

## TRYST OF SUCCESSION PLANNING IN SELECT BUSINESS COMMUNITIES IN AND AROUND PUNE

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### ABSTRACT

It has been observed that certain communities across the globe are labeled as business communities. Jews and Arabs are well known for business acumen. In India business communities like Marwaris, Bohra, and Shetty are well known for their business acumen. It is interesting to ascertain how these communities are evolving in the current technology-driven market and if the family is kept intact. The research uses interview tools to understand succession planning and the current business scenario in terms of family bonding. It was observed that the Family-owned businesses belonging to the above-said communities have one thing in common which is the diversification of business. Although some businesses have challenges in success planning rest still plan to stick to family legacy yet changing the business pattern.

**Keywords:** Succession planning, Family business, Leadership, Business Community

### Introduction

Succession planning is a process for finding and evolving new leaders who can replace old leaders when they leave, retire, or die. In business, it entails developing internal people with the right potential to fill main business leadership positions in the company. On a global scale, around 35% of Fortune 500 companies are family-owned businesses. The pivotal role played by family-owned businesses in building strong and resilient economies can never be downplayed. In developing countries like India, more than 65% of the contribution to gross domestic product (GDP) in the organized sector is accounted for by family-owned enterprises.

From globally reputed, big business houses like the Tatas, Birlas, Adanis, and Jindals to SME and MSME units, a majority of businesses in India have mostly been run by families for generations. Several leading business houses like GMR, Burmans, Thapars, and many others have realised the importance of business succession planning and this is fast percolating down to SMEs as well as SSME where business families wish to put the right succession planning structure in place distinguishing ownership vis-à-vis management.

In the words of Smt Piramal “As for a succession plan, of course, business families should think about it. If you want that continuity and the business to grow from generation to generation, it is important to think of a succession plan. Whether in India or the West, it is a subject that families tend not to raise. Families are worried the moment they will talk about it; mortality will be around the corner. In the words of Mark Tucker (Director of Barclays Bank), “The overall decision is not only rational but “hugely emotional”.

Indian companies, are predominantly “founder-driven”. Over time some promoters have realised that succession planning needs to be taken seriously if investors have to be won over. To resolve family disputes, the process needs to govern and decide on the next steps rather than governing the people themselves. The large-listed company doesn't have a choice, they need to have a succession plan in place. But when it comes to the Privately Held family a concentrated effort is required. Three prominent Indian business communities were selected for this study.

Marwaris belong to Rajasthan; Bohara have come from faraway countries and Shetty belongs to Karnataka. All are known for their peculiar qualities of business acumen. Over generations, they have been in business. All had their reasons to relocate to other lands in search of a better living. Droughts or famines, dry lands, and the land legislation act made them turn their back on their native land. In the early 1900's many moved away in search of a good life for themselves and their kith and kin.

A common feature observed amongst all these communities is, they are very community oriented. They stay close and united, help each other come up in life, and grant loans at very less or no interest. During the interwar years, the Marwaris and others greatly expanded their manufacturing investments, sometimes by buying the shares of British companies. Indian entrepreneurs invested in new industries such as sugar, paper, shipping, and chemicals, and challenged the British incumbents in jute and coal.

The unique quality to adapt to any new location, eagerness to learn the language, day-to-day trade practices, etc to get themselves established makes them a successful business community not only domestically but globally too.

The Marwaris, as is well known, have a unique talent for trading and business, a talent that they have cultivated and put to use diligently over the centuries. An intangible factor sometimes referred to as *baniya buddhi* or the 'trader's mindset', has ensured their success wherever they have gone. From running local businesses to trading with camel caravans that travelled to India from Central Asia and beyond, to funding rulers throughout north India across reigns and kingdoms, the itinerant Marwari traders, moneylenders, financiers, and bankers have been involved in every money-related activity throughout the history of modern India.

Boharas remain a trading and business community renowned for their honesty, fairness, and trustworthiness. In olden times, in the days of the nawabs, Bohras would be invited to take up residence in the towns under their rule. The rulers were of the view that prosperity would follow due to their industrious nature and entrepreneurial spirit. With a distinctive culture, they strive to embrace modernity while staying true to their traditions and continue to be active, peaceful, and law-abiding citizens dedicated to the betterment of all humanity.

The community's strength is its network, even 1,000 years ago, even without technology, today technology has helped them connect to a great extent. The import of kerosene oil into Bombay gave rise to a new industry, with the Bohra traders buying empty tins for about two annas each and fashioning them into lanterns, boxes, trunks, oil pots and other articles for sale.

The Dawoodi Boharas, a Shia sub-sect of traders hailing predominantly from Gujarat, are a business community reputed for their image of being wealthy, progressive and incredibly close-knit. The Bohra population in India is estimated to be around 500,000, with an equal number of diasporic members settled in various parts of the world. This community is closely bound and hence is very foresighted regarding their family's growth and development in business. Those who came down to Indian states in the early years of 1900 still have their further generations running the business in the family. Diversification from the business started 100 years ago came very quickly to this community. A community that started by selling lanterns made from kerosene tins is now seen doing business in a very big way.

They are in many business sectors, Construction, Fabrics and Textiles, Office supplies, Furniture, Electricals, Glass & Aluminium, Timber, Hardware, Paints, Chemicals, Opticians, etc being the very popular areas in most cities of this business community. Hard work and perseverance and a strong connection to their roots and community values have brought them to where they are today.

The Shetty belongs to the Bunt community. It is an Indian community, that traditionally inhabits the coastal districts of Karnataka. Bunts were originally a warrior-class community with agrarian origins, and form the landed gentry of the region. This agrarian community who had warrior origins too had to move out of their state due to the land legislation act leaving behind their agrarian nature of work. Many came to Mumbai and other cities to seek their future. The community has faced lots of challenges in the last 100 years. Yet they have found ways to make it good for themselves. This community is known for its hard work, simple but tasty cuisine, and its unique architecture. When poverty "pushed them out," as noted scholar and litterateur K. S. Haridasa Bhat expressed it, they had to depend on their main cultural capital, that is, "pleasing the mass by feeding rice" (*anna santarpana* or *samaradhana*).

The famous Udipi restaurant chains, established restaurants, hotels, and resorts. They brought global name to south Indian delicacies. Simple preparations, serving thali type meals, running canteens of companies or government departments etc mostly it was run by these people. Steamed food with fresh accompaniments as chutney, sambar was as good as a full meal for many. Till date many famous hoteliers of Pune city are from the Shetty community, Vaishali hotel, Rupali Hotel, Amrapali Hotel on FC Rd, Ramkrishna in Camp and Lonavala, Shantai Hotel in the city, Ganraj hotel on Bajirao road, Abhishek Hotel near Karve road, are few to be named.

Though all do not echo a happy thought. "First, so many other communities—Gujaratis, Marwaris and Punjabis—have come in and taken away our market. We could not cater to all those tastes nor compete with the money they brought in. Secondly, in the last few years, international hotels have come to India. They serve international cuisines and tastes have changed. Also, marriages have become very fancy. Finally, succession is a problem since business isn't glamorous and the children do not want to take over. We are just waiting until they are settled."

Hence running the typical Udipi hotels is becoming challenging day by day.

If the catering work will not take us further, then it is time for us to leave it behind and find another opportunity that will give our children a better life," says 67-year-old Raghu Shetty with a smile. "As long as the community supports each other and stands as one, it will all be okay..." Community connection is a very strong feature here.

### **Literature Review**

Based on the different papers studied it was obvious that most of the time succession planning is poorly planned by the companies. However, one mutual point in all the papers was that succession planning had only been conceivable with the backing and commitment of top management. It was also revealed that in India succession of CEOs is rarely debated in board meetings like in other countries. Researchers also point out that only 30% of the internal candidates qualify as successors (Osborn, 1981). Succession Planning is procedural rather than managerial (Rothwell and Poduch, 2004). Succession planning is a by-product of HR planning concerning the demand and supply of staff in a labor market (Chavez, 2011). Research also clarifies the impact of factors at the discrete level as elements of the success or failure of passing the business to the following generation.

Companies with rational performance before succession did not choose outside candidates. However, businesses with poor- the performance did not prefer outsiders either. Only companies with average performance opted for outside succession (Dalton, 1985). They select and train the right person for it (Richards, 2008). It was observed that there were formal mentoring and action-learning projects to develop candidates as budding successors (Guba, 1981). Conclusions also propose a model of recognition for family business employees based on these considerations (Carmon, 2010).

A fresh model integrates three key stages of succession: (1) assessing the required and current position of the business, (2) determining the successor and capabilities required for the forthcoming business, and (3) planning and implementing indispensable tasks mandatory for the future business (Brown, 2009). It initially defines three stages in an organization's development of a succession system that endorses the attainment of a firm's objectives: (1) one-position staffing, (2) replacement planning, and (3) succession planning.

Research also discovers that a firm's tendency to groom an internal candidate for the CEO's rank depends on firm size, degree of divergence, and industry structure. Outcomes also suggest that succession planning was linked to a higher probability of inside succession and voluntary succession and a lower probability of forced succession (Naveen, 2006).

### **The pattern of Succession Planning in Family-Owned Businesses (FOB) outside India**

Research discloses that US companies were older than Korean firms. Furthermore, they were more methodical and precise in succession planning. And they elected the right successor whether male or female. This wasn't the case in Korea (Korchmaros and Kenny, 2001). The conclusions indicate that Malaysian family firms do plan for their succession (Noora, 2019).

The research survey of family companies was one of the first to consider the family business succession in Poland post 20 years of economic alteration (1989–2009) and perhaps the first effort to observe the intergenerational change of industrialists. The most communal practice is to pass the proprietorship to heirs (Surdej and Wach, 2010).

This study precisely emphasizes SMEs in Malaysia to examine whether the particular culture of owner-managers affects the degree of refinement of the succession planning system. Key findings were that specific culture, viz. inspiration and traditionalism, have an important association with the degree of refinement of succession management plans (Ndubisi, 2004). The author replicated the succession plan of the company which portrays the impact of family members in succession. Studies revealed the impression of family bonding in business matters (Brown, 2009).

### **The pattern of Succession Planning in Family-Owned Businesses (FOB) in India**

The problems faced and the benefits involved by FOBs all over the world were understood to be more or less the same. The significance of the family in business and the uncertainty of the division between business and family were chief issues. This paper focuses on the tasks in FOBs ((Nandagopal and Nagaraj, 2008).

Apart from a few cases of catastrophes many Indian family industries have experienced more than two or three generations and more so in the case of the Coimbatore region (Nandagopal and Nagaraj, 2008). Study advises

that succession in family organizations advances its performance. Additionally, it affirms that matches between heirs around succession ameliorate the performance more than having no fights, although splits improve firm performance less than having no splits. Though, these results are not statistically significant (Raju ,2008).

Research also creates a relationship between emotion and Succession planning about FOBs. This author clarifies the impact of emotion while deciding on the successor of a business and it also embodies a positive relationship among them (Bjuggren and Sund, 2001). The close linking between tycoons and their life’s work and the dilemma of letting go, and a very solid sense of accountability to employees denote characteristics of succession management that require urgent attention.

Maximum papers characterize the trends followed by the finest of organizations. A lot of papers have associated succession planning with leadership. But one of the crucial aspects which were emphasized in a few papers was emotion. There was an indication that demonstrates that emotional quotient holds due weightage in succession planning. These papers have elevated a lot of questions as to how emotions were allied with opting for the right candidate and to what level they were right.

A few findings suggest that forthcoming successors with a family business background were pessimistic about being in control but optimistic about their efficacy in pursuing an entrepreneurial career ( Ram ,1999). Investigation proved a noteworthy involvement of succession planning in the sustainability of family businesses. But its application seems to be limited to medium and large enterprises only, which then brings out the gap between literature and practice.

These practices can be classified into phases:

**Protective phase (before 1991):** In this era, the Indian economy was subjugated by big family businesses like the Tatas, Birla, and Wadia Group to name a few. These industries have passed succession on to their progeny over the years. The stage can be named as protective phase as the family businesses were planned and structured to protect the family values and philosophy of the business. To uphold these only family members were favored and selected as the successors.

**Exploration phase (1990–2000):** With alteration in the economy due to globalization firms realized that race had amplified, thus, they were required to change some traditional practices of the business. One of them was a leadership succession plan, e.g., Ranbaxy Laboratories. It was one of the infrequent examples where a family business decided on a non-family member as the leader.

**Consolidation phase (2000–2010):** This segment can be seen as that of the alliance since a varied pattern in succession planning was apparent. FOBs trailed different strategies of ensuring: qualified board members, good governance, assortment, gaining competitive advantage, selecting the right person, and generating the right fit. Organizations were expanding and differentiating, government policies were changing to support SMEs, and changes in the overall growth of the economy and obtainability of experts made huge differences in view. This phase has also shown tremendous research across the globe.

**Systematic phase (2010 onwards):** Due to the growing attention of policymakers, clients, and investors, firms were taking ownership to bring transformation and stability to the economy. Thus, companies like Tatas and Infosys proclaimed non-family members as leaders, which not only transformed the scenario in FOBs but also bent a need to develop a systematic approach. This phase seemed to be more deliberate, scientifically structured, and systematically executed in the times to come.

**Research Method**

To analyse the succession planning in the community closes a structured interview process was carried out. The interviews were further analyzed.

**Analysis and of Interview**

To analyse the impact of caste and succession planning in family-owned businesses in and around Pune. The structured interviews were conducted for 30 business units from the following communities

Sr. No	Community	Number of businesses interviewed
1.	Marwari	10
2.	Shetty	12
3.	Bohara	08

Table 1: Number of Interviews for each business community

As it would have been very difficult to understand the finer aspect dependent on the cast through the survey an interview technique was used.

### **Analysis of Marwaris**

The Marwari communities are based across the Pune district. Mainly business started with Grocery and later diversified. The community has a base for the last century and more. Last 50 years the community has had many migrations and diversification as successive generations developed the business acumen but chose to diversity. The community has evolved and does not believe in any formal succession planning but believes deeply in training and exposure. The freedom to explore and a risk-taking attitude shape the business acumen of the community.

A few examples which can be quoted in the research are Malpani from Sagamner whose ancestors were grocers and later ventured into Tobacco products and the fourth generation is now into construction, entertainment, and education. Agarwal group which has a history of garment business today diversified into Education, Food, and garments.

The succession planning in the Marwari community is also by family and for family values. The community supports each other and has a strong bond.

### **Analysis of Shetty Community**

Interviews with around 13 businessmen in Pune were conducted who belong to the Shetty community. The Bunt community, which originally belonged to Karnataka came to Pune in the early sixties. The community has business majorly in Food and beverage industry which further diversified into hotels and tourism. The community worships hard work. A common feature observed here of helping to establish people from their communities in work or business in a not native state. On-the-job training is the base of establishing business acumen. First and second-generation businesses are now diversified and many are giving up the business for overseas careers underlining the need for succession planning in this community.

One remarkable fact about the community is gender equality. It's a woman-inheritance-preferred community. The rights go to the daughters and not the sons by default. The first generation saw the second generation reap and the third is harvest

### **Bohari community**

The boharies are in Pune for the last 80 years. The construction material and fabric clothing supply are two main businesses of the Bohari community, The first generation was the backbone of expanding Pune during pre-independence. The community has excellent craftsmanship which later added to business acumen. Bohari community has hardware shops, electrical materials whole supply, and plumbing material supplies. Succession planning is almost nonexistent. Training family member from a young age is the practice followed by boharies and hence the business kept on diversifying geographically.

### **Conclusion and Findings:**

The corporate world has expanded hugely in the last 20 years. Modern technology and digitalization have made the world a small place. Youngsters know about the opportunities they can have not only in India but overseas too. As the saying goes "grass is always greener on the other side", an inclination to have a 9\*5 job with lots of family time, time to spend exploring one's passions, etc is also the reason for youngsters not joining family businesses.

The world's economy runs on businesses. If the next generation (Gen Z) of family-owned businesses will not be very keen to run their setups, there are and will be non-family members joining the clan and taking the business ahead. Organizations have gradually started understanding the importance of mentoring dynamic managers. Though it "does not run in the blood" times are proving that successful CEOs are managing the business well.

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