

## Succession Planning In MSMEs: Emergence, Importance & Process

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**Abstract:** Today's businesses must have the right people in the right jobs at the right times. They cannot afford to be without either enough people or the right people who can quickly fill a key role that could become vacant. It sounds like common sense. Yet it still isn't happening as effectively as it must. It is within this context that organizations, and more importantly leaders and managers, need to look with increased scrutiny at the need to manage employee succession effectively to ensure they have the right person in right place, future leadership, management and technical capacity to deliver government business. The Micro, Small and Medium enterprises (MSMEs) play a pivotal role in the overall industrial economy of any country. MSMEs constitute more than 80% of the total number of industrial enterprises and support industrial development. Small and Medium Enterprises (SMEs), still dominate the economic landscape of most countries and have been recognized in contributing greatly to their GDPs. One of the reasons for the failure of small business enterprises is the lack of succession planning. This study examined the importance, emergence and process of succession planning in micro small business enterprises. The findings in this study show that most of the small business enterprises have no succession plan in place and the ability and competence of the successors are not considered in succession planning. This study recommends that small business enterprises should develop a formal plan for succession, communicate the identity of successor, provide basic business management education, provide training/monitoring to the incumbent Chief Executive Officer (CEO) and all stakeholders to help him in planning succession and ensuring that owners are comfortable after disengagement.

**Keywords:** Family Business, MSMEs, Strategic Goals, Succession, Succession Planning

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### I. Introduction

Succession planning was first introduced by Fayol who believed if succession planning needs were ignored, organizations would not be prepared to make necessary transitions (Rothwell, 1994). Succession planning allows an organization to prepare for the absence, departure, death, retirement, or termination of an individual. It provides for continuity of culture and the evolution of necessary skills for an organization (Blaskey, 2002). Steele (2006) argues that succession planning has been used as a formalized method for dealing with changes in leadership for over fifty years. Originally used to anticipate smooth transitions at the top level in organizations, it has evolved into a process that many organizations view as a critical for key positions across functions and levels. While operational definitions vary, the core meaning has remained the same throughout the decades as the process of succession planning has evolved.

Succession planning has long been an active human resources strategy that has been discussed at professional conferences and within professional journals and publications (Johnson and Brown, 2004). Since the late 1990s, HR professionals and decision makers have been aware of the need for formalized strategic planning of their workforces, especially given the pure demographics of the public service environment, at all levels. The inevitably changing workforce, driven by the steady exodus of baby boomer workers towards retirement, and converging many times with an increasing demand for public services, marked the generational HR management need for proper planning and development of thoughtful strategies in the areas of recruitment, retention and succession planning. While the HR and leadership community recognized this need for proper planning, circumstances and limited resources have prevented some agencies from instituting a formal approach to workforce planning. However, there are many examples of success in this area, often driven and supported by government leadership outside of the traditional human resource community for example, at the federal level workforce planning or human capital planning is a major component of the President's Management Agenda; and in the State of Georgia, the state legislature embedded formalized workforce planning for agencies within state law (ibid, 2004).

Succession planning embraces not only identifying qualified and motivated candidates for promotion to executive positions, but also developing their capabilities in a manner that will prepare them to perform effectively in leadership positions (Stinchcomb et al., 2010). Coaching and mentoring have become widely accepted techniques for extending such development beyond classroom training and on-the-job experience. But

these strategies are only effective to the extent that they include structured activities, conducted to achieve targeted goals, by those with training to properly facilitate the process.

Succession planning process includes three main components. The first component is selection of candidate based on previous experience and background among and formation of talent pool (Rothwell, 2010). By this, we make sure that each key position has alternative potential successors and each talent has multiple potential promotion paths (Byham et al., 2002). The trend in scope of succession planning is expanding it to cover all the positions not just top managerial positions. It has shown that companies considering lower levels have better profitability (Garmen and Glaw, 2004). In case of not including all the organization, it is very important to identify critical positions which are essential for the organization, department, division, work unit, or team to achieve the necessary work results (Ibarra, 2005). Strategic plan can be a guideline for this aim. Beyond identifying what skill sets and knowledge bases are required for key positions, it is crucial that, the succession plan provides a method or plan for providing employees the opportunity for professional development. After selecting the talents, the role of development of successor as a second component of SP becomes clear.

Identifying development plan and follow-up is a mandatory part of process (Rothwell, 2002). The plan should be tailored to the individual needs and interests of successor (Patton and Pratt, 2002). Best development methods include 360-degree feedback, executive coaching, mentoring, networking, job assignments and action learning (Groves, 2007). The third component of SP process is change management and process management, including function and sub-processes like strategic view of Succession Planning, management commitment, implementation considerations etc. Succession plan makes sure that, organization has access to required human resource, quantitatively and qualitatively. This plan will determine promotion opportunities and developmental needs of candidates and build management commitment (Christie, 2005). But the problem is that, while companies may have SP in place, they may fall out of sync with what the company needs to grow or expand into new markets.

Therefore, it is very vital to link succession planning to business strategy to obtain need kind of people with the needed set of skills for the future. However, this linkage has not been achieved in real world even in organizations with best succession planning (Karaevil and Hall, 2003). Management commitment like any other organizational-wide program is critical for successful implementation of Succession Planning. Without the support, succession planning is not executable even if design phase is done well (Diamond, 2006). Awareness and communication is another issue in process management of Succession Planning. It seems that, the best state for both organization and individual is that issue raise and discuss openly based on a transparent posted process (Greer and Virick, 2008). Continuous evaluation is important in process management.

## **II. Objectives Of The Study**

The present study aims at fulfilling the following objectives:

- ✓ To examine the historical perspective of succession planning under three time periods.
- ✓ To know the importance of succession planning for MSMEs.
- ✓ To study the succession process in MSMEs.

## **III. Methodology Of Research**

The research is descriptive and analytical in nature. This paper is totally based on secondary data from reference book, journals, magazines, report of local government authority and other valid sources.

## **IV. Emergence Of Succession Planning**

This section contains a description of research into succession planning as reported from an historical perspective. The history of succession planning has three periods. An explanation for each period of time, the trigger for research, trends, and related empirical research follows.

The historical context of succession planning in this research is divided into three time periods. The first period covers from 1960 to 1980. This period can be designated as “The Rise of Succession Research.” The second period, 1980 to 1990, is best described as “Emerging Trends and Development of Succession Planning.” The third period, “Succession Planning and Beyond,” covers from 1990 to the present.

While some debate exists on the origins of succession as a research topic, the bulk of empirically based studies of succession occurred during the mid-1950s to the mid-1960s. In this period of time, the main focus of research was on CEO succession and management development (Zaich, 1986). Then human resource planning came into vogue in the mid-1970s to mid-1980s. At this point research attention shifted focus to planning for the HR needs of an entire organization rather than focusing solely on the senior management group (Zaich, 1986). Research into succession planning began in earnest in the 1980s (Kesner&Sebora, 1994). Since then, succession planning has evolved with the waves of change in workplace and human resource management.

#### **4.1.1 Before 1980: The Rise of Succession Research**

The main theme of research and practices in this period of time was on Chief Executive Officer (CEO) succession as an event and an executive development. Friedman (1984) summarized the research in this period into two categories: Sociological/organization theory and applied theories. In sociology and organizational theories, the pervasive interests were directed toward establishing whether or not change in leadership determines and is affected by system-level performance, and if so, how they were affected. Strategic planning, human resource management, and organization development research and theories contributed to the succession system. Strategic planning, the importance of individual factors in strategic formulation and implementation, and the use of human resource data in business planning were examined in human resource management literature. Succession planning was researched as a complementary process in which the supply was matched with the demands of the organization. Research of the organization development area contributed to the succession issue with its broadened scope of activities. Friedman (1987) argued that the management of a succession system is the central intervention point in the shift from an Organization Development (OD) perspective of individual change to a perspective of long-range organizational-level change.

In the 1960s, research topics included the origin of succession, usually comparing succession from inside to outside, the relationship between the rate of succession and organizational size, the relationship between succession frequency and post-succession performance, and the relationship between succession and performance. In the 1970s, emerging research studied succession frequency, the relationship of style of successor and succession, and the relationship between the board of directors and CEO succession (Kesner&Sebora, 1994).

As mentioned above, most of the research studied CEO succession events in various situations from different perspectives rather than succession planning and the succession system. The main research related to succession planning in this period is described below. Asbury investigated business and industry practices that had to do with personnel administration at the executive level in 1947. The study included fifty-three companies and identified five common elements in their formal plan for executive development, including, organization analysis, selection, evaluation, development of executive level talent, and inventory control. This study also concluded that the top management and line management involvement were two essential factors in successful executive succession and development planning (Mahler &Graines, 1983).

In 1954, Chapman evaluated the “state-of-the-art,” and identified the five common elements in executive development programs. These included a defined organization plan, performance appraisal, established replacement tables, development of high potentials, job rotation, and training programs (Mahler &Graines, 1983). The findings from these two studies still seem applicable today.

Trow (1961) examined the proportion of succession into top positions in 108 small companies. He found companies that prepared for succession were less likely to experience financial difficulty during executive turnover. Also, he perceived a strong association between planning for succession and profitability of an organization (Zaich, 1986).

Coleman’s research in 1970 illustrated the typical approach found in manpower planning, showing similar elements with the earlier two, Asbury and Chapman, studies. The common elements among the studies are the definition of organization objectives and plans, determination of gross manpower, requirements for the planning period, assessment of in-house capabilities, determination of net human resource requirements to meet organizational goals, and development of an action plan and programs to meet objectives.

#### **4.1.2 The 1980s: Emergence and Development of Succession Planning**

Succession planning is the area that received greater attention, during this period of research (Kesner&Sebora, 1994; Zaich, 1986), than previous years. Kesner and Sebora (1994) explained the reasons for the proliferation of succession planning research as the logical offshoot of twenty years of investigation into succession. A number of researchers began to consider the impact of both the degree and nature of the planning.

The first study from this period was Mahler’s study (1983), which reviews succession planning in 60 firms. He was among the first to suggest the need for, and advantages of, improving succession planning. Rhodes and Walker (1984) and Hall (1986) studied the approaches and stages of succession planning. (Friedman, 1984, 1986) and Hall (1986) emphasized the roles of learning and the development of management incumbents in preparation for succession. Pattan (1986), Sheibar 1986) and Kesner (1989) integrated strategic human resource literature and succession planning. They noted that succession should be planned to match managers with strategies, and plans should be specific when charting positional shifts and timing (Kesner&Sebora, 1994). More of the research investigates succession planning using the terms “management succession and development planning,” instead of the term “succession planning.” The major research from the 1980s is described below.

In 1982, Carnazza reported on his in-depth interview research involving fifteen companies with succession/replacement planning programs. This is one of the most frequently quoted investigations of this

period. He assumed the purpose of succession/ replacement planning programs was to ensure the development of a sufficient number of qualified persons to fill future vacancies in key managerial and professional positions. The purpose of this research was to investigate how companies achieve the objectives of succession/replacement planning programs. The findings of this research included the following:

- The larger the company, the more likely it was to have formal succession/replacement planning.
- Companies should recognize that considerable time is necessary, perhaps as long as five years, for a succession/replacement planning program to be implemented fully and for the company to begin to accrue the expected benefit.
- A model of succession/replacement planning, which formed the basis for his own research findings, were the specifics of the procedures needed to attain two basic objectives of succession/replacement planning program: deciding the position to be covered, which involved a process of identifying essential positions, and the person to be included, which includes the process of managing essential managers?
- The essence of succession/replacement planning is linking person potential to position need (Carnazza, 1982).

Rhodes and Walker (1984) reported a survey research, called the TPF&C (Towers, Perrin, Forster & Crosby) study, which involved 30 large corporations. The purpose of the study was to review and analyze the management succession and development planning practices at that time. They identified four different approaches to management succession and development planning: informal, decentralized, centralized, and integrated. According to Rhodes and Walker (1984), factors affecting the selection of the approach are, organization structure and management style, size and wealth of the organization, and the company's growth rate. They also explained the six techniques used in implementing the programs: 1) senior management involvement, 2) information requirements, 3) assessment, 4) management review, 5) developmental techniques and 6) educational training. They related each approach to management succession and development planning with the employed procedure. They emphasized the importance of developing and implanting a program that fits each organization's characteristics and culture (Rhodes & Walker, 1984).

Friedman published several articles about succession planning. Among them, one published in 1986 arose from the research for his own doctoral dissertation submitted in 1984 (Friedman, 1984). This was the first research done on succession planning as a system and its relationship with an organization performance. The importance of this research on succession planning is twofold. First, his research clearly differentiated between the research subject, succession planning, and CEO succession. Previous research focused mainly on CEO succession, which was considered to be an event occurring when a CEO leaves an organization or new CEO arrives. To an organization, on the other hand, a succession planning, which he defined as a succession system, is an ongoing process. Friedman (1986) defined the succession system as "the rules and procedures that form the context for a typical succession event (i.e., a change in job incumbency), including executive development and placement practice" (p. 192). Second, his research is the first to attempt to examine succession planning and its effect on organizational performance or outcomes. Frequently, previous research studied the relationship of one of the variables raised by CEO succession and organization performance, but not the relationship of succession planning and organizational performance.

#### **4.1.3 The 1990s to the Present: Succession Planning and Beyond**

In the 1990s no one seemed to raise questions about the importance of succession planning. Recently, not just business organizations, but all types of organizations, including educational institutions and government offices, realized the necessity of succession planning and implementation of effective succession planning that fit their own organizations. Therefore, research in this period expanded to other than business organizations, such as educational institutions, government, non-profit organizations, healthcare, and small businesses (Rothwell, 2003). The topics contained within the overall umbrella of succession planning have become diverse. For example, Hunte-Cox (2004) researched the relationship between succession planning and organizational learning capacity. Palmer (2001) and Sekarbumi (2001) investigated succession planning and career development.

In spite of shared agreement on the importance of succession planning and the proliferation of the quantity of articles, research about succession planning did not seem to expand research to anything other than the types of organizations. Many studies still examined the topic of CEO succession from previous period. The most relevant study found during the literature review is one by Huang in 2001. Huang (2001) researched succession management systems and human resource outcomes. He wrote that one factor complicating the analysis of the effect of succession planning on human resources was the great variability of planning practices across firms. He argued that a plan may be extremely simple, providing for only the development of backups and potential successors to the most senior-level managers. Huang (2001) found that the other extreme may be very formal, including a documented rule and procedures for managerial succession at all levels. The central

question of his research was, “Do more sophisticated programs produce more favorable human resource outcomes than less sophisticated ones?” The purpose of his study was to determine whether local firms with a more sophisticated succession plan achieved more favorable human resource outcomes than those with less sophisticated plans. The participants in this research were human resource managers of 100 U.S. owned companies, 150 Japanese-owned companies, and 400 local companies in Taiwan. The companies were randomly selected. Huang developed a questionnaire that included 10 factors for determining the degree of sophistication of succession planning and a 5-point indicator of human resource outcome, which included staff morale, organizational climate, staff turnover rate, organizational commitment, and job satisfaction. The results of the study found no significant difference in human resource outcomes between companies who adopted succession planning and those that did not adopt it. But in detailed results, a significant relationship appeared between the level of sophistication with which succession plans were carried out and human resource outcomes. Some of the characteristics, such as line-manager involvement, non-political succession criteria, the credibility of succession planning staff, review and feedback, and effective information systems, affected the performance of human resources. The limitation of the reported research was that no cause-and-effect relationships or direction of causality of variables existed. Also, a limitation arose from using only one informant to report organization-level construct.

This section contained a review of the research on succession planning and management from an historical perspective. Again, with 30 years of background, no single studies are directly related to this study. Kesner and Sebra (1994) identified much research on the antecedents, consequences, or contingencies of a CEO succession event. Ten years have passed since the Kesner and Sebra’s review of the previous research. During that time no significant change in research topics and variables has occurred. As for research into succession planning, those also tend to study the variables of succession planning rather than succession planning itself. In other words, research on succession planning directly investigates factors or variables of succession planning and suggests that those factors or variables might be useful when implementing a succession planning program (Friedman, 1984; Huang, 2001; Hunte-Cox, 2004). The measurement tool of the outcomes for succession planning has become varied from solely depending on the financial performance of a firm to learning capability (Hunte-Cox, 2004), HR effectiveness (Huang, 2001) and investors’ reaction (Shen&Cannella, 2003). Yet the research looked at similar topics and came to the same conclusions: Identify the variables that affect a succession planning program, and considering those variables when implementing a program is important.

## **V. Importance of Succession Planning For Msme’s**

Most of the Micro Small & Medium Enterprises (MSME’s) across the globe are promoter driven and hence it becomes very imperative for these organizations, in that case any organization to have a proper succession planning at all the important levels in various departments as well as at the top most level. Most MSME’s do not survive the succession from one generation to the next generation due to lack of proper planning and it is found out that most often the preparations and planning have not been undertaken for psychological reasons, particularly the fear of family conflicts on the ownership or stake holding issue.

Many MSME owners have founded and built their businesses without giving much thought to what will happen when it’s time for them to retire putting their businesses at risk because they have not adequately prepared for the day when they will no longer be there. Organizations that fail to plan for the timely and effective succession planning especially the leadership roles are often found to be caught off guard leading to disruption to normal business activities in turn loss of market share. Hence to avoid such situation succession planning becomes imperative for MSME’s because it enables the organization to identify talented employees and provide the necessary mentoring and training to develop them for future higher level and broader responsibilities and execute them smoothly.

Succession planning is a systematic approach to:

- Building a strong talent pool / effective leadership pipeline to ensure leadership continuity.
- Mentoring and Developing potential successors from within the organization in ways that best fit their strengths
- Identifying and recruiting the best candidates for categories of positions at strategic levels within the organization.
- Concentrating human resources on the talent retention and development process yielding a greater return on investment and effectively risk management.

Hence Succession planning needs a strategic approach as a part of the business process which enables tackling of emotional issues to make the best decisions about the future of the promoters and their business. Some key steps which need to be kept in mind while working on effective succession planning strategy are as below.

- Aligning Business Strategy and Work force Management (Business v/s people)
- Identifying gaps and inconsistencies in processes as well as people.
- Talent identification and talent management (internal as well external)
- Developing succession management strategy(Retention and Recruitment)
- Implementation of Succession planning (Mentoring, Coaching, training for current and new talent pool)
- Commitment to Evaluate and Monitor continuously to execute effective succession planning.

Hence to execute an effective succession planning strategy some most critical factors which play pivotal roles are

1. Promoters / owner / business leader should get personally involved in this process as it requires commitment.
2. Promoters / owner / business leader should hold themselves accountable for developing successors as future leaders.
3. Employees at all levels must be committed to their self-development and growth in the organization.
4. A long term view needs to be kept in mind as Success is based on a business case.
5. Succession should be linked to strategic planning and investment in the future growth of the business.
6. Succession planning must be part of an integrated HR process and should include training, development and performance appraisals at regular intervals.
7. Succession Planning should not be only upward but it should also be lateral.

While executing Succession Planning Strategy MSME promoter/owner must consider which exit strategy is best suitable: a family transfer, selling of Business completely and exiting, or closing the business so as to avoid unnecessary conflict. It should also enable in building a strong financial security for the Promoter/Business owner and its family as is their single largest asset and a major source of personal worth and self-esteem.

## **VI. Succession Process In Msmes**

Succession is a complex process. It involves many factors and evolves over a long period of time (Ibrahim, Ellis 2004; Gallo 1995). Research on succession in MSMEs has widely approved the importance of succession planning to the survival of these firms (Ibrahim et al. 2001; Poutziouris 1995; Wortman 1994; Kets de Vries 1993; Handler 1992, 1990). Furthermore, succession is not an ordinary market driven transaction where the company is sold to the highest bidder; simply the heirs inherit the family business from the founder and has to run the business in a professional way (Churchill, Hatten 1987).

The issue of business succession in MSMEs is not new to the literature. Although succession is a crucial event in the firm's life cycle scholars' put very little attention to the specific factors that enhance firms' capacity to survive and how those interact with this process itself. In other words, the process of business succession should take into account the nature of the competitive context where this process takes place. For this reason, consideration of succession as a step-by- step process is unavoidable.

In order to provide an answer to the stated above questions the theoretical investigation is divided into different parts dedicated to:

- Barriers of succession process,
- Succession as a process,
- Strategic management and succession plans
- Choice of a successor
- Communication between incumbent and successor
- Company strategic goals

### **6.1.1 Barriers in Succession Process**

Succession is the most critical issue facing all family firms (W.C. Handler 1994). Succession involves the change of leadership from one generation to the next to ensure continuity of family ownership of the business (Davis 1968). Succession in MSMEs is unique; it is the result of the dual identity of these firms. As such, succession is an obvious element in the firms' life cycle – the younger generation succeeds the older one in order to ensure continuity (Churchill, Hatten 1987; Ibrahim, Ellis 2004).

Succession is very problematic for small and medium scale enterprises and high failure rates are often reported. Not planning or preparing is a problem often mentioned in succession literature. I. Lansberg (1988) identifies lack of succession planning as the main reason why so many first-generation family businesses do not make it to the second generation. I. Lansberg (1988) and W.C. Handler and K.E. Kram (1988) address several hindering factors mainly concerning on emotionally loaded issues and the different interests of stakeholders. The inability

to let go by the first generation founder has been widely noted in the literature on succession and presents an inhibitor in the sense that it leads to a certain level of rigidity (Handler 1994). In the empirical investigation of sample companies it is proved that still there is a belief that legal regulation are too complicated to successfully complete succession process.

### **6.1.2 Succession as a Process**

With regard to succession, authors have argued it may have both, an accelerating or decelerating effect on company's growth and development. Succession can also be a source of the necessary organisational and managerial renewal of the firm, which could present a natural advantage of a small and medium scale business. MSMEs may even accelerate business growth and enable successors to lead separate divisions thus avoiding conflicts (Davis, Stem 1981; Kenyon-Rouvinez, Ward 2005). Authors consistently emphasize the importance of adequate planning for succession to avoid succession issues becoming inhibitors of survival and growth (Harris 1994). The unique role that succession plays in the life cycle of the business and the survival of the SMEs considers succession as a growth driver for the small and medium scale business but only when timely planned and executed. However, in the empirical research proves that there is little understood in companies about succession process. Mainly it starts with timing given by the respondents' group to the succession process. Although the appropriate time period is 5-9 years to plan succession process is between.

### **6.1.3 Strategic Management and Succession Plans**

According to J.E. Patten (1986) strategic management and succession plans enable firms to:

- specify managerial functions and performance standards,
- ensure continuity in management practices,
- identify outstanding candidates for senior management posts,
- satisfy the aspiration of employees for career advancement.

Through the planning process, succession plans guide actions to enhance the quality of the leadership. It is believed that succession planning can build a competitive advantage through the superior development of successor's leadership talent (J.W. Walker 1998). Predictors of a successful succession process are found to be dependent on the incumbent's willingness to step aside, the successors willingness to take over, consensus among family members on how to carry on succession planning (P. Sharma, J.J. Chrisman, J.H. Chua [2003]). Important success factors are discussed by M. Harvey and R.E. Evans 1994. They mention appropriate fit between successor's competencies and the requirements of the business which also is related to the timing of succession process. The successfulness of succession is however a complex mixture of different stakeholders' satisfaction perception with the process and firm strategic goals. A number of studies emphasized that succession must be anticipated long in advance, and managed as a planned process (Alcorn 1982, Handler 1990, 1992; Kets de Vries 1993, Corbetta 1995; Sharma et al. 2001; Dyck et al. 2002; Erven 2004; Ward 2004). According to L. A. Danco (1982), W.C. Handler (1989) and I. Lansberg (1988) lack of succession planning is the major reason for the high mortality in family firms. In the resent proposal of R.H. Brockhaus (2004) there is a comprehensive review of the literature on business succession. This provides foundations for future research on succession in family business. His proposal presents contributions in five categories:

- business strategy,
- family business,
- successors' selection criteria,
- successors' training,
- relationship between owner-founder and successor.

On the contrary, in the field of family business, succession is regarded as strategic. For instance, J. L. Ward (1987) defines a family firm as a business that passes from generation to generation. In this field the relationship between a family and a business is perceived as a source of firms'. However, succession is often differentiation and competitive advantage recognized as critical for firms' survival. Therefore, in this field the management of succession is often perceived as part of firm's strategic planning. Unfortunately, in an empirical investigation more than 35% of respondents indicated that they do not plan succession yet and only a little bit more than 2% have a written succession plan. These results prove that companies are still giving not enough attention to succession planning.

### **6.1.4 Choice of a Successor**

The succession process described in the family business literature includes three critical steps which are associated with successor selection. The first step is to prepare offspring for their leadership role at an early age prior to joining the family firm. The second step is to integrate offspring into the family firm in different

positions. The third step involves the offspring taking over control of the family business (Stavrou 1999; Handler 1989).

Regarding selection criteria the literature highlights a general tendency toward the definition of more objective process of selection. Cultural stereotypes -such as age, sex and birth order - are gradually losing their role. Successors are ever more selected on the basis of their experiences and skills, and commitment to the enterprise. The decision in choosing the eldest for the leader is often justified by the incongruence between his/her position in the family and his/her position in the firm.

In this literature it is also pointed out family's trust as decisive to stimulate stakeholders to recognize successor's role in the firm. Although, in the recent literature the stereotypes are losing their power in this sample I notice that more than 75% of respondents wants potential successor to be a member of a family.

The second issue regards successor's training. The scope is to define successors' optimal path of experiences. Scholars agree that the process of intra-family transfer is a long one. It starts in the childhood and it is characterized by two critical points. The first is when the successor enters the business on a full-time basis. The second is when successor inherits the leadership. Furthermore, scholars strongly recommend a long-term managerial experience outside the family business. This enable successor to collect experience in a diverse environment and to develop her identity and managerial style. The development of a managerial carrier in the family enterprise and in different position that requires interacting with different stakeholders is considered compulsory. Finally, recent contributions point out the relevance of being trained as entrepreneur at academic level as relevant for the intergeneration succession success.

#### **6.1.5 Communication between Incumbent and Successor**

The relationship between owner-founder and successor is another issue that is often debated in the literature. The nature of this relationship is commonly considered strategic for the issue of the family business succession. Its character is relevant to determine the process, the timing and effectiveness of succession.

From this perspective, N. C. Churchill and K. J. Hatten (1987), have characterized the dynamic of this relationship along the process of succession and distinguished four stages:

- owner management;
- training and development,
- partnership
- power transfer.

It is expected that the two roles should mutually adjust their behaviour along the process and compatibly with its state of development. It has been also shown that not only the relationship per se is relevant, but also roles' mutual perception. Furthermore, several contributions show that the choice of "stepping out of power" is not an easy one. There are many reasons, such as the fear for the future of the firm itself, for his or her own self-respect and identity, for the potential loss of respect both in the family and in the community, and the lack of trust in the successors' skills. Due to this, it should not be surprising that the empirical research proves that the incumbent prefers in many cases to decide who to choose for the potential successor. However, a number of solutions have been proposed to overcome senior's resistance to the change of leadership such as helping his/her to become self aware of his/her behaviour or encourage his/her to leverage on his/her experience to start a new venture.

P. Sharmas (2004) review of the literature adds some interesting insights to this general picture of succession process. In the work of D. Miller, L. Steier and I. Le Breton-Miller (2003) business succession failure in family business plays the crucial role. Their major argument is that succession failure in family business can be often traced back to the misalignment between an organizational past and future.

#### **6.1.6 Company Strategic Goals**

The intergenerational transfer process itself may influence the firm's strategy (Handler 1994). Examples would include the degree to which the new generation is accepted and their ability to implement their own strategic agenda (Sharma et al. 2001; Chua et al. 2003). The analysis of strategy in family firms must examine intergenerational patterns of strategy. Such a focus permits examination of the succession process, which in itself is an important dimension of strategy in the family firms. Even though the small and medium-sized businesses are important for the economic growth of the country, recent literature pointed out that they have to face different managerial problems such as general management of the company, management of competences and also management of succession process. Regarding managerial problems of the same importance are those related to company access to outside world.

In this article aspects related to management problems and succession management problems play a crucial role. When asking the respondents group about strategic goals and their importance for the company

growth I came with such results; the three most important goals to those respondents are maximization of sale growth, maximization of the firm's value and also financial independence of the family.

As appointed out by the results of an investigation carried out on a sample of 86 Polish family firms, the main management problems in order of importance are (Table 16):

- To provide financial independence to family;
- To maximize sales growth;
- To maximize the firm's value;
- To provide development and growth of the company;
- New investments in the company and its products and services;
- To secure longevity of the company.

## **VII. Conclusion**

In today's competitive business environment, it's more critical than ever to have the right people in place throughout the organization. And for this to be nimble enough to quickly reshuffle the talent should a new business opportunity arise or one of the key players suddenly departs. Today 60% of organizations in the High Impact Talent Management research have no process for succession planning and only about 1/4 have an enterprise-wide approach. Even more interestingly, organizations with an enterprise-wide approach have only had it for an average of 1.6 years, illustrating the dramatic growth in this important part of talent management. The need of succession management is arise to extend beyond the focus on management and leadership roles which is becoming more important as organizations take active steps to build high performance and high involvement work environments in which decision-making is decentralized and leadership is diffused throughout an empowered and diverse workforce. The purpose of the study is to explore the emergence and importance of succession planning in micro small and medium enterprises and how the organizations are implementing these practices and thus securing their survival in long run. This study will also contribute to get knowledge on succession planning and leadership development in micro small and medium enterprises and in recommending best succession planning for these enterprises.

The limitation of the study is related to the literature which shows a significant lack of research on the evaluation of succession planning and leadership development programs in MSMEs. Thus, the literature available on the present topic is restricted on international perspective rather than on Indian perspective. It is in the light of this that the present research is undertaken to find out why MSMEs do not survive beyond the founders or proprietors. Hence, there is the need for succession planning in Micro Small and Medium Scale businesses.

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