

## ASSESSMENT OF CAUSAL RELATIONSHIP AMID ENABLERS OF SUCCESSFUL TRANSITION OF MANAGEMENT SUCCESSION IN FAMILY-OWNED BUSINESSES – A STUDY OF THE SOUTH ASIAN NATIONS

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**Abstract.** The present study was done to evaluate the causal relationship amid the enablers of successful transition of management succession in family-owned business in South Asian Nations. This was an empirical study where owners of family-run business across various South Asian countries were interviewed. In this study we used the Decision-Making Trial and Evaluation Laboratory (DEMA-TEL) approach to examine the causal relationship among the twelve variables which were identified by examining the existing literature. The findings of the research demonstrated that formal education, well defined succession plan, early affiliation in business etc. formed the cause group and shared vision for future, active involvement of the successor/s in the succession process, tacit knowledge transfer, building trust and credibility in successors and competence over gender etc. formed the effect group.

**Keywords:** shared vision, successor preparation, early affiliation, intrinsic motivation, DEMATEL technique, family owned business.

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## 1. Introduction

Family-run businesses have an important role in the economic landscape of Asia, contributing substantially to the region's growth and stability. These businesses operate within a framework characterized by long-term familial relationships, inter-generational learnings, cultural values, and specific business practices (Ramírez-Pasillas et al., 2021). It paves the way to initiate new ventures for the future entrepreneurs, which in turn leads to economic development in a country (Tetteh et al., 2022). This is a complex procedure which involving coordination of business activities while committing to the family-centered goals, business objectives, and external market influences (Chung & Yuen, 2003). There are certain variables which enables the successful management succession in the family-run enterprises (Chirapanda, 2020; Mariotti

et al., 2021). Overall, smooth transformation maintain their contributions to the economy with perseverance of cultural legacy, drive innovation, and benefit from supportive policy environments (Ugwu & Enudu, 2022).

Smooth transitions in leadership can help to prevent disruptions in operations, maintain investor confidence, family cohesion and promote knowledge transfer with continued growth and profitability, thus fostering overall economic development (Alexandro & Basrowi, 2024). Furthermore, management succession can help in adoption innovation practices within family-owned businesses in several ways, as new leaders bring fresh perspectives, ideas, and approaches to the business, leading to strategic planning and goal setting, driving innovation in products, services, processes, and business models (Bertschi-Michel et al., 2021). The succession planning to device management strategies leads to the development of knowledge, talent and leadership skills and strengthens the overall capabilities of the organization, enabling adaption to the evolving market demands and technological advancements (Al Suwaidi et al., 2020; Upadhyaya & Kuknor, 2023). It can help in building trust, competence and credibility among the successors (Conway et al., 2019; Miroshnychenko et al., 2021).

Today, many family-owned businesses in Asia have expanded from home market to target market abroad, where the management succession strategies has become important from the viewpoint of all the stakeholders (Teixeira et al., 2020; Bennedsen et al., 2022). Smooth management succession confirms the continuous operation of the family-owned enterprise, preserving its legacy, values, and flow of wealth across generations (Tang & Hussin, 2020). The strategic plans include ways to build bonds across generations in a family and negotiate win/win scenarios to foster stability and uniqueness over time (Nwuke & Adeola, 2023). Also, a well-executed succession plan develops stakeholder confidence by demonstrating the organization's ability to manage transitions effectively (Saan et al., 2018).

Family-owned businesses often come across unique challenges such as family emotions, entitlement and succession which can impact the business operations. Relatively high number of businesses in the South Asian nations are family owned or belong to the close business group. Nevertheless, such businesses are not immune to significant risks during the leadership change of power, which can lead to many organizational problems, including organizational changes, staff turnover, and organizational financial crisis (Gupta et al., 2013). First, Middle Eastern organizations generally do not have a formalized and well-defined succession management process to follow, which adds to the above difficulties. Second, praying, cultural, family and social issues, which prevail in the region, also accentuate the above problems (Belitski & Desai, 2021). Although timely and effective transition of the management from one generation to the other is central to the continuation and expansion of these ventures, there is a relative scarcity of studies that examine the antecedents and their combined effects on effective succession in the South Asian countries. Therefore, the purpose of this study is to investigate various elements that impact successful management succession in owned businesses of South Asian nations to develop pertinent and whole some recommendations that would help professionalize these companies and ensure sustainable growth and development in the long run.

Thus, it is important to understand the enablers of management succession in a family-owned business to ensure continuity, stability, and long-term effectiveness of their enterprises. There is a need to understand the relationships among such enablers which can help in preserving the longevity of long lasting business and business survival at the time of uncertainty/risk (Teixeira et al., 2020; Cadieux, 2007). Moreover, it helps in adaptation to changing market conditions and drive growth (Saan et al., 2018; Hannonen, 2013; Magasi, 2021). Thus,

understanding how these enablers manifest in an Asian context can offer valuable insights to understand the succession challenges, applicable to family-owned businesses worldwide. This paper has been structured in the following manner: (i) introduction (ii) theoretical background (iii) research methodology (iv) data analysis (v) discussion (vi) conclusion, limitation and future research and (vii) references.

## 2. Theoretical background

Looking into the past literature, Agency theory is recognized as a paradigm in research on the relationship between the management and the family business (Van Den Berghe & Carchon, 2003; Lim et al., 2010). The theory helps to explain the complex difficulties and dynamics of the process of succession in the Family Business and to analyze the succession process and understanding the organizational life (Chua et al., 2003). The agency theory has also impacted the behavior of the founder and the successors with clear and open communication between them, and the impact these have on both the performance of the company as on the business ethics (Ferrari, 20239). A clear leadership structure in a business firm helps to mitigate the relationship between the founder and the successors to mitigate the effects of agency towards attaining organizational goals, as per the agency theory (Chung & Chan, 2012).

The Behavioral Agency Model (BAM), rooted in Agency Theory, emphasizes managing risk aversion to loss by recognizing that decision-makers' attitudes toward risk are not fixed but context-dependent (Lim et al., 2010). Rather than being solely guided by individual risk preferences, decision-makers evaluate risk from multiple perspectives, including the agent's future well-being, the company's historical performance, alignment with incentives, and other situational factors (Woodman, 2017). In this framework, agents adapt their risk behavior based on the specific circumstances surrounding a problem (Gomez-Mejia et al., 2021). Their decisions are assessed as positive or negative by comparing potential outcomes against a benchmark. The concept of "loss aversion" plays a central role, as it motivates agents to take greater risks to avoid smaller losses, highlighting the dynamic nature of risk perception in different contexts (Masyhuri, 2024). Also, the Stewardship Theory, which seeks to explain what happens when the role of principal and agent are integrated into the organization rather than separate, overcome the drawbacks of agency theory (Caers et al., 2006). Thus, the integration of these theories can help to understand the peculiarities of the family business and, also, to understand their sustainability problems (Chrisman, 2019).

Effective management succession is important in businesses for the transfer of necessary information to the young generation and committed to development for future leadership positions. It is essential for the sustainability of business, specifically in the dynamic business environments of developing nations (Teixeira et al., 2020). The following section aims to delve into existing research on the facilitators of successful management succession in family-run businesses, in context of South Asian nations.

a) Shared Vision for Future: A shared vision is the complete knowledge of company's goals and objectives, facilitating successful management succession within family-owned businesses (Chung & Yuen, 2003). It has been found that when there is a shared vision, both the outgoing and incoming generations of a family work towards realizing the common goals of the business in the long run (Tang & Hussin, 2020). Such alignment ensures consistency in strategic planning and minimizes potential conflicts among the family leaders across generations on the company's future direction. Researchers have claimed that clearly communicated and shared vision instills confidence among stakeholders, including employees, customers,

suppliers, and investors (Nwuke & Adeola, 2023). Unified vision promotes leadership transformation across generations with strong familial and cultural bonds (Upadhyaya & Kuknor, 2023).

b) **Formal Education:** Formal education contributes to the successful management succession within family-owned businesses. Formal education provides necessary knowledge and skills required to effectively manage the complex aspects of a business along with leveraging the family experience (Agbim, 2019; Nwuke et al., 2020). Educational pursuits reassure innovation and adaptability by exposing successors to innovative concepts, technologies, and industry best practices. By fostering a culture of constant learning, formal education empowers successors to innovate and take advantage of business prospects in the external business environment (Magasi, 2021). Networking with peers, educators, and industry experts is important to have access to resources, mentorship, and potential collaborative ventures, enriching successors' leadership journey (Hannonen, 2013).

c) **Well Defined Succession Plan:** A clearly outlined succession plan suggests clarity and transparency about the process of leadership transition within the family enterprise (Hassan & Bichanga, 2022). Thus, it involves guidelines and actions to recognize and develop the business leaders to key positions, facilitating a seamless and orderly transfer of responsibilities (Rothwell & Prescott, 2022). A well-defined succession plan also play role in classifying and nurturing potential successors from within the family (Bozer et al., 2017). It involves the assessment of the inherent skills and capabilities so that adequate training programs could be planned in advance to nurture and groom the future family leaders (Rothwell & Prescott, 2022).

d) **Active Involvement of the Successors:** It prepares the successor for future responsibilities by engaging in discussions, training initiatives, and decision-making activities, Alayo et al. (2016) and enables successor/s to plunge themselves in the values, culture, and operational ethos of the family-run firm and understanding the complexities in running the business (Cadieux, 2007).

e) **Clear and Open Communication Strategy:** Transparency during the succession process is important for clear and open communication between the stakeholders, family members, and employees. This can be possible through transparency in the succession process (Ge & Campopiano, 2022). Effective communication also helps alleviate uncertainties and anxieties associated with the succession process (Bell & Pham, 2021). Transparency in the succession process also helps to foster stability and confidence (Matias & Franco, 2021). It can be promoted among them through soliciting feedback and suggestions from time to time for the smooth transition in the business (Ferrari, 2023).

f) **Incumbent's Support and Intrinsic Motivation:** In the context of family businesses, "incumbent's support" refers to the current leader's actions to foster the successor's autonomy and competence, which enhances the successor's intrinsic motivation to take over the business. This relationship is highlighted in a study by Gagné et al. (2021), which found that such support positively influences the successor's motivation and the likelihood of successful succession. In a family business the support of the incumbent leader is required to transfer his knowledge, past learnings, lessons, and skills (Nwuke & Adeola, 2023). The incumbent play important role in mentoring and guiding the future leaders for their seamless transition. The transition process can be proved to be effective through valuable perceptions and lessons of the incumbent (Hidayati et al., 2021). By publicly affirming the successor's capabilities and leadership qualities, the incumbent promotes business's continuity and future success, resolving concerns and minimizing resistance to change (Motylska-Kuzma et al., 2023).

g) **Tactic Knowledge Transfer:** "Tacit knowledge can be defined as skills, ideas and experiences that are possessed by people but are not codified and may not necessarily be easily expressed" by Chug (2015). Sharing tacit knowledge inspires the successor to think innovatively, explore new ideas, and devise inventive solutions to business problems, fostering a culture of innovation that drives the enterprise's long-term growth (Duh, 2014; Yew, 2020).

h) **Successor Preparation through Training:** The successful management succession in family-run businesses is significantly impacted by the fundamental factor of succession preparation through training. Training programs are designed to generate innovative skills, brainstorming, strategic thinking among the successors (Bell & Pham, 2021). It is required to resolve the complexities in the business with own skills along with the learned lessons from the past similar incidents (Ugwu & Enudu, 2022). Trainings are also required to develop an entrepreneurial mindset, by exposing them to real-world case studies, simulations, and practical exercises (Bertschi-Michel et al., 2021; Motylska-Kuzma et al., 2023).

i) **Building Trust and Credibility in successors:** It helps in instilling the confidence among the successors to work towards the progress and sustainability of business (Kiwia et al., 2020). A formal governance structure in a business are more likely to support the succession procedure and remain committed to the organization (Nwuke et al., 2020; Bertschi-Michel et al., 2021). It helps in enhancing the investor confidence and encourage them to invest more in the expansion and future growth of the business (Tang & Hussin, 2020). It is important the successors to be trustworthy and capable of leading the business to expand the financial performance of the business (Georgiou et al., 2023).

j) **Founders' desire and support for transition:** Founder is the person who builds his business with long term vision and objectives. The long-run vision of the business of the founder is required to transit successfully to the next generation leaders. The founder himself need to support in the transition process with his guidance in understanding the business tactics and its vision (Nwuke et al., 2020). Such clear guidance helps in resolving family conflicts and disruption.

k) **Early Engagement in the business and Mentoring:** Family business founders need to engage the subsequent generation people in the process of strategic procedure of transition. The successors should be provided with the timely guidance of business's operations, culture, and values at an early stage. The long-run sustainability of a business rely on the readiness of the family leaders to engage in the business as active owners (Kandade et al., 2021). They should be trained towards identifying, assessing and minimizing the risks of the business for its expansion and growth (Ge & Campopiano, 2022).

l) **Competence over Gender:** "Competence over gender" in the context of family business refers to prioritizing an individual's skills and qualifications over their gender when assigning leadership roles and responsibilities (Overbeke et al., 2015; Agrawal, 2018). In recent times, family businesses are fostering their daughters as successors and future leaders in the business. Based on their qualifications, skills, and capabilities the female successors are motivated to work and driving the businesses towards long-term continuity, survival and growth (Li et al., 2020). If the leadership positions are allotted on the basis of competency of individuals then it leads to effective decision making and overall betterment of the business (Onwuzuligbo & Aziwe, 2023). Thus, the inspiration to work in a family business should not be affected by the gender and competence over gender leads to navigate long-term challenges and opportunities by the successors in a family business (Franco et al., 2023).

## Research gap

In the context of South Asian countries, such as India, Pakistan, Bangladesh, Bhutan, Sri Lanka, and Nepal, the research gap lies in the search of how cultural norms and societal expectations impact the perception and implementation of enablers affecting successful management succession in family-run businesses. Existing studies frequently emphasize universal enablers such as competence, trust, and communication, but there is a dearth of detailed understanding about how these enablers interact with the diverse cultural dynamics present in South Asian societies. To develop effective strategies to address succession challenges in South Asian family-owned businesses, it is crucial to comprehend how the familial harmony, traditional expectations and cultural values intersect with enablers like succession readiness and leadership development. Hence, the research gap in the context lies in understanding how cultural norms, as well as influence the perception and implementation of enablers upsetting successful management succession in family-owned businesses of South Asian countries.

*RQ1: Find the key enablers of successful transition of management succession in family-run businesses in South Asian nations?*

*RQ2: Determine the contextual relationships among identified key enablers of successful transition of management succession?*

*RQ3: Assess the cause-effect relationship among the key enablers of successful transition of management succession in family-owned businesses in South Asian nations?*

## 3. Research methodology

### 3.1. Decision Making Trial and Evaluation Laboratory (DEMATEL)

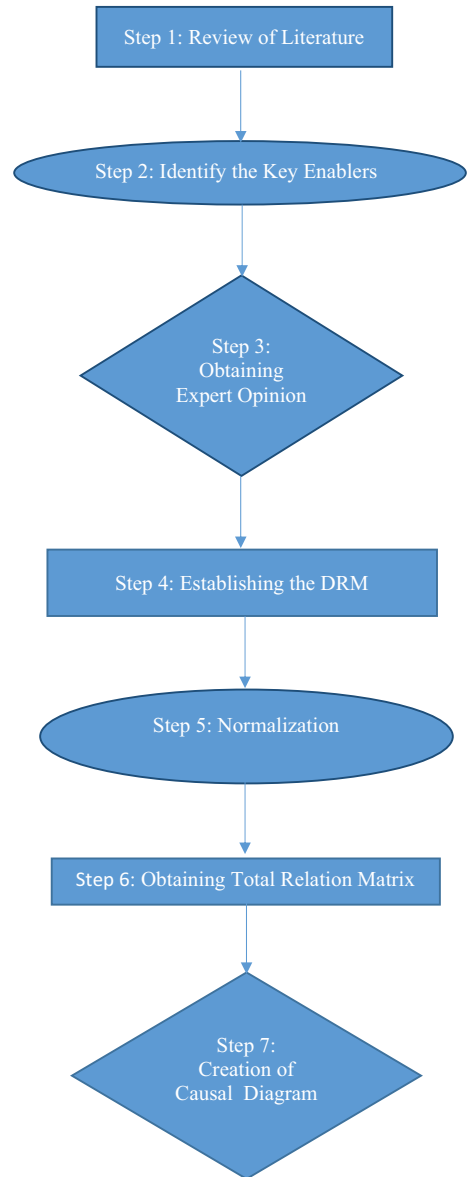
DEMATEL is a method that is effective in discovering the relationship between cause and effect among components in an intricate system. This technique has been used by scholars in diverse domains such as successor assortment and training in family run businesses (Fang et al., 2023); sustainability of SME family business in succession decision making (Lee et al., 2023); framework for succession in family businesses (Liu, 2018); and succession planning, as predictors of sustainable business in family-run businesses (Bokhari et al., 2020) but we did not come across any study regarding family business succession across South Asian nations using Dematel.

We chose to use the Dematel technique because it allows us to examine and analyze complicated relations amongst the chosen variables. This technique permits researchers to probe complicated systems by recognizing and understanding the relationships and causative elements among various factors. In the perspective of family business succession, DEMATEL provides both quantitative and qualitative insights into the interlinkages and influence of different variables, making it an efficient technique for exploring the intricacies of management succession planning. It offers a logical and meticulous approach to comprehend the intricate linkages and dependencies. It allows visual depiction of causative linkages, helping with better and clearer decision-making. We assumed that this method will be the most appropriate method for the current study, and it shall help us in (a) deep understanding of actionable and pragmatic insights, (b) offering a priority sequence of interventions and (c) providing comprehensive perspective for successful management transition in family-owned businesses. Management succession in family business is essentially a multifactorial and multidimensional

intricate process. DEMATEL allowed a holistic insight into this process by contemplating varied organizational, psychological and cultural dimensions and investigating how they interact. This is very crucial for family businesses, which often encounter both familial and business challenges during the transition. We did encounter some challenges in collecting the data from owners of family-owned businesses. Some owners were reluctant to openly discuss the issues related to management transition in family-owned businesses, that resulted in a few denials and delays. There were some concerns raised about the confidentiality of the responses.

The steps involved in Dematel process adopted in this study are represented in (Figure 1).

- Listed the enablers that wereto be studied using Dematel method.
- Collected the expert's viewpoint on a5-point scale to provide the association in each pair of enablers.
- Established the Direct Relation Matrix (DRM) by averaging the score from each individual expert.
- Based on the DRM (A), the DRM (D) was obtained.
- Created Identity Matrix (I), I-D Matrix and Inverse Identity Matrix to reach the Total Relation Matrix.
- Based on the normalized DRM and the inverse identity matrix the Total Relation Matrix was obtained.
- Assigned the ranks to all the studied variables based on the relation  $R_i + C_j$ .
- Then a causal diagram was created based on the relation  $R_i - C_j$ , which represented the cause-and-effect relationship among the studied variables.



**Figure 1.** DEMATEL process (source: authors' creation)

### 3.2. Sample selection

As per Dytczak and Ginda (2016) and Lee et al. (2013) the multi-criteria decision-making methods (MCDM) such as Dematel do not require data for large number of experts rather it is ideal to collect data from 10 to 11 people. We decided to interact with family-owned businesses were located across six South Asian nations such as India, Bangladesh, Bhutan,

Sri Lanka, Nepal and Pakistan. Family-owned businesses are profoundly embedded in the South Asia's culture, society and economy. In countries such as India, Bangladesh, Sri Lanka, Pakistan, Bhutan and Nepal, family businesses constitute a substantial portion of the private sector, and their influence spans from agriculture to manufacturing, retail and services. Family businesses are major contributors to the GDP in these nations. Family businesses also play an essential role in job creation and local as well as regional economic growth in South Asia. In countries with high levels of poverty or unemployment, such as Bangladesh, Nepal, and parts of India, family-owned businesses provide a considerable number of jobs, predominantly in small- and medium-sized enterprises (SMEs).

The family-run businesses which have been in existence for 70 years and more and have the balance sheet size of 10 million USD to 55 million USD and had annual turnover of 1 million USD to 15 million USD. These businesses were majorly engaged in manufacturing of scientific instruments, agricultural machines, electrical and electronics, leather products, food processing, engineering components, auto parts, telecom products, textile, construction, and readymade garments. We contacted 25 owners of family-owned businesses but 12 of them displayed reluctance to participate in the research process. We finally interacted with 13 owners of family-owned businesses. These respondents hailed from India (4), Bangladesh (3), Bhutan (1), Sri Lanka (2), Nepal (1) and Pakistan (2). Most of these respondents were graduates and were the third generation of their family. Their age ranged between 50 years to 65 years and their work experience ranged between 25 years to 37 years. Representation of the demography in tabular form has been done in Appendix (Table A3).

### 3.3. Data collection

We conducted multiple individual interviews on zoom. The first interview was conducted to vet the variables that we had identified from the extensive literature review conducted by us. Once we received the expert opinion of the owners of the family businesses, we created a two-by-two matrix to map their perception regarding every aspect that we wanted to study. Given below is the matrix that was used in our study (Table 1). The five-degree scale was used to collect the data: 0 (no influence amid criteria); 1 (low influence amid criteria); 2 (medium influence amid criteria); 3 (strong influence amid criteria); and 4 (very strong influence amid criteria).

**Table 1.** Matrix for data collection (source: author creation)

Code $i/j$	Enabler	E1	E2	E3	E4	E5	E6	E7	E8	E9	E10	E11	E12
E1	Shared Vision for Future												
E2	Formal Education												
E3	Well Defined Succession Plan												
E4	Active involvement of the successor/s in the succession process												
E5	Clear and open communication strategy												
E6	Incumbent's support and intrinsic motivation												
E7	Tacit knowledge transfer												



End of Table 1

Code <i>ij</i>	Enabler	E1	E2	E3	E4	E5	E6	E7	E8	E9	E10	E11	E12
E8	Successor preparation through training												
E9	Building trust and credibility in successors												
E10	Founder’s desire and support for transition												
E11	Early affiliation with the business and mentoring												
E12	Competence over Gender												

We then conducted a second interview with each of our respondents and tried to map his perception regarding the enablers of successful management succession in family-owned businesses by punching in the data in the matrix shown above. In total 26 interviews were conducted, two with each respondent and then the collected data was analyzed.

### 4. Data analysis

#### 4.1. Establishing the Direct Relation Matrix

This step requires the experts to assess the association between each pair of enablers based on the influential levels i.e., (0) for No Influence, (1) for Low Influence, (2) for Medium Influence, (3) for High Influence, and (4) for Very High Influence. The score *xij k* is provided by the *k*th expert and specifies the influential level that barrier-*i* has on barrier-*j*. The Direct Relation Matrix (Table 2) is calculated as provided in Equation (1) by averaging the score from each individual expert. Calculation the average score from each individual expert:

$$A = A_{ij} = \frac{1}{H} \sum_{t=1}^H a_{ij}^k, \tag{1}$$

where *Aij* is the average score, *H* is number of experts and *n* rking is the summation of *aij*, where *aij* specifies the influential level that barrier-*i* has on barrier-*j* from 1, 2, 3... *n* number of experts and *k* is provided by the *k*th expert. Where *k* is the number assigned to the expert taking part in the assessment process  $1 \leq k \leq m$ .

**Table 2.** Direct Relation Matrix (A) (source: author creation)

Code <i>ij</i>	Enabler	E-1	E-2	E-3	E-4	E-5	E-6	E-7	E-8	E-9	E-10	E-11	E-12	Row Total (RT)
E1	Shared Vision for Future	0.000	3.000	3.000	3.667	3.000	3.667	3.667	3.667	3.667	3.333	3.333	3.333	37.333
E2	Formal Education	2.667	0.000	3.333	3.000	3.333	3.667	3.667	3.667	3.667	3.667	2.333	3.667	36.667

End of Table 2

Code <i>ij</i>	Enabler	E-1	E-2	E-3	E-4	E-5	E-6	E-7	E-8	E-9	E-10	E-11	E-12	Row Total (RT)
E3	Well Defined Succession Plan	3.000	2.000	0.000	3.333	2.667	2.667	3.667	4.000	4.000	2.333	3.333	1.667	32.667
E4	Active involvement of the successor/s in the succession process	3.333	0.000	3.667	0.000	3.000	4.000	2.667	2.667	3.667	2.333	2.333	3.000	30.667
E5	Clear and open communication strategy	3.000	0.000	1.667	2.000	0.000	2.333	3.000	3.000	3.000	2.000	1.667	0.667	22.333
E6	Incumbent's support and intrinsic motivation	4.000	2.000	3.333	2.333	1.000	0.000	4.000	4.000	4.000	3.333	3.333	3.667	35.000
E7	Tacit knowledge transfer	4.000	0.000	0.000	1.000	1.333	3.667	0.000	4.000	4.000	3.667	3.667	3.000	28.333
E8	Successor preparation through training	4.000	1.333	2.333	3.667	2.333	4.000	4.000	0.000	4.000	4.000	3.667	3.000	36.333
E9	Building trust and credibility in successors	4.000	1.333	1.667	2.000	2.000	3.000	3.667	3.667	0.000	3.667	3.000	3.333	31.333
E10	Founder's desire and support for transition	3.667	2.667	3.667	3.667	3.667	3.667	3.667	3.667	3.667	0.000	3.667	3.333	39.000
E11	Early affiliation with the business and mentoring	4.000	2.667	3.667	3.667	3.000	4.000	4.000	4.000	4.000	4.000	0.000	4.000	41.000
E12	Competence over Gender	3.667	1.000	2.000	3.333	1.667	3.667	3.667	3.667	3.667	3.667	2.333	0.000	32.333
	Column Total (CT)	39.333	16.000	28.333	31.667	27.000	38.333	39.667	40.000	41.333	36.000	32.667	32.667	

## 4.2. Normalization of Direct Relation Matrix

Based on the direct-relation matrix  $A$ , the normalized DRM (Table 3) was obtained using the following formula:

$$X = f \times A_{ij}, i, j = 1, 2, 3, \dots, k, \quad (2)$$

where  $D$  – Normalized DRM;  $A$  – Average initial-direct relation matrix,  $a_{ij}$  – values in matrix  $A$  and

$$f = \min_i, j \left[ \frac{1}{\max \sum_{i=1}^n a_{ij}}, \frac{1}{\max \sum_{j=1}^n a_{ij}}, \frac{1}{\max \Delta_j = 1a_{ij}} \right], \quad (3)$$

where  $1 \leq i \leq n, 1 \leq j \leq n..$

$$\max(\text{Column Total}) = \max CT \sum_{i=1}^n a_i,$$

$$\max(\text{Row Total}) = \max RT \sum_{j=1}^n a_j,$$

where  $i, j = 1, 2, 3, \dots, n, 1 \leq i \leq n.$

**Table 3.** Normalization of Direct Relation Matrix (D) (source: author creation)

Code $i/j$	Enabler	E-1	E-2	E-3	E-4	E-5	E-6	E-7	E-8	E-9	E-10	E-11	E-12
E1	Shared Vision for Future	0.000	0.073	0.073	0.089	0.073	0.089	0.089	0.089	0.089	0.081	0.081	0.081
E2	Formal Education	0.065	0.000	0.081	0.073	0.081	0.089	0.089	0.089	0.089	0.089	0.056	0.089
E3	Well Defined Succession Plan	0.073	0.048	0.000	0.081	0.065	0.065	0.089	0.097	0.097	0.056	0.081	0.040
E4	Active involvement of the successor/s in the succession process	0.081	0.000	0.089	0.000	0.073	0.097	0.065	0.065	0.089	0.056	0.056	0.073
E5	Clear and open communication strategy	0.073	0.000	0.040	0.048	0.000	0.056	0.073	0.073	0.073	0.048	0.040	0.016
E6	Incumbent's support and intrinsic motivation	0.097	0.048	0.081	0.056	0.024	0.000	0.097	0.097	0.097	0.081	0.081	0.089
E7	Tacit knowledge transfer	0.097	0.000	0.000	0.024	0.032	0.089	0.000	0.097	0.097	0.089	0.089	0.073

End of Table 3

Code i/j	Enabler	E-1	E-2	E-3	E-4	E-5	E-6	E-7	E-8	E-9	E-10	E-11	E-12
E8	Successor preparation through training	0.097	0.032	0.056	0.089	0.056	0.097	0.097	0.000	0.097	0.097	0.089	0.073
E9	Building trust and credibility in successors	0.097	0.032	0.040	0.048	0.048	0.073	0.089	0.089	0.000	0.089	0.073	0.081
E10	Founder's desire and support for transition	0.089	0.065	0.089	0.089	0.089	0.089	0.089	0.089	0.089	0.000	0.089	0.081
E11	Early affiliation with the business and mentoring	0.097	0.065	0.089	0.089	0.073	0.097	0.097	0.097	0.097	0.097	0.000	0.097
E12	Competence over Gender	0.089	0.024	0.048	0.081	0.040	0.089	0.089	0.089	0.089	0.089	0.056	0.000

### 4.3. Obtaining Total Relation Matrix

The Total Relation Matrix (Tables 4 and 5) was calculated using the following formula:

$$T = (tij) D (I - D)^{-1}, \quad (4)$$

where  $T$  – Total-influence matrix;  $tij$  – corresponding values in matrix  $T$ ,  $D$  – Normalized DRM, and  $I$  – Identity matrix.

Sum  $C_j$ , do summation of columns

$$C_j = \left[ \sum_{j=1}^n tij \right]. \quad (5)$$

Sum  $R_i$ , do summation of rows

$$R_i = \left[ \sum_{i=1}^n tij \right]; \quad (6)$$

$$[tij]_{n \times n}, i, j = 1, 2, 3, \dots, n, \quad (7)$$

where,  $R$  – Row sum of matrix  $T$ ;  $C$  – Column sum of matrix  $T$ , and  $tij$  – corresponding values in matrix  $T$ .

To obtain  $T = D (I - D)^{-1}$  we first created Identity Matrix ( $I$ ), then we prepared Normalized Direct Relationship Matrix  $I - D$  and Inverse Identity Matrix ( $I = I - D^{-1}$  (refer the Appendix, Tables A1 and A2).

**Table 4.** Total Relation Matrix (source: author creation)

Code i/j	Enabler	E-1	E-2	E-3	E-4	E-5	E-6	E-7	E-8	E-9	E-10	E-11	E-12
E1	Shared Vision for Future	0.394	0.235	0.347	0.395	0.333	0.461	0.473	0.475	0.488	0.435	0.408	0.405
E2	Formal Education	0.446	0.164	0.347	0.374	0.333	0.452	0.464	0.467	0.479	0.434	0.379	0.404
E3	Well Defined Succession Plan	0.415	0.194	0.245	0.351	0.294	0.395	0.426	0.436	0.447	0.371	0.369	0.330
E4	Active involvement of the successor/s in the succession process	0.400	0.141	0.311	0.258	0.284	0.400	0.383	0.385	0.416	0.349	0.328	0.338
E5	Clear and open communication strategy	0.310	0.105	0.208	0.238	0.162	0.286	0.307	0.309	0.316	0.267	0.245	0.220
E6	Incumbent's support and intrinsic motivation	0.466	0.209	0.341	0.355	0.278	0.364	0.464	0.466	0.477	0.421	0.395	0.399
E7	Tacit knowledge transfer	0.404	0.140	0.225	0.276	0.241	0.384	0.312	0.402	0.411	0.371	0.349	0.333
E8	Successor preparation through training	0.476	0.198	0.327	0.389	0.313	0.461	0.472	0.387	0.487	0.442	0.409	0.393
E9	Building trust and credibility in successors	0.428	0.178	0.278	0.317	0.274	0.395	0.418	0.420	0.349	0.393	0.355	0.360
E10	Founder's desire and support for transition	0.490	0.235	0.371	0.408	0.357	0.475	0.488	0.490	0.503	0.374	0.427	0.417
E11	Early affiliation with the business and mentoring	0.519	0.245	0.386	0.425	0.357	0.503	0.516	0.519	0.532	0.482	0.365	0.449
E12	Competence over Gender	0.430	0.173	0.291	0.351	0.271	0.416	0.426	0.428	0.439	0.399	0.348	0.292
	Sum C <sub>j</sub>	5.178	2.215	3.677	4.136	3.497	4.994	5.151	5.185	5.345	4.739	4.377	4.339

**Table 5.** Total Relation Matrix (source: author creation)

Code i/j	Enabler	Sum R <sub>i</sub>	Sum C <sub>j</sub>	R <sub>i</sub> + C <sub>j</sub>	R <sub>i</sub> - C <sub>j</sub>	Rank	Impact
E1	Shared Vision for Future	4.849	5.178	10.027	-0.330	1	Effect
E2	Formal Education	4.742	2.215	6.957	2.527	11	Cause
E3	Well Defined Succession Plan	4.273	3.677	7.950	0.595	10	Cause
E4	Active participation by the successors in the succession process	3.994	4.136	8.130	-0.142	9	Effect
E5	Clear and open communication strategy	2.972	3.497	6.469	-0.524	12	Effect
E6	Incumbent's support and intrinsic motivation	4.635	4.994	9.629	-0.359	5	Effect

End of Table 5

Code <i>i/j</i>	Enabler	Sum <i>Ri</i>	Sum <i>Cj</i>	<i>Ri + Cj</i>	<i>Ri - Cj</i>	Rank	Impact
E7	Tacit knowledge transfer	3.848	5.151	8.999	-1.302	7	Effect
E8	Successor preparation through training	4.755	5.185	9.940	-0.429	2	Effect
E9	Building trust and credibility in successors	4.165	5.345	9.509	-1.180	6	Effect
E10	Founder’s desire and support for transition	5.035	4.739	9.774	0.295	3	Cause
E11	Early affiliation with the business and mentoring	5.300	4.377	9.677	0.923	4	Cause
E12	Competence over Gender	4.265	4.339	8.605	-0.074	8	Effect

### 4.4. Creating a causal diagram

The difference of *Ri* and *Cj* were calculated, and the derived values were used to divide the studied variables into two groups (a) causal group and (b) effect group. If the value of (*Ri - Cj*) is positive, the corresponding enabler can be considered to belong to the cause group, whereas the negative values will belong to the effect group. Table 3b can be used to map the datasets *Ri + Cj* and *Ri - Cj* to obtain the causal diagram (Figure 2).

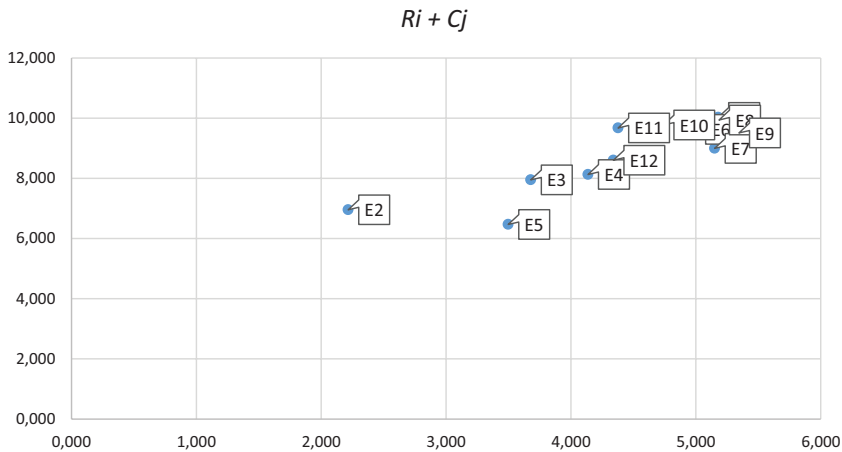


Figure 2. Causal diagram (source: author creation)

## 5. Discussion

The results of the study have explored the inter-relationships among the enablers influencing successful management succession in family-owned businesses to facilitate effective leadership transition and continuity planning in South Asian countries. All the identified enablers from the literature are categorized into two groups – causal group and effect group using the DEMATEL approach. The enablers extracted in the causal group are Formal Education

(E2) (Magasi, 2021), Well Defined Succession Plan (E3) (Hassan & Bichanga, 2022), Founder's desire and support for transition (E10) (Motylska-Kuzma et al., 2023) and early affiliation with the business and mentoring (E11) (Ge & Campopiano, 2022). These enablers are found to be significant in impacting the management succession in family-owned businesses. "Formal Education" (Magasi, 2021) is recognized as a cause, indicating that it effects the management succession and inter-related with the other enablers in the system. This result suggests that successors with a higher level of formal education are capable of being future leader and contribute to the succession process by bringing in specialized knowledge, critical thinking skills, and strategic insights (Nwuke et al., 2020; Bell & Pham, 2021).

"Well Defined Succession Plan" (Hassan & Bichanga, 2022) is also extracted as a cause of management succession in family-run business. This enabler is inter-connected with other enablers in the causal group. Thus, a succession plan should be well defined to identify the critical positions in the bus and develop the key skills required for that among the stakeholders (Sabounji & Imoniana, 2022). A well-defined succession plan can be successfully associated with agency theory which deals with the issues of conflicts of goals and interests between company's owners and managers. "Early affiliation with the business and mentoring" also plays a foundational role in shaping other enablers for the management succession in family-owned business. It suggests that the policymakers should be proactive and start engaging and mentoring the successors at an appropriate time well in advance for the success of transition of leadership roles in the organization (Maseda et al., 2022).

As per the findings of the study the enablers extracted in the effect group are- Shared Vision for Future (E1) (Tang & Hussin, 2020), Active involvement of the successor/s (E4) (Ferrari, 2023), Clear and open communication strategy (E5) (Bell & Pham, 2021), Incumbent's support and intrinsic motivation (E6) (Nwuke & Adeola, 2023), Tacit knowledge transfer (E7) (Yew, 2020), Successor preparation through training (E8) (Motylska-Kuzma et al., 2023), Building trust and credibility in successors (E9) (Georgiou et al., 2023) and Competence over Gender (E12) (Franco et al., 2023) forming the Effect Group. Shared Vision for Future (E1) are extracted in the Effect group. The enablers in this group indicating that a shared vision among stakeholders for the forthcoming direction of the enterprise is influenced by other causal enablers. It shows that enablers such as formal education, well-defined succession plans, and active involvement of successors contribute to fostering a shared vision, which is essential for guiding the succession process and ensuring alignment of goals (Razzak, 2023). The enabler- building trust and credibility in succession can be effectively linked with social capital theory which helps in fostering a cooperative and cohesive organizational environment (Schmidts & Shepherd, 2015; Sorenson & Milbrandt, 2023).

"Active involvement of the successors", "Clear and open communication strategy", "Tacit knowledge transfer", "Successor preparation through training", and "Competence over Gender" are positioned in the effect group of enablers, indicating that they are inevitable and is influenced by other causal enablers. The family firm's performance can be enhanced through the active participation of family members in the governance (Ge & Campopiano, 2022). Successful business succession is supported by the relation between incumbent trust in the successor and successful business succession, which is essential for guiding and mentoring successors effectively (Razzak, 2023; Rastogi & Agrawal, 2010; Bakhshi et al., 2023). The tacit knowledge transmission is the result of all the enablers in the causal group. The active involvement of successors, clear communication, and trust in facilitating the transfer of implicit knowledge and expertise from incumbents to successors. As per the experiential learning

theory, learning is a process where by knowledge is created through the transformation of experience (Baden & Parkes, 2013). It ensures continuity and innovation within the enterprise. Successor preparation through training suggests the significance of enablers such as formal education, mentoring, and well-defined succession plans in preparing successors for leadership roles through structured training programs and development initiatives (Morgan et al., 2021; Schell et al., 2023). “Building trust and credibility in successors” arises as an effect, signifying that it is influenced by other causal enablers. This underlines the importance of enablers such as founder support, clear communication, and active involvement of successors in fostering trust and confidence among stakeholders, which is essential for effective leadership transition (Nwuke & Adeola, 2023).

Family businesses in South Asia are profoundly shaped by cultural norms, traditional values, and knit family ties, emphasizing respect and obedience to the elders which are autocratic but participative (Chavan et al., 2023). More often, these enterprises focus on collective decision-making, and hierarchical authority. They prioritize family loyalty and preserving their legacy over immediate financial gains (Rustam & Narsa, 2021). However, the close integration of family and business can sometimes lead to challenges such as generational disagreements and reluctance to adapt to change (Tang & Hussin, 2020). Successfully balancing these traditional values with contemporary business approaches is crucial for their long-term growth and competitiveness (Bennedson et al., 2022). For these businesses to have proper management succession and to ensure continuity of the organization’s growth then this requires proper management succession planning (Ugoani, 2020). Trust and credibility with family members and stakeholders that manages the family earns trust and solidity of the organization (Somboonvechakarn et al., 2022). Moreover, intergenerational interface in policy decisions and implementation fosters open communication and reduces chance of conflict in work and family to increase goal congruence (Busata, 2024). Fostering such practices, the South Asian family businesses can combine tradition with innovation to create strong prospects and sustainable development.

## **6. Research implications**

### **6.1. Theoretical implications**

The outcome of the study offers significant theoretical contributions by enhancing the understanding of family business dynamics, particularly in the culturally rich context of South Asia. It highlights the impact of key enablers such as management succession, planning tactics and open communication on the management practices and overall performance providing a nuanced perspective on how cultural factors shape these enterprises.

Additionally, it broadens the theoretical foundation of succession planning by underscoring the importance of trust, effective training programs, and transparent communication in ensuring successful leadership transitions. The study also contributes to literature on long-term organizational performance by illustrating how family businesses can integrate cultural traditions with modern management strategies. Furthermore, it explores the role of shared vision, formal education and successful transition of knowledge from the founders towards the successor’s family-owned enterprises, offering insights into balancing ethical decision-making, building trust and credibility in successors. These findings collectively support the development of a more comprehensive framework for sustainable management of family businesses in culturally diverse settings.



## 6.2. Managerial implications

This study offers practical insights for managers and stakeholders in family businesses, especially for the South Asian context. The most important implication is that there is need for well-structured succession planning to enable smooth leadership transitions and ensuring the principle of going business concern. Training and development of managers should be done to impart skills to prepare the successors to face modern challenges and reverberate cultural values. Unity and minimized conflicts are fostered when trust and credibility amongst family members and stakeholders are built. The study also highlights the importance of the use of clear processes and open dialogues with stakeholders to align expectations and create shared vision for the business. Family businesses will be able to make these recommendations stronger and help the builders of their foundations and enhance the performance of their organizations and successful growth in a competitive environment.

Expanding the scope of this research by comparing family businesses with non-family businesses and examining diverse cultural contexts within Asia offers valuable insights into the universality and specificity of the findings. It is possible that non-family managed companies, which typically focus on managerial qualities, and have lower reliance on family connections, might have significant dissimilarities concerning transition planning, trust creation and others. Thus, Asian culture features could also be examined: East Asians' collectivist inclination as opposed to assertiveness detected in some South Asian cultures and how these differences affect management activities, ethical decision making, and succession. Such an analysis can help determine whether factors like trust, succession planning, and communication are universally applicable or need to be tailored to cultural or organizational contexts, thereby enhancing the broader applicability of the study's outcomes.

## 7. Conclusions, limitations and future research directions

The results of the study have provided a clear understanding of the key enablers that can influence the management succession in family-owned businesses and help to sustain the business. These enablers can be utilized while confronting succession challenges and ensuring the enduring success of business. It is important to consider these enablers as influencers that should be diagnosed, particularly in the developing countries. Family-owned businesses can proactively address these enablers to enhance the overall effectiveness and sustainability of their succession processes, therefore can ensure continued business prosperity across generations and can proactively strengthen their succession processes.

Like in the other research, our study also has some limitations. The research primarily focused on South Asian countries, potentially limits to generalize the findings to other regions with different cultural, economic, and institutional contexts. The DEMATEL technique used in this study requires a small sample size which limits the scope of the findings, but we believe that future research can be taken with larger sample size to get better insights which can be generalized. The second limitation is that our respondents were from family businesses which were in existence for quite longer period that might have also limited the scope, hence we propose that further studies can be taken up with more inclusive approach and respondents should be from new as well as age old family businesses. The third limitation is that our analysis is based on cumulative data, and it does not provide cross-country and within -country differences.

In future, comparative studies across diverse regions and countries can be conducted to shed light on variations in succession practices and their implications. Also, exploring the impact of emerging trends like digitalization and globalization on succession practices is essential for the adoption of strategies in evolving business landscapes. In conclusion, while this study contributes valued insights into management succession in family-owned businesses, ongoing research efforts are needed to address limitations and explore new dimensions in succession planning, ultimately fostering the resilience and prosperity of family businesses worldwide.

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## APPENDIX

**Table A1.** Matrix (I-D) (source: author creation)

Code <i>i/j</i>	Enabler	E1	E2	E3	E4	E5	E6	E7	E8	E9	E10	E11	E12
E1	Shared Vision for Future	1.000	-0.073	-0.073	-0.089	-0.073	-0.089	-0.089	-0.089	-0.089	-0.081	-0.081	-0.081
E2	Formal Education	-0.065	1.000	-0.081	-0.073	-0.081	-0.089	-0.089	-0.089	-0.089	-0.089	-0.089	-0.089
E3	Well Defined Succession Plan	-0.073	-0.048	1.000	-0.081	-0.065	-0.065	-0.089	-0.097	-0.097	-0.056	-0.081	-0.040
E4	Active involvement of the successor/s in the succession process	-0.081	0.000	-0.089	1.000	-0.073	-0.097	-0.065	-0.065	-0.089	-0.056	-0.056	-0.073
E5	Clear and open communication strategy	-0.073	0.000	-0.040	-0.048	1.000	-0.056	-0.073	-0.073	-0.073	-0.048	-0.040	-0.016
E6	Incumbent's support and intrinsic motivation	-0.097	-0.048	-0.081	-0.056	-0.024	1.000	-0.097	-0.097	-0.097	-0.081	-0.081	-0.089
E7	Tacit knowledge transfer	-0.097	0.000	0.000	-0.024	-0.032	-0.089	1.000	-0.097	-0.097	-0.089	-0.089	-0.073
E8	Successor preparation through training	-0.097	-0.032	-0.056	-0.089	-0.056	-0.097	-0.097	1.000	-0.097	-0.097	-0.089	-0.073
E9	Building trust and credibility in successors	-0.097	-0.032	-0.040	-0.048	-0.048	-0.073	-0.089	-0.089	1.000	-0.089	-0.073	-0.081
E10	Founder's desire and support for transition	-0.089	-0.065	-0.089	-0.089	-0.089	-0.089	-0.089	-0.089	-0.089	1.000	-0.089	-0.081

End of Table A1

Code <i>i/j</i>	Enabler	E1	E2	E3	E4	E5	E6	E7	E8	E9	E10	E11	E12
E11	Early affiliation with the business and mentoring	-0.097	-0.065	-0.089	-0.089	-0.073	-0.097	-0.097	-0.097	-0.097	-0.097	1.000	-0.097
E12	Competence over Gender	-0.089	-0.024	-0.048	-0.081	-0.040	-0.089	-0.089	-0.089	-0.089	-0.089	-0.056	1.000

**Table A2.** Inverse Identity Matrix (I) (source: author creation)

Code <i>i/j</i>	Enabler	E1	E2	E3	E4	E5	E6	E7	E8	E9	E10	E11	E12
E1	Shared Vision for Future	1.394	0.235	0.347	0.395	0.333	0.461	0.473	0.475	0.488	0.435	0.408	0.405
E2	Formal Education	0.446	1.164	0.347	0.374	0.333	0.452	0.464	0.467	0.479	0.434	0.379	0.404
E3	Well Defined Succession Plan	0.415	0.194	1.245	0.351	0.294	0.395	0.426	0.436	0.447	0.371	0.369	0.330
E4	Active involvement of the successor/s in the succession process	0.400	0.141	0.311	1.258	0.284	0.400	0.383	0.385	0.416	0.349	0.328	0.338
E5	Clear and open communication strategy	0.310	0.105	0.208	0.238	1.162	0.286	0.307	0.309	0.316	0.267	0.245	0.220
E6	Incumbent's support and intrinsic motivation	0.466	0.209	0.341	0.355	0.278	1.364	0.464	0.466	0.477	0.421	0.395	0.399
E7	Tacit knowledge transfer	0.404	0.140	0.225	0.276	0.241	0.384	1.312	0.402	0.411	0.371	0.349	0.333
E8	Successor preparation through training	0.476	0.198	0.327	0.389	0.313	0.461	0.472	1.387	0.487	0.442	0.409	0.393
E9	Building trust and credibility in successors	0.428	0.178	0.278	0.317	0.274	0.395	0.418	0.420	1.349	0.393	0.355	0.360
E10	Founder's desire and support for transition	0.490	0.235	0.371	0.408	0.357	0.475	0.488	0.490	0.503	1.374	0.427	0.417
E11	Early affiliation with the business and mentoring	0.519	0.245	0.386	0.425	0.357	0.503	0.516	0.519	0.532	0.482	1.365	0.449
E12	Competence over Gender	0.430	0.173	0.291	0.351	0.271	0.416	0.426	0.428	0.439	0.399	0.348	1.292

**Table A3.** Demography of the respondents (source: author creation)

SN	Country of Origin	Age of the Respondents in years	Work experience of the Respondent in years	Nature of Business	Balance Sheet Size in USD	Annual Turnover in USD
1	India	65	37	Auto Parts	55 million USD	12 million USD
2	Bangladesh	59	30	Leather Products	20 million USD	2 million USD
3	Bhutan	60	31	Electrical Equipment	10 million USD	2.5 million USD
4	Sri Lanka	53	25	Telecom	15 million USD	7 million USD
5	Nepal	61	33	Fiber Yarns	27 million USD	5 million USD
6	Pakistan	60	27	Textile	10 million USD	1.2 million USD
7	Bangladesh	57	28	Readymade Garments	21 million USD	4.5 million USD
8	India	64	34	Agricultural Machines	20 million USD	5.5 million USD
9	Sri Lanka	58	29	Food Processing	15 million USD	4 million USD
10	Pakistan	56	28	Food	10 million USD	1 million USD
11	India	63	31	Scientific Instruments	15 million USD	7.5 million USD
12	India	65	33	Engineering Components	25 million USD	10 million USD
13	Bangladesh	49	23	Food Processing	15 million USD	6 million USD