressed that succession planning is all about finding the next leadership for the organization. The research on family owned enterprises found that the fundamental problem of family owned and run businesses is their ability to ensure competent family leadership across generations.

The study by Brian To (2010) examined the research question whether or not Asian companies that are family managed can successfully adopt Western management
practices. Results indicated that the adoption of Western management methods was mixed within the Family managed businesses in Asia and were found to depend on the type of company. Publicly listed companies were found to adopt Western Management practices more than privately held or family owned companies. Western Management methods were found to be at odds to the practices of the typical Chinese family business.

The research by Manuel Pardo-del-Val (2008) primarily focused on revealing how succession in family-owned businesses turn out to be multi-staged phenomenon with trigger events distinguishing one stage from the other. The findings of the study were summed up in the importance of the dissatisfaction stage, the possibility of running the change process as an emergent strategy, the need to be creative in seeking a solution, and the key role of the family and the other stakeholders in supporting the new CEO.

The study by Siriyama Kanthi Herath (2001) highlighted the patterns of management control existing in a family controlled tea exporting company in Sri Lanka, Ceylon Tea Services Ltd.,(Dilmah) and the focus was on the procedures and processes of control operated in the research organization. The findings suggested that an organization’s management control system should not necessarily be based on accounting as suggested by the traditional control theory. The study has developed an integrative model of control for family managed businesses based on the research findings. The research further reveals how the practices implemented by senior managers, and particularly by founders in their day-to-day activities have become historically important mechanisms of control over time.

Julian Franks, Colin Mayer, Paolo Volpin and Hannes F. Wagner (2010) studied the ownership structure of private and public firms and their evolution over time. The researchers observed that in countries where financial markets are more developed, and there is more of M&A activity and more investor protection, family control follows a life-cycle and evolve into widely held companies as they age and grow. In countries which do not have the above features, the family control is very persistent over time. The researchers also observed that the stability of the family firms is related to their
profitability relative to non-family firms. Another interesting output of the research was that family ownership diluted more quickly in sectors that are more dependent on external capital.

**Tarun Khanna and Krishna Palepu (2005)** studied the broad patterns of concentrated ownership and found that unlike other countries, the identity of the primary families responsible for concentrated ownership changes dramatically over time. According to the authors, concentrated ownership exists at any point of time due to institutional voids. The authors offer a panoramic view of Indian business over the last century and reach three conclusions. First, at any point of time, a small number of family business groups, spanning a number of lines of activity, have typically dominated the Indian Private Sector. Second, this dominance has not necessarily meant the persistence of particular groups: there has been significant turnover in the identity if major groups and lastly, professionally managed specialist firms have co-existed in socially competitive beneficial relationships with family-owned firms.

**M. Awais Gulzar and Wongjun Wang (2011)** examined the importance of Corporate Governance in Family-Owned business and examined the theoretical background of corporate governance in family businesses in Pakistan. According to the authors, introducing the concept of good corporate governance is vital for the continuity and sustainability of the family owned businesses that support economic growth. Corporate Governance will ensure that FOBs are transparent enough to satisfy various stakeholders such as suppliers, customers and creditors.

**Belen Villalonga and Amit Raphael (2009)**, tested what explains family control of firms and industries and found that the explanation is largely contingent on the identity of families and individual block-holders. They found that the founders and their families were more likely to retain control and when doing so, gives the firm a competitive advantage thereby benefiting all shareholders. In contrast non-founding families and individual block-holders are more likely to retain control when they can appropriate private benefits of control. They also concluded that families are more likely to maintain
control when the efficient scale is small, the need to monitor employees is high and the investment horizon are long and the firm has dual-class stock.

**David Hillier and Patrick McColgon (2009)** investigated whether the family status of a company's top officer affects managerial replacement decisions. They reported evidence that family-managed companies are characterized by higher levels of board control and potentially weak internal governance systems. Family CEOs are less likely than non-family CEOs to depart their position following poor performance. Stock prices react favorably and operating performance improves when companies announce the departure of a family CEO. Overall, their evidence suggests that shareholders benefit when a powerful CEO leaves their position in the company.

The study by **Sindhuja P.N. (2009)** explored the underpinnings of a business group’s ability to create value for its shareholders. For this purpose, business groups have been categorized as family managed and non-family managed. The researcher attempted to compare the performance indicators and the value created by a family managed firm with those of a non-family managed firm belonging to the same industry. He also throws light on the literature-based definitions of a Family Managed Business (FMB) and how it is different from a Non-Family Managed Business (NFMB). Further, the study gives a concrete analysis of the various parameters used to assess shareholder value creation from both perspectives. The study shows that even a professionally managed non-family business can create value to its shareholders.

**Sanchez Marin, Gregorio, Carrasco Hernandez, Antonio J and Madero Gomez, Sergio Manuel (2010)** have restricted their study to two countries i.e. Spain & Mexico. Their study is on the remuneration to employees of family managed businesses in these two regions. The sample size of this study was 342 Spanish firms and 280 Mexican firms. The study shows that remuneration to employees varies among types of family businesses and between countries. The differences are explained through the composition of company management and interest shared between owners and employees. The authors found that the remuneration to employees in family owned and managed business is
lower and less mobile than in family businesses that use professional managers. The authors have also found that the Mexican employees of family managed businesses receive lesser fix pay and higher remuneration packages than Spanish employees, where the situation is converse.

The purpose of Ken Moores (1999) study is to highlight the significance of and challenges confronting family businesses; to outline research approaches and opportunities; and to describe institutional developments aimed at facilitating the execution of local family business research. The researcher explains that the challenges, particularly faced during transition period, often results in conflicts that can be destructive to both firm and family and may contribute to the high mortality rate of family firms. Discontinuity of ownership or executive leadership, distribution of power and assets and the role of business in the community are also major challenges for the family business.

According to G. Corbetta (2006), Family business is an interdisciplinary field, born as an autonomous one only in the early 1980s. Family firms are companies of various sizes controlled by one or more owners tied by family relationship or solid alliances; they are dynamic systems including two subsets, the family and the firm. Traditionally, family firms have been considered as a residual of the past to be overcome. Different factors have then persuaded individuals and institutions to work on them in research and practice: high and persisting relevance in modern economies, evidence that family firms are able to grow up to very large sizes, and structural difficulties that last beyond the first generation.

Tansel Yilmazer and Holly Schrank (2010) examined financial intermingling in small family business. They define a family business as one in which at least two family members work and the business is owned and managed by one of the family members. This study compares the determinants of intermingling in family and non-family businesses. The empirical results show that family businesses are not significantly different from non-family businesses in terms of intermingling once other business and
household characteristics are controlled for. For both family and non-family business, differences in financial intermingling are primarily characterized by differences in business characteristics and household net worth. They conclude that intermingling of household and business financial resources are probably more influenced by business characteristics and household net worth than by other household characteristics or whether a business is a family business.

Mary Winter, Sharon M. Danes, Sun-Kang Koh, Kelly Fredericks and Jennifer J. Paul (2011) conducted analyses of business owners from whom data were gathered in 1997 and 2000 and were used to predict two family business phenomena: the continued involvement by the owner-manager in the business and the continuation of the business. The most important factor in continuity according to the researchers is the respondent's assessment of the business as a success; successful businesses continue or are sold or gifted when the owner-manager leaves the business. Ceasing to be involved in a business should not be viewed as a business or a managerial failure. The researchers stress that some changes may be failures, but others should be viewed as ordinary business or family developments.

The researchers Lucio E. Dana and Kosmas X. Symrnios (2003), in their paper Family business best practices: Where from and where to? have discussed the emergent family business best practice literature recognising a need to identify lessons for effective family firm governance and management that can be learned from successful, long-lasting businesses, whether family owned or otherwise. They have reviewed lessons characterized as family business best practices by a number of researchers, the established meaning and use of the concept best practice in the business excellence movement, and the critique of several aspects of that use. They have also examined specific challenges the notion of family business best practice faces, and question the origin of identified practices and where they could be headed. Given the problematic nature and implications of best, they query whether the transition from lessons learned (local knowledge about what works) to best practices (universal knowledge about what works) is justifiable. Moreover, since family enterprises are as unique and idiosyncratic
as the families that influence them, and the outstanding ones flout conventional management practices, they also ask whether characterizing lessons learned as best practices is either appropriate or necessary. The researchers are led to conclude that the notion of family business best practice is fraught with enough difficulties to warrant avoiding or limiting its use.

The purpose of the study conducted by Patricia D. Olson et al (2007) was to identify strategies for families to utilize to increase the success of both their business and their family based on analysis of data in the 1997 National Family Business Survey (1997 NFBS). Both the family system and the responses to disruptions had significant effects on gross revenue and owner's perceived success. Reducing family tension, living in a two- or three-generation family, reallocating time from sleep to the business and hiring temporary help during hectic periods increased business revenue. Owners who perceived their businesses as more successful slept less and hired temporary help during hectic periods in the business more than owners who perceived their businesses as less successful. Business assets, age of the business, personnel management, owner's weekly hours in the business, family employees and hiring temporary help were positively associated with increased achievements for both the business and the family. The family had a greater effect on the business than the business had on the family.

The study by Sharon M. Danes, Kathryn Stafford and Johnben Teik-Cheok Loy Varsha Jain & Subhadip Roy (2011) investigates whether the gender of family business owners moderates the relationship between various business management practices and gross revenue. According to the study introducing new production methods has a large positive effect on gross revenue for both genders. Personnel management has a much larger effect (nine times greater) on gross revenue for female than male owners. Gender moderates responses to disruptions (sleeping less, hiring temporary help during busy times, family members donating time to business, and using family income for the business), and those effects are so large that the effects of responses to disruptions on gross revenue are the opposite for females and males. According to the study the gender main effect remains significant after responses to disruptions are controlled and after
interactions with innovations, management practices and responses to disruptions are included in the analyses.

Mark Leenders and Eric Waarts (2007) systematically examined the advantages and disadvantages of different types of family businesses operating in Europe. For this, they made a distinction between a firm’s family and business orientation. They argue that the firm’s location in the orientation space, which may change over time, relates to specific competitive strengths and weaknesses. They found that differences in family and business orientation resulted in different advantages and disadvantages with respect to performance indicators such as motivation, conflict resolution and continuity. In an in-depth follow-up study among 24 family businesses, they learned that evolutions on the family dimension do not follow a clear pattern.

In their study by Zhenyu Wu, Jess H. Chua and James J. Chrisman (2004) on Effects of Family Ownership and Management on Small Business Equity Financing, found that, Equity financing is important in financing growth but its special features in small business have not been well addressed in the finance or entrepreneurship literature. Since many small firms have family involvement and research shows that family firms have both advantages and disadvantages in managing agency costs, how family involvement and agency issues interact to affect equity financing in small business is an important topic of research. This study examines the effects of family ownership and management on two dimensions of small business equity financing, the use of equity financing and the use of public equity financing within the agency theory of financing. The results show that family involvement and agency issues interactively and separately influence equity financing in small business.

Raveendra Chittoor and Ranjan Das (2007) based on inductive reasoning - case evidence from Indian family business groups and the authors' experience with family businesses in India, this study explored the impact on succession performance of succession to a non-family professional manager as compared to a family member, commonly referred to as professionalization of management. An important distinction
was drawn between family-owned and family managed businesses and family-owned and professionally managed businesses. Then, drawing from case studies on succession process in three Indian family business groups, the study put forth five propositions pertaining to the impact of professionalization of management on succession performance. Several directions for further research are indicated.

**Peter F. Drucker (1999)** the Management Guru laid out certain rules to be followed if the family-managed business is to survive, let alone prosper. One of the rules is that Family members working in the business must be at least as able and hard-working as any unrelated employee. According to Drucker, Family-managed businesses, except perhaps for the very smallest ones, increasingly need to staff key positions with non-family professionals. Another rule laid down by Drucker was that No matter how many family members are in the company's management, and how effective they are, one top job must be filled by a non-relative. Similarly Drucker has also prescribed that before the situation becomes acute, the issue of management succession should be entrusted to someone neither part of the family nor part of the business.

**Ines Herrero (2011):** In this work, the author analyzes agency costs and their effect on efficiency in the context of small family firms. In particular, the author examines the effect that factors such as self-management, having related managers, and family employees exert on firm efficiency. The author offers some reasoning that may help to clarify agency problems for small firms. The author uses stochastic frontiers to measure and explain efficiency. The author’s focus is on small firms in the fishing sector, which are very important entities for the development of certain local communities.

**R. Satya Raju (2008)** in his paper Family Business And Leadership Traits, attempted to outline the issues on concept, contribution, leadership challenges of family businesses, study the leadership traits and provide a suggestive framework.

The issues relating to managing for the long run for competitive advantage from great family businesses was outlined by **Miller Danny et al (2005).** They stated that the starting tips for family firms on their way to getting great were: following passion, using initiative, do sweat the small stuff; communicating face to face, making decisions with people.
Another interesting publication briefly outlined that corporate India was increasingly finding various ways and means of settling or pre-empting family disputes. Family constitutions, codes of conduct, mediation by society, private equity intervention by society, private equity intervention and new lines of business were among the routes being explored. *Business World (2007).*

**Gurucharan Das (1999)** outlined the structure of Indian business, competitive advantage of joint family business, the characteristics of successful Indian companies and the problems of family business at different stages.

The colours of Decision Making in family business at the three thresholds of involvement as members of Board, the CEO Entrepreneur were stated by **Vinay Bharat Ram (1999).**

Another publication of the Harvard had covered interesting issues on family business. The study by **Miller Danny et all (2005)** had covered great businesses, examined several issues and concluded with the four ‘C’s. They were Continuity (pursuing the dream) Community (building a cohesive team) Connection (open minded, mutually beneficial relationship with business partners Command (acting independently quickly and in original ways). The tips given at the end were: follow passion, use your initiative, do sweat the small stuff, time stagger your objectives, get people on your side, communicate face to face, make decisions for people.