

An Evaluation of Factors Affecting Family Business Succession for Smart Human Resource Management

Dr. Sunil Mishra¹, Dr.Nasa Dhanraj², Dr.M.Seethamahalakshmi³, Dr.P.Venkaiah Babu⁴, Dr.Rupa Zabulal Gupta⁵, Rashmi Mishra⁶

¹Department of Management, Medi-Caps University, Indore

²Department of Accounting, Under the Ministry of Education, Maldives

³Department Of Accounting and Finance, Kebri Dehar University, Ethiopia

⁴Department Of Accounting and Finance, Kebri Dehar University, Ethiopia

⁵Smt.Radhadevi Goenka College for Women Akola, Maharashtra

⁶Department of Applied Science & Humanities, G L Bajaj Institute Of Technology & Management Greater Noida

Email: drsunilmishra@gmail.com

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Abstract

Family size, ties to the family, heir preparedness level, planning and management activities, legal counsel, and human resources are some of the internal or controllable aspects that affect how a family business transfers. To evaluate the ease of generational change and the effect of each variable set on the success of the family business in the future, a complete survey of second- and third-generation family business owners/managers was done. A family business's management and treatment of its employees may be impacted by early family influences. This special issue investigates family theory in order to comprehend how families affect human resource management in family firms and how human resource management affects the important outcomes of family enterprises. It implies that careful succession planning is frequently employed as a fruitful experiment for smooth transitions. The goal of the study is to conduct a more thorough analysis of the family business succession process and to pinpoint the elements that support smooth transitions and productive outcomes.

Keywords: Family business, Planning and control, Transition, Legal advising, External advice, Family business management and Family nature.

I. INTRODUCTION

There is a growing knowledge gap among family business researchers, particularly in regards to how family structures, relationships, emotions, and aspirations affect family company leadership. The most significant effects on transformation come from communication and trust. A family firm, according to Carsrud (1994), is one in which members of a "emotional kinship group" are in charge of both ownership and decision-making. This distinguishing characteristic explains why family firms and other businesses operate differently. The way family businesses handle the inheritance from one generation to the next is the most obvious of these variances. There has been a lot written on the value of succession planning, estate planning, and having well-prepared successors, but little empirical study has been done on the elements that contribute to a seamless transfer. A preliminary look at what we can accomplish with it is provided by the research we have assembled. This has led to proposals for a more thorough integration of the "family study" notion of the family into the study of family companies.

1.1 Family Firms

Adaptive family businesses Business organizations theoretically have a life cycle (e.g. Adizes, 1978; Churchill and Lewis, 1983; Griener, 1972). Generally speaking, the organizational life cycle model makes the assumption that an organization develops past the point at which a failed entrepreneur may still exert power, separating ownership and control. These models frequently overlook the challenges of succession and the inherent complexity of family enterprises. A family business is made up of a number of subsystems that can be taken into account as a "complete system," including the company as an entity, the family as an entity, and the founder as a person (Beckhard and Dyer, 1983; Dyer and Handler, 1994). Every subsystem has an own identity and culture, goes through a unique life cycle, and has its own other subsystems. These subsystems'

interdependencies are likewise very strong. As a result, there are lots of chances for subsystems to compete, collide, and work together effectively.

The family business is a reliable entity so long as the founder is still alive. Because of this, there could be miscommunications, conflicts, and tension between the company family and the experts. The majority of the time, subsequent adjustment processes are poorly managed, disjointed, and faulty. In addition to family dynamics, internal factors like financial stability and maturity also matter. The outcome may be a grave sign of relational breakdown in the household and at work. A change in family business and a change in the way the business is operated can be distinguished from one another. Due to the mechanisms of mutual coordination between family and corporate subsystems involved in these transitions, Barnes and Hershon (1976) discovered that family-run transitions and company transitions both happened at the same time. recommended for optimal outcomes.

II. Literature Survey

Over the past 20 years, humans have examined family human resources studies. The analysis concentrated on the top family business and HR magazines rather than being an extensive and thorough examination of all channels. It was possible to identify important areas and subjects. The group excluded studies on talent conducted in the context of family businesses, or studies of talent conducted indirectly within family businesses. As a result, we focused solely on publications that discussed the primary subject matter. We were able to include information from a variety of viewpoints because the review was separated into so many distinct categories. Traditional HR subjects like pay, recruiting and firing, training, employee performance, and turnover were the main focus of these discussions. As it discusses current concerns, it draws attention to and incorporates research from each field.

Few theories exist about the factors of family structure, relationships, emotions, and goals that influence the growth of family-owned personnel management and how personnel management affects the main results of family-owned businesses. But because of Gagne et al research 's (2014), were able to learn more about the specifics of family company HRM practices. The closing of this gap is aided by the publication of this special edition. With regard to responding to his three main questions, the author of this special issue has particularly made substantial progress. The second question is: How do family members and outsiders engage in a family business? And finally, how do family HRM practices unique to family enterprises affect the organization?

The seven studies that follow shed light on the family-based roots of HRM in family enterprises, its advantages and disadvantages, and methods for families to deal with the peculiarities and difficulties of HRM. These studies, we believe, will serve as a modest starting point for a new family-based theory of human management in family firms and will encourage more study in this area. interviews with Peter Jaskiewicz, editor of the special edition, and Jim Combs round out the final section. These two top thinkers at the junction have tackled the issue of work-family balance.

The extent to which employees integrate their personal lives into their professional lives and vice versa, as well as how they manage this interface, has been thoroughly explained. Undisputed territory belongs to family-owned businesses. It brings your personal life to work since you are an owner-run director. Throughout the organization, the impact is enhanced. We are interested in how families interact and how this might assist family-owned firms and researchers in human resource management in identifying important issues that need attention. This is in relation to new changes in the workplace.

III. Indications of essentiality

Finally, we provide potential contact information for each topic. The final part of this paper proposes a theoretical stance that might reveal a new perspective.

3.1 Human resource advice in family businesses

Family dynamics affect the emotional image of family enterprises. The difficulties of managing a family business frequently center on both family and non-family individuals. In addition, these issues give rise to numerous intricate systems. Family

Business Human Resources demonstrates how HR tactics may assist family businesses in achieving both their family-based and business-based value-based objectives. Our family business's principles and vision provide the framework for growing our employees. HR is often best suited to handle recruitment, selection, onboarding, development, and termination. HR is a figurative waving of the finger, not a valued partner who adds value.

Perhaps more than in any other type of organization, a family business and its ongoing development require a purposeful and holistic attitude to people if they are to succeed in the long run. Many others will view as a strategic partner if you work closely with, become familiar with its objectives and problems, and provide the appropriate HR-centric solutions that benefit each function and the business as a whole. For family-owned enterprises, managing human resources is more challenging. Due to the interconnectedness of families, businesses, and ownership structures, family firms, as opposed to non-family enterprises, must navigate numerous overlapping dimensions and levels of complexity. Figure 1 illustrates human resources in family business.

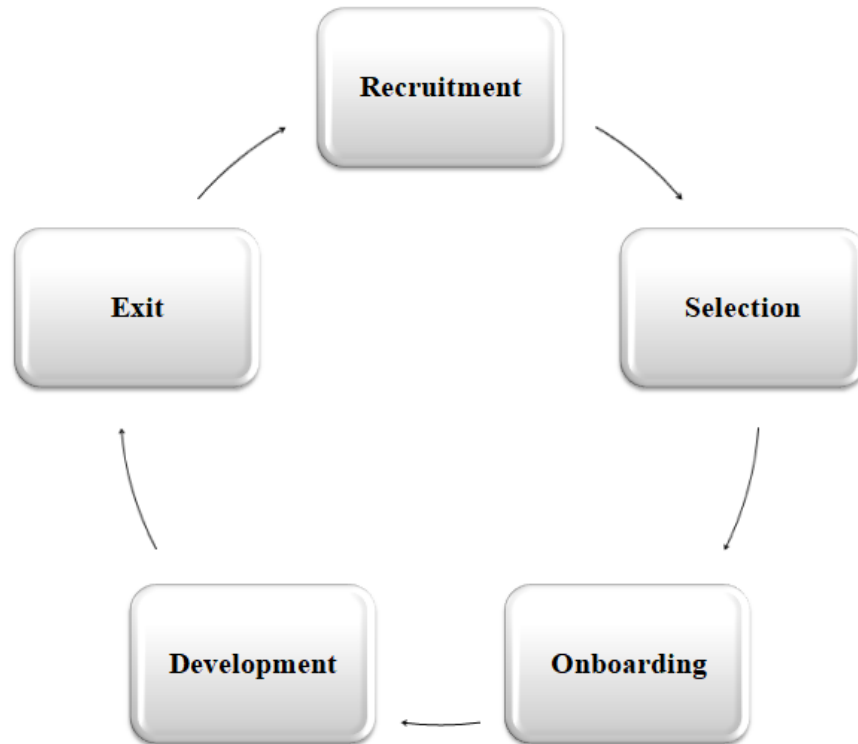


Figure 1: Human Resources in Family Business

Therefore, increasing the effectiveness of HR practices will aid in raising overall performance. Recognizing the complexity inherent in family businesses, handling sporadic contradictions, and adopting a more strategic approach to HR concerns are all examples of effectively anticipating future complexity. Additionally, you can do this to build long-term wealth for your family and business.

3.2 External advice and the family firm

When it comes to staff management, family enterprises confront extra difficulties. Families, businesses, and ownership structures all interact with one another, creating degrees of complexity and overlapping characteristics that are unique to family businesses.

3.3 Legal advice in family businesses

The dynamics leading up to the transition and its effects on the numerous stakeholders involved are part of the family business legacy before the actual transition. Internal and external family members, non-family employees, founders and owners, clients,

vendors, and other stakeholders may be included in this list. Handler (1990) asserts that families should take on particular responsibilities during the inheritance process, and that these responsibilities should change as transitions advance. Additionally, in her opinion, roles must match for a transition to be successful. The current generation of company leaders has progressed from "single operator" to "monarch" to "supervisor," and can be promoted to "Consultant." The following generation of family members will transition from "roleless" to "assistant" to "manager" to "executive/primary decision maker" in the interim. It makes the case that the obligations placed on the following generation's family are frequently influenced by their ancestors' actions.

The quality of the procedure is evident in the families' individual experiences. It focuses on problems like tension, rivalry, resentment, and conflict. Effectiveness is more directly correlated with how other people perceive the transition's outcome. Few systematic attempts have been undertaken to adequately identify or describe the features associated with successful transitions, hence studies on inheritance processes typically focus on concepts and/or case studies and are quite prescriptive.

IV. Advisory Requirements

There are obvious variances in the types of advice available depending on the company's size, industry, age, lifespan, etc. Business leaders can contact experts in the following areas as shown in Figure 2

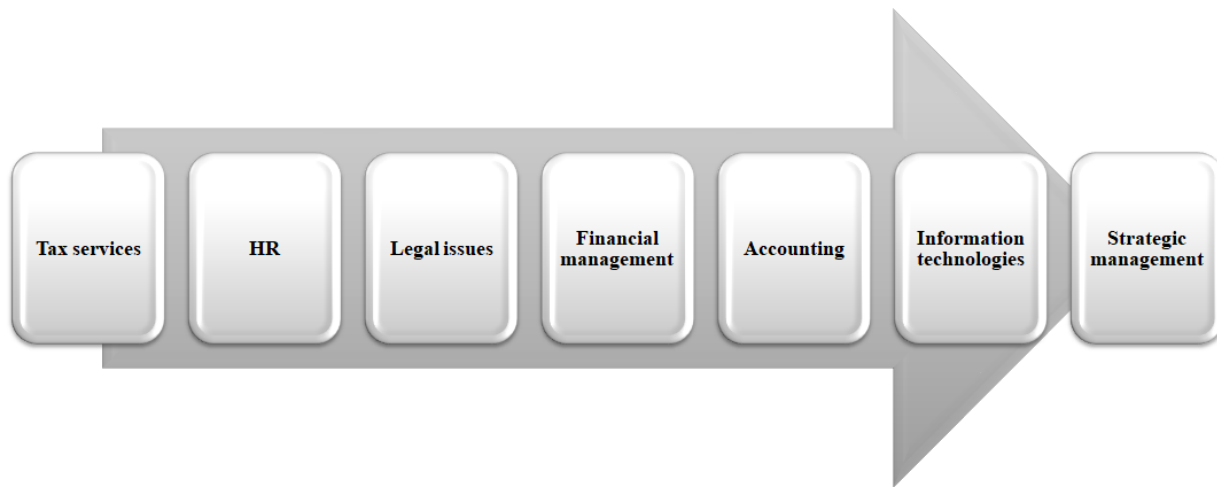


Figure 2: Basic Requirement

With the aid of advice services and small business financial performance, results are essentially favorable. The features of businesses that use outside counsel, however, are not well known. As was already indicated, new research indicates that not all are, in fact, positively associated with organizational size and expansion. The majority of responses are highly educated and college graduates. The majority of employees began their employment with the organization as fresh graduates or junior managers. An average interviewee for the organization has worked in four different roles since starting there. Many of them initially joined the business at the urging of earlier generations, but they ultimately decided to stay on their own terms. The primary impetus for beginning is financial necessity.

Overall, respondents claimed there was little conflict with their predecessors prior to the acquisition. They acknowledged that they occasionally thought about taking employment offers from other organizations. Many of them said that they had thought about leaving on various occasions due to relationship disagreements.

The surveyed organizations lacked written plans guiding the succession planning transfer process. The majority of the time, there was no formal procedure for choosing the heirs, and each response had a unique set of actual selection criteria. I dislike using consultants. It seemed expected that predecessors would continue to work for the business after the transition. Most impacted households have been able to drastically lower their tax liability owing to clever tax planning.

4.1 Outbound characteristics to be followed by different generations based on the external advice

First of all, heirs typically have some background in terms of their schooling and professional experience. They often begin at the bottom of the organization and move up over time, taking on different roles along the way. Second, there aren't many disputes, rivalries, or antagonistic exchanges between families. Rather, there is a largely positive association. It is clear that there is a great level of trust and shared ideals. Third, planning and management activities are frequently informal, centered on tax preparation, and pay little attention to succession planning. The same holds true for the utilization of advisory boards, impartial specialists, and consultants. However, it may not always be the case that a formal succession plan will be created, thus there may be preparations in the works. Plans are still possible, but they are less rigid, open, and structured. Additionally, they are always being modified and altered based on the dynamics of the family and the business. One could contend that formalization undermines motivation or harms familial bonds.

Overall, it appears that the three main groups of variables that are considered to have a big impact on how family business transitions turn out have all had an impact. When family ties are built on trust and friendship, when heirs are better prepared, and when family companies are more involved in succession planning, transitions run more smoothly. Building trust, promoting open communication, and cultivating shared values among families appear to be top concerns despite the fact that tax preparation is extensively emphasized. Therefore, a larger focus should be placed on the human aspect, complex relationships that are continually growing, and the need for interventions to establish and sustain family cohesion.

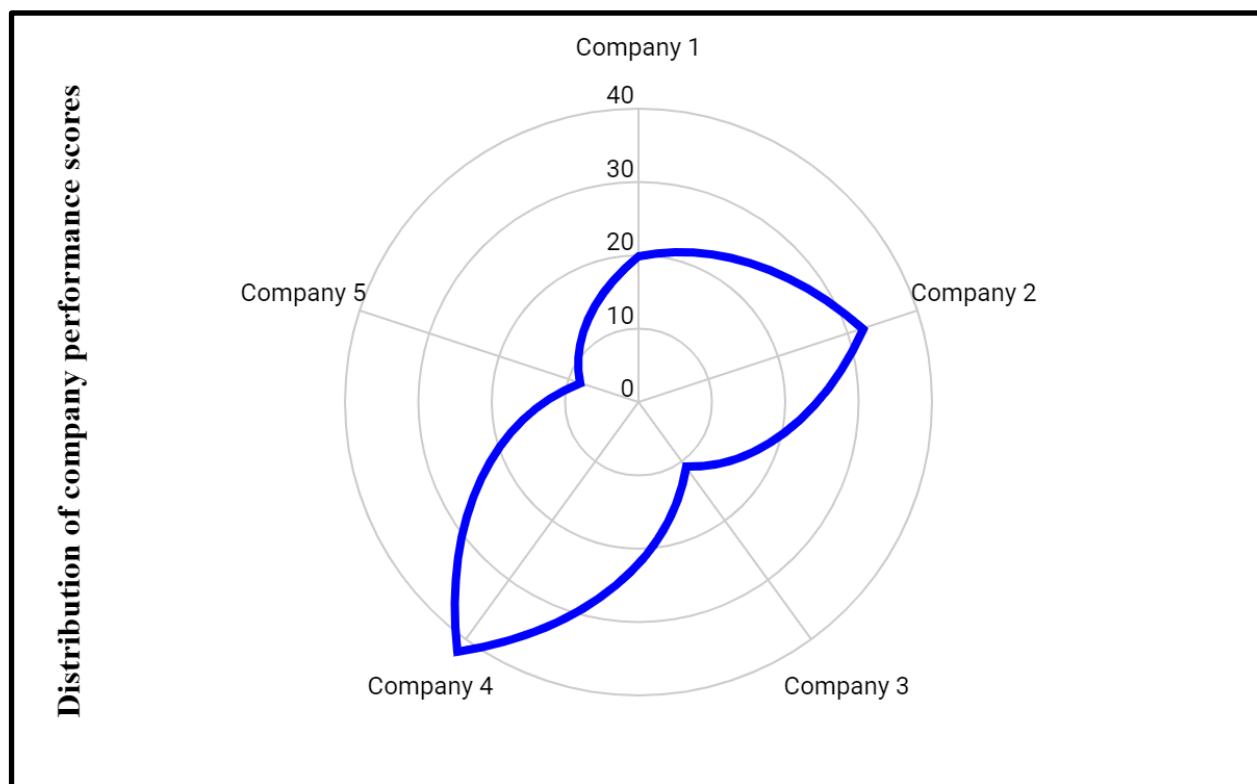


Figure:3 Family business succession based on the heir involved

Figure 3 illustrates family succession based on their heir involved. It became more popular to consult other sources, especially between the second and third generations, as there was a desire to incorporate people from beyond the family. We can therefore draw the conclusion that the company's age and generational transition may better account for the greater demand for staff support in a family-run business than its size.

V. Managerial implications and Conclusion

The outcomes show a variety of fascinating characteristics of smooth transitions. We have concluded from the literature that there is, generally, a positive association between size and usage of outside counsel. Utilizing outside assistance in legal and personnel matters, this study explores the connection between familiarity and company size. Nevertheless, depending on the kind of advice being considered, this percentage may change. We can infer from this that family enterprises require outside counsel. As this white paper demonstrates, this is essential for both legal and HR assistance in order to maintain business continuity. The findings indicate that family-owned businesses employ HR consultation on average more frequently than non-family-owned businesses. The following management implications flow from the findings which is crucial to stress that advisors must consider the unique and sensitive aspects of the family companies they counsel.

These viewpoints offer fertile territory for additional research on family business personnel. On a bigger micro-scale (organizational behavior and talent), our research also identifies fresh developments in the family company industry. Though family business research is still developing in academia, it is more advanced than study on strategy and entrepreneurship. The goal of this analysis is to deepen our understanding of the family business' most effective practices and to provide a framework for further study in this area.

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