



[Frequently Asked Questions]

Succession Planning-1

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Frequently Asked Questions

Q1. Explain Nagging Issues.

A1. There are some researches which have focused on the disability of the business groups to carry on the legacy beyond the third generation. The Bajaj group and the Birla group had split up after the third generation and the Ambani Group could not walk together past the second generation itself. In most of such cases, the concerns could be seen as the competition for power, presence of a large number of people in decision making and family politics. All these hamper sound and prompt decision making. This refers to Nagging Issues too.

Q2. How can the Family Business termed as a total system ?

A2. A family firm when looked at as a "total system, it consists of three entities as subsystems, the business, the family and the founding entrepreneur. Each of this subsystem has unique characteristics owing to distinct identities and cultures, each progressing through its own life cycle, and each would further contain subsystems of its own. These sub systems are mutually exclusive.

Q3. What are the minimum requirements for adaptation?

A3. A successful adaptation requires healthy conditions, both within the firm (e.g. economic health, strategic approach) and family dynamics (e.g. closeness of family, sibling rivalries, financial condition of family members).

Q4. What is the importance of effective succession planning?

A4. An effective succession plan requires the presence of an extensive organizational planning and a conscious and deliberate preparation for succession

Q5. Which are the elements for succession Plan?

A5. Some of the elements that must typically be included in a succession plan: (1) identifying the potential successors; (2) designating a successor; (3) notifying the successor designate and the top management officials. These three steps are necessarily the tasks required for a comprehensive succession-planning process.

Q6. What are the steps in succession planning?

A6. The following Steps are involved in Succession Process:

- Start the planning process early
- Fostering Inter-generational teamwork
- Establishing a written succession plan
- Involving family and key business officials
- Seeking external expertise
- Setting up of a training process
- Planning retirement
- Making a timely retirement

Q7. How to sharpen the leadership skills of a successor?

A7. Training the leaders through work experience is treated as an important mechanism. Training leaders through the following will lead to sharpen of leadership skills of a successor.

- Job Assignments: They tend to expose the leader to challenging problems
- Mentoring: Being guided by the owner will help the leader build a perspective
- Appropriate training: A hands-on experience with related affairs too

Q8. Explain Leadership Skill Development in Successor.

A8. The first step in the process of developing leadership skills should be to educate and acquaint the novice leaders with the norms and laws of the organization so that they can eventually internalize these norms and thereby ensure adherence to them. This makes the leadership development of a successor in a family business quite distinct from the general patterns. To develop and sustain these qualities, it is required of the successor to be not just confined to a training before taking up the job, but also to continue the training throughout their career with the family firm. Thus training tools like job rotations, new challenging roles and extra-firm stakeholder interactions, will all contribute towards building leadership capabilities.

Q9. Explain are the determinants of the succession Process?

A9.

- Manager Characteristics: The characteristics and background of the managers are an important predictor of the organizational behavior and outcomes, which in turn affects managerial succession.
- Age: The age of the owner/ manager is an important element in succession planning. Generally the older founders owners

are more future oriented and risk averse, thereby they shall be more focused about planning for succession. Also is the fact that with growing age, the inevitability of death as well as the ailing illnesses shall encourage the owner/s to consider succession in order to ensure the smooth running of the business in the times to come.

- Education: There has been found to be a direct relation between education of the owner and the innovativeness of the owner. This attitude towards innovative practices also display the owner's sensibilities of planning succession on time and the level of sophistication pursued for the process.
- Financial Stake: When the owner has high financial interest in the firm in terms of stake, investment in assets and resources, then he would equally display high level of interest in a formal succession plan so as to ensure continuity and maintenance of his financial gains from the firm.
- Size of the firm: Bigger the firm, more extensive would be the succession plan. It is a misperception that the family firms are generally small scale industries. Some of the world's biggest groups are family businesses. Big firms will always approach succession planning in its most formal well-planned sense.
- Formality: The organization structures that are marked with integration, formalization and centralization are conducive to succession planning. A formal organization structure breeds rational decision making; with task forces, committees leading to multifaceted introspection of facts and situations, and arriving at concrete measures to succession related concerns.

Q10. Explain the nature of succession process.

A10. Discuss the Succession is not to be considered as a one time event, its process includes the precedence covering all activities that lead to it and also includes the aftermath of the decision within the firm and the family. The various parties that can have a bearing on the process can include family members both in and out of the firm, non-family employees, the owner/s, customers, suppliers and so on and so forth. Researchers have pointed out that the transition to succession process must include: the personal development of the successor designate prior to working in the firm, involvement of the heir in the business, and leadership.