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Succession in Family Businesses of Pakistan: Kinship Culture and Islamic Inheritance Law

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1. Introduction

Several objectives were set for this exploratory research. The first was to compare the successor development activities and succession dynamics of locally managed family businesses, grounded in local cultural and religious environment, with academic research conducted in other parts of the world. This was to validate the already developed empirical knowledge. The second objective was to investigate successor development and succession dynamics of the family businesses in Pakistan, since the majority of them are facing succession challenges from founder generation to second and third generation of successors. Approximately 80% of employment within Pakistan is generated by family businesses; therefore, the well-being and continued growth of these family businesses is important for a developing country like Pakistan.

Hence, knowledge and understanding coming from this research will provide additional insights into successful succession and successor development. To achieve these objectives, we conduct a literature survey of successor development to form propositions regarding successor development within the family businesses. In this regard, we also explore literature on kinship culture, local Pakistani cultural norms and Islamic inheritance laws to develop propositions with respect to successful succession and division of businesses within the family businesses. Successful succession is defined from literature research and tested through empirical case study research. The following research questions are posed for this study:

1) What are the successor development practices within the family businesses in Pakistan, and how do they compare with other countries?
2) How do kinship culture and Islamic inheritance laws influence success or failure of succession within these family businesses?

2. Literature Review

In reviewing the literature on family firms, our aim is to identify development practices that family firms adopt in grooming their future successors. The study tries to explore different phases of successor development and the activities involved in this process. Research on family firms in Southeast Asia and the Middle East is scarce and our literature review primarily uncovers Western theoretical frameworks. This paper constitutes model development and gauges the extent of applicability of the theoretical frameworks on the Pakistani socio-cultural and religious environment.

Succession is viewed by many scholars as a long-term process involving multiple activities (Handler, 1994; Sharma, Chrisman & Chua, 2003). Longenecker and Schoen (1978), for instance, have pointed out that a successor's training takes place throughout childhood, adolescence and adult years. Their basic proposition is as follows: 'Parent-
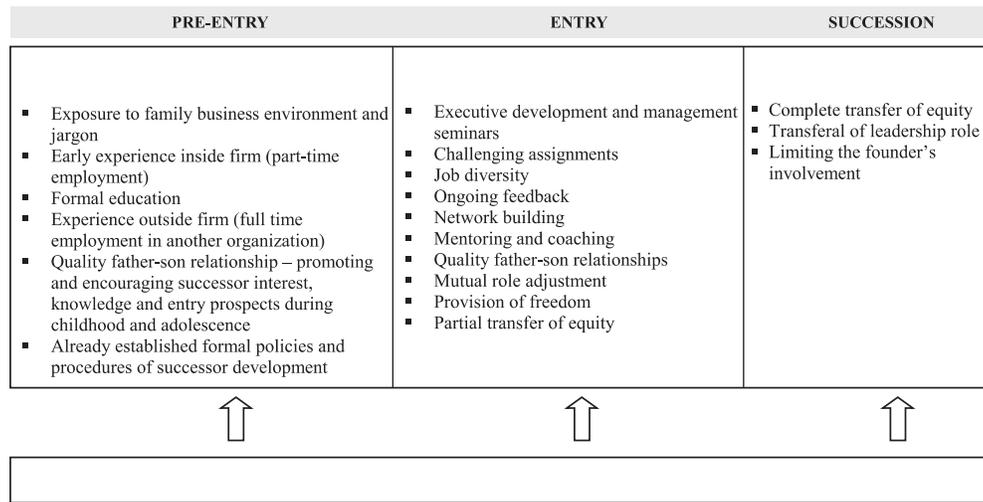
child succession in the leadership of a family-controlled business involves a long-term diachronic process of socialization, that is, family successors are gradually prepared for leadership through a lifetime of learning experience' (Longenecker and Schoen, 1978, p. 1). One critical activity that entails the succession process is the grooming of the future leader of the firm (Fiegener, et al. 1996; Sharma, Chrisman & Chua, 2003) which ensures that the successor is skillful and experienced enough to take over the business. The significance of this aspect in the succession process has been identified by a number of scholars. As supported by the knowledge-based view of family firms, the ability to transfer a firm's specific knowledge from founder to successor is considered a key strategic asset, which is why understanding the importance of this process may help develop and maintain competitive advantage in family firms (Cabrera-Suarez, Saa-Perez & Garcia-Almeida, 2001). Foster (1995) cites developing leadership in the successor generation as crucial to the survival of family-owned and family-managed businesses. Ward (1987), in his study of 200 family businesses, finds that successor development is one of the most important characteristics associated with businesses that are able to survive a generational transition (Lansberg & Astrachan, 1994).

The literature review provides significant evidence to establish that phase-wise activities are crucial for successor development. Researchers focusing on the succession process have proposed stage-based developmental models. For example, Handler's (1990) theory of mutual-role adjustment, which represents a hierarchical adjustment of roles between the founder and the successor in the family firm, is based on a concept of stages. The benefit of stage-based models is that they 'identify alternating periods of stability and transition that occur in response to the shifting and interactive needs of the business, of the family, and of individuals inside and outside the family' (Hollander & Elman, 1988, p. 151). The stage-based models highlight the progression of the successor from having little or no role to becoming the leader of the firm. The present study adopts a three-stage model (Figure 1) of successor development that corresponds to Stavrou's (1998) model of pre-entry, entry and succession.

The pre-entry stage represents the time when the successor is not a full time working member of the firm but is involved through family discussions and part time employment. The entry stage represents the time period when the successor joins as a full time employee and is integrated into the firm. The succession stage occurs when the successor is ready to take over the business as the future leader and the founder-owner is nearing retirement or moves to an advisory position. Considering the significance attached to effective successor development, it is important to establish what constitutes effective successors. Research by Churchill and Hatten (1987) measures effective successors by 'their ability to increase revenues and profits in their organizations' (Goldberg, 1996). Apart from monetary measures, Friedman (1984, 1986) specifies the company's reputation, turnover and the succession process as being relevant (Goldberg, 1996). Maintaining business unity is another factor that measures success since the continuity of the family business as a single entity is important for successful succession. Normally, in Pakistan the father/owner divides the family business when the successors are sufficiently prepared. The logic behind such a practice could be to avoid potential

conflicts among different successors. However, keeping the business (or group of businesses) intact as a single entity and allowing the successor its ownership and management control is a healthier choice for the prosperity of the business. Since it is assumed that an effective successor leads the family firm lucratively, successful succession is measured in terms of an increase in profitability and growth and unity of the family business.

Figure 1

PRE-ENTRY	ENTRY	SUCCESSION
▪ Exposure to family business environment and jargon ▪ Early experience inside firm (part-time employment) ▪ Formal education ▪ Experience outside firm (full time employment in another organization) ▪ Quality father-son relationship – promoting and encouraging successor interest, knowledge and entry prospects during childhood and adolescence ▪ Already established formal policies and procedures of successor development	▪ Executive development and management seminars ▪ Challenging assignments ▪ Job diversity ▪ Ongoing feedback ▪ Network building ▪ Mentoring and coaching ▪ Quality father-son relationships ▪ Mutual role adjustment ▪ Provision of freedom ▪ Partial transfer of equity	▪ Complete transfer of equity ▪ Transferal of leadership role ▪ Limiting the founder's involvement

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2.1 Pre-entry Phase

During the pre-entry phase, one of the methods of developing successors is to expose him/her to the family business environment and its related jargon. Even before the successor joins the family business, he or she is normally exposed to a variety of business talk by family members, for example through dinner conversations. From childhood, successors are socialized into the family business (Sharma & Rao, 2000) and they absorb tacit knowledge of it while at home (Cabrera-Suarez, Saa-Perez & Garcia-Almeida, 2001). They grow up hearing about different management strategies and by the time they enter the family firm they acquire a deep knowledge and understanding of it (Cabrera-Suarez et. al., 2001). Another method is to encourage the successor to gain experience within the family business through summer internships or volunteer work during school years. This can be constituted as valuable working experience since it enables the potential successor to gain prior knowledge of the company, become familiar with its working, its employees and develop specific and necessary skills. It also facilitates him in gaining acceptance and achieving credibility within the firm (Cabrera-Suarez, 2005, p. 74).

The significance of entering the family firm at an early age is also highlighted by Goldberg's (1996) study of effective and non-effective successors, in which he finds that effective successors entered the business earlier and had more working experience

within the business than their less effective counterparts. Ensuring that the successor completes his/her formal education and attains qualifications that will prove beneficial to the business is another developmental method. Formal education implies both early school education and university education. Proper schooling and a relevant university qualification provides the successor with considerable technical know how. The empirical findings of Goldberg (1996) suggest that 'the majority of effective successors held college degrees, while most of the less effective successors only had high school diplomas'. According to Fiegener et al. (1994), the advantage of a university degree is 'that it can consciously target specific developmental needs with tailored learning tasks'.

Another method is to encourage the successor to gain experience in an external business firm after the completion of his education in order to expose him to other working environments. There are a number of benefits associated with experience outside the firm, for example, Howorth and Ali (2001) note that with increased globalization and rapid adoption of new technologies, external experience and skills gained would allow the family firm to compete effectively with other businesses. Ward (1987) claims that 'outside experience, regardless of the job, is crucial because it gives offspring who join the family firm experience in developing new strategies, adding formal management systems, and building new management teams in the business' (Stavrou, 1998, p. 137). What's more is that it allows the successor to establish himself within the firm in a more credible manner since 'the successor's abilities are judged with greater objectivity' (Cabrera-Suarez, 2005). The existence of a quality father-son relationship, which allows free and productive communication, is also crucial to successor development.

Seymour's (1993) survey of 77 firms finds that 'a positive, significant association existed between the reported quality of intergenerational work relationships and successor training' (Handler, 1994, p.144). A good quality relationship between owner and successor provides the latter with 'extensive interpersonal development experiences' (Fiegener et al. 1994, p. 316). Longenecker and Schoen (1978) have mentioned 'the usefulness of the father-son or family relationship in promoting the successor's interest and knowledge of the family business during his childhood and adolescent years, often culminating into a career choice to enter the organization'. Lastly, it is important that the methods of developing successors are formalized by laying down policies and procedures that can act as a guideline to the leader and other key stakeholders concerned. This inherently means the creation of a succession plan for the purpose of a smooth transition. The development of a succession plan implies that the succession process will proceed in an orderly fashion, allowing for preparations before, during, and after the succession event (Sharma, Chrisman & Chua, 2003, p. 3). Similarly, Foster (1995) recommends that family businesses 'design a process of grooming and developing the successor generation of the family into skilled leaders who can shepherd the business through the inevitable crises, changes, and growth of the competitive future'. Therefore, we contemplate that in pre-entry phase, exposure to family business environment and related jargon, early experience within the business, completion of formal university

education, experience outside business, a quality father-son relationship and established formal succession policies and procedures are positively associated with successor development.

2.2 Entry Phase

There are a number of methods that can be adopted during this phase to develop effective successors. One method is executive development through courses and management seminars because they can be used to orient the successors into the family firm and provide knowledge in aspects where skills are lacking. As Dyer (1989) states, such seminars and courses can be used to 'provide needed information' and to 'broaden skills'. They can prepare successors for leadership roles by targeting 'particular developmental needs with specific plans of instruction'. Another crucial development method is to provide challenging assignments that expose the successor to novel problems 'that are a bit beyond their current intellectual reach' (Cabrera-Suarez, 2005, p. 75). Such assignments compel successors to fully apply their skills and abilities and to learn from their mistakes. These challenges also involve personal stretch and responsibility (Foster, 1995), which further develop successor as a leader. 'Each time one rises to meet new challenges, new skills are developed and new perspectives acquired. Furthermore, undertaking a variety of assignments allows for a wide range of learning opportunities and maximum skill development' (Foster, 1995, pg. 203). According to Fiegener (1994) 'the mastery of difficult work assignments is thought to be the most effective mode of executive learning'. Providing the successor with sufficient job diversity that would allow him considerable exposure is another developmental technique. 'Common approaches to promoting diversity include job rotation (across functions, divisions, departments, and countries), employee exchanges, and job redesign projects (McCall, 1992, Fiegener et al., 1994, p. 315). Providing ongoing productive feedback to the successor regarding his strengths and weaknesses in his job is also an important method of successor development. It is essential for the successor to be aware of how he or she has fared in the challenging assignments, in the development courses and in different departments of the firm. 'In order for feedback to have maximum impact, it needs to be delivered with skill, objectivity, and insight in a supportive atmosphere' (Foster, 1995, p. 203). A detailed awareness of self 'can lead to presenting oneself more effectively in the variety of situations leaders must face' (Foster, 1995, p. 203).

Enabling the successor to build a social and work network within the family business also facilitates development. This would allow him to achieve credibility and respect. One perspective considers transition unlikely to be successful in the absence of credibility with regard to both internal and external stakeholders (Fiegener et al., 1994, p. 326). According to Barach and Ganitsky (1995), 'good relations with others are critical to successful succession. They help to build self-confidence in one's ability to run a company. They help to reduce potential warfare, envy, insecurity, and other buried emotional baggage. Good relations contribute to the team spirit that must prevail for the family firm to prosper.' Such benefits aside, a good deal of knowledge can be

gained through networking 'about the inner workings of the company and about effective and ineffective organizational behaviors' (Fiegener et al., 1994, p. 315).

Mentoring and coaching the successor is an essential developmental tool. Mentoring involves the leader of the firm guiding the successor by 'providing the resources, reinforcement, and guidance to encourage the self-development process' (Cabrera-Suarez, 2005, p. 75) in his work life, and since the leader is mostly a blood relation it is likely that the mentoring continues into his or her personal life as well. Mentoring by parents is highly encouraged; however, sometimes instead of the father, senior non-family executives act as mentors not only because it entails greater objectivity but also because as Handler (1994) has mentioned, parents already have a number of other roles to perform. Non-family executives can act as mentors by 'supporting the successors and encouraging them to broaden their outlook' (Cabrera-Suarez, 2005, p. 75) and by teaching them 'both management skills and company norms and values' (Dyer, 1989, p. 228). A sound father-son relationship is deemed valuable not only in the personal dimension but also in the office environment, primarily because 'it can affect the predecessor's ability to teach and train his son' (Cabrera-Suarez, 2005, p. 75) and because it is an excellent mode of imparting 'strategic knowledge and insight to their successors' (Fiegener et al., 1996, p. 17). It is important that 'family CEOs … be able to nurture mature relationships with their offspring, accommodating conflicts to achieve win-win resolutions' (Barach and Ganitsky, 1995). According to Handler (1989), the more the father-son relationship is characterized by 'respect, understanding, and complementary behavior, the greater the likelihood of success in the succession process' (Cabrera-Suarez et al., 2001, p. 43). Mutually adjusting the roles of both the CEO and the successor to enable smooth transition is crucial to successor development as well. The concept of the mutual role adjustment process has been suggested by Handler (1990) and it entails a reduced involvement of the founder in the business and a growing involvement of the successor in a similar fashion. Both the founder and the successor assume varying roles, with the former delegating more responsibility, power and decision making to the latter with the passage of time. The benefit of sharing decisions is that it 'provides a forum for the older generation to impart its business philosophies and the new generation to learn about leadership of the firm' (Stavrou, 1998).

Providing the successor with sufficient freedom which enables him to be responsible and accountable for decisions and actions taken is also an important developmental method. According to Fiegener (1996), the leadership and management styles of family firm owners are generally authoritarian and paternalistic, as a result of which they maintain a strong hold over the working of the firm and are unwilling to delegate. Such a centralized system of control is unhealthy not only for the firm but also for the development of the future leader. A number of scholars believe that 'the predecessor's ability to delegate and promote a business environment in which the successor feels free to make both decisions and mistakes is fundamental to the successor's development' (Cabrera-Suarez et al., 2001, p. 44). Therefore for the entry phase we propose that executive development courses and management seminars, challenging assignments, job diversity, ongoing feedback, network building, mentoring and coaching, quality

father-son relationships, mutual role adjustment and provision of freedom are positively associated with successor development.

2.3 Succession Phase

During the succession phase, an important method of continuing the development of the successor is to transfer all the leadership responsibilities onto him that once belonged to his father. This is necessary for a smooth transition once the successor has been sufficiently prepared. Longenecker and Schoen (1978) suggest that it takes at least two years to 'master the complexities of the position and gain the control associated with the leadership role'. Along with the transfer of roles from successor to leader, decision making power, authority and equity are transferred simultaneously (Handler, 1994, p. 151). It is also essential that once the successor is effectively integrated into the family firm and becomes self-sufficient, it is necessary for the founder to lessen his involvement. Dyer (1986) believes that to allow successful succession to take place, the founder should gradually move away from active involvement in the firm's operations (Handler, 1994, p. 149). According to Lansberg (1988), 'it is important for the boundaries around the founder's involvement to be drawn very clearly and for both the founder and the successor to monitor this aspect of the transition carefully' (p. 136). The reason for this is that it is often hard for the founder to leave the family firm after having managed it for years, and as a result may 'infringe on the successor's territory and autonomy' (Lansberg, 1988, p. 136).

Another important step that aids successor development is the transfer of equity in the successor's name. Sharing the ownership of the firm encourages successor interest and commitment to the firm. Equity transfer normally takes place when the successor assumes the CEO position. According to Barach and Ganitsky (1995) 'a successful succession is most easily accomplished when the planned or actual disposition of stock parallels the transfer of power' and as Handler (1994) notes one sign of an effective succession is control of the stock by the next generation. Therefore for the succession phase we propose that transferal of leadership responsibilities, curbing the founder's involvement and full transferal of business equity are key strategies to successor development and successful succession.

2.4 Kinship Culture

A complete understanding of any subject entails examining the context within which it is embedded. Therefore, in order to gain a deeper understanding of successor development and succession within family firms of Pakistan, we must consider the socio-cultural and religious environment in which they operate. Howorth and Ali's (2001) examination of case studies in the furniture industry of Portugal looks at family business succession from a cultural perspective, and proves useful for our research since it indicates that 'culture and ethnicity are fundamental to a family firm's operations and motivations' and specific aspects of culture are expected to effect each strand of the framework.

According to Ward (2000), 'national culture is a distinguishing influence on the family that shapes a business family's ownership and leadership vision'. Similarly, Hofstede (1984) states that people build organizations according to their values, and societies are composed of institutions and organizations that reflect the dominant values within their culture (1984). It is useful to understand the definition of 'culture' before reviewing the case of the Pakistani family firm environment. Hoecklin (1996) defines culture as a collective phenomenon that is about shared values and meanings. According to Hofstede (1984) 'culture consists of the patterns of thinking that parents transfer to their children, teachers to their students, friends to their friends, leaders to their followers, and followers to their leaders'.

Pakistani culture can be described as collectivist, highly power distant and masculine. A collectivist culture is one where there is a 'preference for a tightly knit social framework in which individuals can expect their relatives, clan, or other in-groups to look after them in exchange for unquestioning loyalty' (Hofstede, 1984). Collectivism applies in Pakistan because the primary social organization in the country is a web of kinship networks or *biradiri* as it is called in the local language. The concept of *biradiri* (kinship) extends beyond the immediate family of an individual to include one's own cousins and those of the parents as well. According to Stanley Kochanek (1983) ndividual in Pakistan is tightly knit into a well-structured kinship network which determines his status, mobility, and success'. Cross-cousin marriages within the *biradiri* not only strengthen family ties but also reinforce the financial foundations 'by retaining land and property within the family' (Kochanek, 1983). Another important factor that strengthens and unifies the *biradiri* is a sense of loyalty and respect for the norms of that group. 'One such norm is the need for providing for the economic well-being of members of the *biradiri*. In practice, therefore, many of those hired are members of a family' (Ansari and Bell, 1991). Members of the biradari are mutually obligated to support each other in feuds and conflicts regardless of the justice of the issues involved, and those in position of authority are expected to favor those who are not (Kochanek, 1983). Due to the adherence of these norms, a high level of trust or bharosa exists between the biradari members, which creates further solidarity. Power distance refers to the 'extent to which inequality (hierarchy) is seen as an irreducible fact of life' (Hoecklin, 1996).

Whether a culture is low power distant or high power distant depends on the level of inequality and empowerment that exists in relationships. Pakistani culture is characterized by high power distance because the structure of organizations is hierarchical and power is typically centralized. Families, too, support a structure of hierarchy with the father being the head of the family and the eldest son having more say in decision making than the younger ones. Children are expected to respect and obey their parents and refrain from questioning their authority. The elders of the families, or *buzurg*, such as paternal or maternal grandparents or great grandparents are also considered wise and experienced and are to be treated with respect and reverence. Sibling rivalry is discouraged and siblings are instructed to respect each other from an early age. The

older brother is referred to as *bhai* in Urdu which literally means brother. This 'is not a symbol of equality but a mark of respect for family hierarchy' (Ansari and Bell, 1991). Masculinity 'stands for a preference in society for achievement, heroism, assertiveness, and material success' (Hofstede, 1984). A masculine society can be described as one in which there is maximum difference between the social roles of the sexes. 'The norm is then that men are given the more outgoing, assertive roles and women the caring, nurturing roles' (Hofstede, 1984). The polarity of roles assigned to or expected of the majority of men and women in Pakistan indicates that the indigenous culture is essentially masculine. The sons of the family are expected to act responsibly and to assume leadership when the time arrives, and the daughters are expected to be married off and honorably start a new life in a new home. Men are regarded as the bread- winners of the family and women are expected to nurture the home and the children. The kinship and hierarchical nature of the society inculcates status-consciousness in the minds of the people. Status is closely tied to the concept of *izzat* which can be translated as honour, prestige and privilege (Kochanek, 1983). The maintenance of a family or biradari's *izzat* is considered extremely important. It takes precedence over all other matters and cannot be compromised. Based on the literature we propose that kinship and family culture influence the division of family business equity, and thereby the disintegration of the family business into several businesses during the succession phase.

2.5 Islamic Inheritance Law

Pakistan was created on the notion of a separate Muslim state where the citizens would be able to freely profess and practice their religion. Since the majority of the population of the country is Sunni Muslim, there is a great degree of overlap between the Pakistani culture and the Islamic religion. The traditions of submission to authority, familial piety and bipolar social roles which have been previously explained through a cultural viewpoint are also recurrent themes in Islamic literature. Islam is meant not only as a religion but as a way of life, which is why it provides injunctions and commands pertaining to all aspects of life to guide human beings in the right direction. One of the fields in which detailed legal guidance has been provided is that of inheritance. According to Athar Husain who is a member of the Board of Research of the Indian Institute of Islamic Studies, 'the rules regulating inheritance are based on the principle that the deceased's property should devolve on those who by reason of consanguinity or affinity have the strongest claim to be benefited by it and in proportion to the strength of such claim' (Husain, p. 1). It is also in line with the principle of wealth distribution in Islam, which discourages the concentration of wealth within a single family or person or group of people. Although the law of inheritance is interpreted in different ways by the Sunnis and Shias, the rights of inheritance of the children stand. The male (son) gets twice the share of the female (daughter). It is important to note that the inheritance law is enforceable only upon the death of a person, and no law exists that overlooks the division of wealth before his demise. A person can gift all his or her wealth to any organization or any person in his own healthy life[1]. Therefore, father/owner of

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[1]That is, when there are no life threatening illness and no signs of approaching death.

business can transfer wealth or equity to successors during his lifetime as a gift or hiba without any religious implications.

An interview with an Islamic scholar Sheikh Kamaluddin Ahmad[2] revealed that if the division of wealth is to take place within the lifetime of the father then it should be done according to the spirit of Islamic law; this basically means that the division of personal wealth ought not to deviate too greatly from that which has been prescribed by the law of inheritance so that the rights of the heirs, whoever they may be, are not violated. Moreover, no discrimination ought to take place on the basis of gender. If a daughter is working in the family business then she too is entitled to a share of the business equity if it is being transferred into the children's name. If the daughter is not involved in the day-to-day operations of the businesses she will have no claims on her father's business assets. However, she would have a claim if her father dies without dividing the business assets or if the father had a business share which was owned and managed by him alone. Therefore, we propose that the family business abide by the Islamic inheritance laws for the divisions of wealth, including business assets by the owner/owner during the succession phase. The following section describes the research methodology adopted for this research.

3. Methodology

The literature survey provided a conceptually sound framework which helps develop our understanding of successor development and succession in family businesses in general. Since empirical research on family businesses, in general, and succession and successor development in particular in this part of the world has never been done, we consider the case study approach most suitable for this study. The generalization from this research is mainly 'analytical generalization' (Yin, 1994). Therefore, already established theories from literature are selected as templates to compare the empirical cases study observations, where three case studies provide the replications. In order to implement the case studies a case study protocol is adopted. All the developmental practices identified in the pre-entry, entry and succession phases are mapped onto the model (Figure 1) in a manner compatible to the three stages. The model provides a brief illustration of our review where all variables are deemed to be positively correlated to successor development, and where cultural and religious variables act as influencing variables.

Yin (1994) provides clear definitions and stresses on the need for conducting case studies. According to Yin (1994) 'a case study is an empirical inquiry that investigates a contemporary phenomenon within its real life context, especially when the phenomenon under study is not readily distinguishable'. Since the study of kinship culture and Islamic law is a part of this study, it created a technical challenge due, first, to the complexity of the local culture and second, to a lack of a clear boundary between

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[2]Interview with Sheikh Kamaluddin Ahmad conducted on 15th November 2006.

religious and cultural practice. Initial proposition regarding influence of cultural and Islamic inheritance laws and successor development approaches were developed which helped guide case study implementation. Another challenge was to collect information from multiple sources therefore we conducted detailed semi structured interviews with the father/owner and the successor. Apart from the interviews, published company reports and records of organizational history related to succession were also collected and used during the case writing process. After the research a case study report was generated and was shared with the respondents to get their approval on the observations and findings. Furthermore, the cases were selected from three different industrial sectors in which a large number of family businesses exist: e.g., textile, engineering and consumer products. In order to cover the overall contextual setting, each case belongs to different phases of the organizational life cycle. Two cases were selected from 100 percent family owned and managed businesses and one from a professionally managed business where majority ownership was still with the family, and family members held top positions. Out of the three family businesses, two were private limited companies, and one was a public limited listed company. Another consideration for selecting cases was the willingness of the family members to provide information. The geographic location of the organizations was also considered important during case selection; therefore, the three industrial cities of Lahore, Faisalabad, and Gujarat were selected: Lahore is important as a service industry hub, Faisalabad as a textile city and Gujarat as the center of engineering in Pakistan. Furthermore, two case study organizations had a family business history of morethan 50 years and had seen two to three generations of successors, whereas one case study organization had a history of 100 years and had seen three successions. Validity was achieved through interviews with multiple sources (father, son or daughter or other successors in the family business) for the same set of variables. The initial case study findings were also shared with the key respondents for data validity and reliability. In the following section, the three case studies provide interesting insights into the dynamics of successor development in the local organizational and cultural setting.

4. Case Study 1

Kart Limited was established in 1965 as a joint venture between the Hussain[3] Group of Pakistan and Atlas & Ryan[*] of USA to manufacture and market construction material products. In 1964 the Group received a proposition from Atlas & Ryan to buy products from them and sell it in the local market. Sheikh Suleman Hussain, the founder of the Hussain Group, sent his son Sheikh Zahid Hussain, future CEO of Kart Limited, for a meeting with the management of Atlas & Ryan to convince them to set up a joint venture in Pakistan instead. Thus, Kart Limited was established as one of the joint ventures in Pakistan, with the Hussain Group owning 75% equity in the business, and Atlas & Ryan owning 25%. The USA partner provided the human resource in the company's initial years and trained local managers. In 1968, the family realized that they could not rely on buying raw material from local market for their requirements because of

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[3]To protect privacy, names have been changed in this case study.

its poor quality so an on-site raw material processing unit was established. This gave Kart a competitive advantage, because it was able to customize its products according to the local market needs, whereas others were buying what was available in the market. Currently, Kart employs over 2000 people and is the only integrated construction material products company in Pakistan offering a complete range of building and construction products. As of 2006, Kart Limited was worth more than Rs. 1.5 billion.

Sheikh Akbar Hussain, son of Sheikh Zahid Hussain, started learning the ropes of his father's business from an early age. From childhood, he was exposed to the business environment; most of his holidays, summer or otherwise, were spent at Kart. He used to visit different departments but his interaction with others, especially in the production and design department helped him cultivate skillfulness in the production systems and processing functions. He used to interact with the employees, talk to them, dine with them, and learn from them. When eating at home, Sheikh Zahid Hussain would encourage Akbar and his daughter Sana to participate in conversation with guests. Akbar and Sana used to talk to executives of other companies, three times their age, and ask them what they did and how their businesses were doing. Thus Akbar's training started very early and it was done in such a way that he didn't feel he was being trained. Attending lunches and dinners and mingling with CEOs and asking them all sorts of questions was a fun activity for him. Akbar completed his O'Levels in 1974 and then he went on to do his A'Levels from Aitchison College, Lahore, in 1976. In 1978 he was sent to UK for further studies and by 1982 he had completed his Bachelor of Science in Industrial Engineering from the University of Manchester. The idea was to make him technically strong so that he wouldn't have to rely on anyone for technical advice because in manufacturing, technical know-how is of utmost importance. During the holidays of his university years, his visits to Pakistan enabled him to work at Kart limited and gain additional business experience. To further enhance his expertise in the area of Tiles manufacturing, Akbar went on to do a Master of Science in Industrial Technology from the Institute of Industrial Engineering in Wisconsin, which he completed in 1984.

He opted to start out his career as a Research Engineer in the Production department of an American tiles manufacturing company called Master Tiles. He worked there for four years and then moved on to a Management Trainee position in Atlas & Ryan in Houston, USA where he worked for two years. In Atlas & Ryan he worked in the Production Department in the first year, and in the Sales and Marketing Department in the second year. His employment experience abroad became a solid learning and developmental ground for him because in a foreign company he was treated like every other employee. Upon returning to Pakistan in July 1990, he started working as a Management Trainee in Kart and gained experience in various departments including production, marketing, operations, finance, etc. The decision to join Kart was entirely his own since he thought it would not have made sense to work elsewhere after having gained qualifications as well as experience in the tiles industry. A year later in 1991 he was made Project Manager of the Kart factory. Under his management, the department developed a unique process to produce high quality glazed tiles, which gave the company

an edge over its competitors. From 1991 till 2005 he worked as Director and Manager Projects and reported directly to the CEO, his father. During this time he was also involved in setting up a plant for recycling the old tiles for Kart limited. This was a challenging assignment because it was a new venture. The risks were high and the proposed investment amounted to Rs. 50 million. That quantum of investment had not been made before in aggregate amount since the inception of Kart. As a result the professional management was skeptical but Sheikh Zahid Hussain trusted his son's entrepreneurial skills and the plant was set up in 1995. The success of this project gave Sheikh Akbar Hussain much confidence and he became aggressive on the investment side and between 1990 and 2002 a total of Rs. 140 million was invested in Kart production technology.

In order to develop his son's leadership abilities and to expose him to different aspects of a business, Sheikh Zahid Hussain made Akbar a board member of different companies owned by the Hussain family. In 1995, he became the Managing Director for Hussain Leasing Company (HLC), the family's financial arm, on whose board he had already been. In HLC he not only acquired knowledge of the financial sector, but also became aware of the workings of other companies within the group. In 2000, Akbar went to Harvard Business School to attend a Program for Management Development. Currently, he is the Managing Director of Kart and is also the Chairman of the Executive Committee and the Business Strategy Committee at Kart. He has full leadership responsibility where his father still guides him as an adviser, but he is mostly at home. He acts as a good listener and supports his son and has sought to instill in him the core values of integrity, decency, and hard work. Kart Ltd. has no formal procedures or written documents for developing future successors. There is also no family board or family council; however, there exists a corporate board and every six months it gets together to discuss new opportunities and business ventures.

5. Case Study 2 – General Fan Company (GFC)

General Fan Company was established in 1954 as a private limited company by a group of 12 partners to manufacture and supply fans to the local market. However, differences among the partners started to arise in the 1970's when some of them entered into direct competition with GFC by starting their own separate manufacturing lines. By 1978 the differences among the partners had become so acute that production in the factory had to be abandoned. Eventually, the partners decided to sell the factory which was acquired by Yunus Industry. Yunus Industry was established in 1960 by Muhammad Yunus along with his brother Muhammad Ayub and brother-in-law Mirza Inayat Ullah. Muhammad Yunus established three businesses in his lifetime: Yunus Industry, GFC and Metro Fan Industry. Upon acquiring GFC in 1978, Muhammad Yunus decided to keep the brand name of GFC Fans because it had developed brand loyalty in the markets of Multan and Faisalabad. He gave his son Mohammad Ilyas the responsibility of running GFC. In 1998, GFC broke away from Yunus Industry to avoid internal conflicts and the sons of Muhammad Yunus, Muhammad Ilyas and Muhammad Ijaz took over GFC with 50/50 shares. Initially, GFC was only involved in fan production;

however with the passage of time the company diversified its operations into various other sectors. Currently it is composed of six business units; e.g., fans, washing machines, electric geysers, air coolers, capacitors and copper wire. The distribution network is spread over the major cities of Pakistan in all four provinces. In 1996, GFC started exporting fans to Bangladesh, Saudi Arabia, the Yemen, U.A.E., Sudan, U.S.A. and U.K. Headquartered in Gujrat, the sixth largest business hub in the country, GFC is currently one of the leading manufacturers and exporters of fans in Pakistan.

In 2005, Mohammad Nabeel Ilyas, son of Mohammad Ilyas, joined GFC as the entrusted successor of the company. Since early childhood he had been exposed to the business environment by his father. There used to be regular dinner talks and discussions amongst the elders about the business within the family housing complex which had been established by his grandfather Muhammad Yunus. Nabeel grew up hearing about different management strategies and production issues in his house. His father would take him along to visit dealers in different parts of the country and sometimes on business trips abroad. Nabeel also started working in the company from an early age; during his summer holidays and after Matriculation (10th Grade) and Intermediate exams (12th Grade) he worked in the factory to get oriented with the factory environment. After completing his Matriculation from Gujrat, Nabeel joined Government College Lahore for his Intermediate. Later, he went to the USA to complete his undergraduate in Electrical Engineering from Worcester Polytechnic Institute as per his father's wishes to follow in his footsteps. After his graduation he joined GFC as a director but upon his father's encouragement he left the company after a year to do an MBA from the Lahore University of Management Sciences to improve his financial and management skills. Muhammad Ilyas believes his son should regularly update himself with the changing business environment in the world and for this purpose he is considering sending Nabeel outside Pakistan for further training in the future. Nabeel has always had and still has a good relationship with his father since Muhammad Ilyas always strongly believed in having a friendly relationship with his sons. It was a family norm that everyone had to be present for dinner. At the dinner table Muhammad Ilyas used to ask his sons about their day and advised them if they needed help. He also participated regularly in the sporting activities of Nabeel. The relationship between Muhammad Ilyas and Nabeel has become stronger after his entry in the organization.

After completion of his MBA in 2005 Nabeel joined GFC as a director and started working on several projects. His father assigned him the challenging job of developing a marketing plan for the company for the year 2007 which he successfully completed. Another challenging assignment, still underway, is to establish an Enterprise Resources Planning (ERP) System within the organization in consultation with a software company. Muhammad Ilyas strongly believes in job diversity that Nabeel currently overlooks and is involved in all operations of every department of the company towards this end. Muhammad Ilyas also provides his son with regular and honest feedback about his job. He evaluates every decision that Nabeel makes and he gives him his own opinion. But he is also of the view that this feedback should bring positive change and should not hamper the freedom of making decisions. Nabeel is still in the process of developing

a sound social and official network. He regularly meets dealers when they come to the head office. In addition, he has a close association with all the laborers through a foreman who regularly provides him with information regarding the conditions and concerns of the laborers. Muhammad Ilyas has also provided Nabeel with freedom within the organization by delegating him a number of decision making powers. For example, Nabeel has chalked out a new incentive plan for the laborers and intends to increase their salaries. Although Muhammad Ilyas is not fully comfortable with this decision, he has allowed Nabeel to make the decision in order to boost his confidence. He has also allowed Nabeel to develop the marketing strategy and make the necessary, relevant decisions. Nabeel is also interested in extending the product portfolio of the business by introducing new product lines. He has introduced the idea of having regular meetings in the company between all the directors (a family council) to discuss critical issues, acquire feedback on delegated assignments and to discuss the future of the company.

Nabeel is still learning the ropes of the business. His father has not transferred the equity to his name and has not delegated all the leadership to him yet. Muhammad Ilyas and Muhammad Nabeel Ilyas belong to the Mughal *biradiri*. GFC is a partnership business and in biradari systems family members tend to keep the ownership within the family circle. Following this approach all the shares of GFC are owned by the family members. To keep the family united and to avoid sibling and cousin rivalry, *biradiri* based family firms divide the business and assign each division to each male member to run. In the same way, Muhammad Ilyas has been thinking of setting up another division within GFC to accommodate his nephews. Nabeel, on the other hand, believes in keeping the business united while at the same time providing for the future of his cousins.

6. Case Study 3 – Star[4] Fabrics

Star Fabrics was established in 1974 by Noman Ahsan as a private limited company to manufacture knitwear for the local market. The company was initially successful but problems with credit and payment collection in the local market propelled the founder to explore international markets. However, the company was not equipped to handle the volume demands of the international clientele, resulting in bottlenecks in the production department. In 1980, Star Fabrics realigned its operations, geared for mass production and entered mass manufacturing from a cottage industry setup. For the purpose of a smooth transition, Noman Ahsan enlisted the help of his two brothers, Iftikhar Ahsan and Salman Ahsan, to provide technical support. He offered them partnership and equal shares in the company as an incentive to join him in his venture. The three brothers worked together and led the company to achieve phenomenal growth in revenues and profits during one decade. The company reached an annual turnover of approximately $8 million by 1990 from a start of approximately $100,000 in 1980. Noman Ahsan looked after the sales and marketing and coordinated the purchase of

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[4]To protect privacy, names have been changed in this case study.

equipment and parts. Iftikhar Ahsan was responsible for finance, legal and accounting matters whilst Salman Ahsan was responsible for the development of the complete infrastructure and daily operations of the factory. In the meantime, in 1985, in an attempt to diversify, Salman Ahsan set up an engineering company called Crown Engineering with himself as Chief Executive, to supply maintenance and engineering services which had been reserved for Star Fabrics to other local companies as well. Crown Engineering primarily dealt in the fabrication and erection of industrial boilers and equipment for food and chemical industry. Then, in 1990, Crown Weaving was established to counter the slump in the knitwear market and to target the growing demand of towels and bathing gowns in the international market. In 2000, Star Fabrics closed down its woven processing department and moved away from providing basic knitwear garments. It started supplying fashion knitwear garments and entered the local market as a service provider for smaller stitching units. To execute being a service provider successfully the company had to be customer centric and flexible and the departmental accounts had to be transparent. The directors had no choice but to depart from a vertically integrated model and disintegrate the departments into independent entities or Strategic Business Units.

In late 2004, the family elders got together in an informal setting and decided that it was time for Salman Ahsan's eldest son Saad Ahsan to join the family business. Salman Ahsan, currently Managing Director of Star Fabrics and Chief Executive Officer of Crown Engineering, is close to all his children and his relationship with them is based on mutual trust and respect. He used to play badminton with his children, was involved in a lot of sporting activities with them and always encouraged them to excel in sports. This keen interest in his son's development has enabled him to plan his future. Being Salman's eldest son, Saad has witnessed the evolution of Star Fabrics and related businesses closely. Since he was very close to his father as a child, he spent a lot of time at the factory premises and accompanied his father on his tours of different departments. Understanding his son's interest in mechanics, Salman made sure that Saad saw any new machinery that was purchased or fabricated at Star Fabrics or Crown Engineering. He looked upon his father as his role model and friend, and this relationship has strengthened over the years primarily because his father has trusted him in every respect. According to Saad, he was never pressured by his father to join the family business; he himself had always known that one day he would be involved in the business in some form or other. Saad comments on his relationship with his father:

"In my opinion the reason I have such a great understanding with my father is that he has always trusted my instincts, there is a mutual respect, we communicate with each other easily, we are great friends, and above all there is professional synchronization of ideas, views and values."

Salman placed great emphasis on his son's education. He knew the importance of good schooling so he sent Saad to a renowned boarding school, Cadet College, Hasanabdal (CCH), so that he could learn leadership skills and team spirit. At school Saad was an avid sportsman and a reasonable student. Like his uncles and father he

held leadership positions in school and performed exceptionally well in long distance events in track and field and cross country events. He also became a member of the college basketball team, which he eventually led as the captain as well.

After leaving CCH in 1993, he joined the National University of Sciences and Technology (NUST) to pursue a degree in mechanical engineering. After graduating from NUST in 1997, he was offered a job by a Japanese multinational company but instead he decided to join the family business in order to get himself professionally oriented with it. He joined Star Fabrics as a Project Engineer and took the initiative to get the company the ISO 9002 certification within one year. His father encouraged him to pursue his studies abroad to broaden his horizon and in 1998 Saad enrolled himself in a Masters program in Manufacturing Management at McGill University in Montreal, Canada. Since Saad had developed a keen interest in manufacturing it seemed a perfect fit as far as career direction was concerned. He did exceptionally well at McGill and graduated in 2000 among the top four students.

In 1999, whilst still enrolled in the Masters program, he joined JDS Uniphase in order to fulfill the co-op requirements and upon graduation he was offered a job at the same company as a Manufacturing Process Engineer. He stayed with the company till September 2001 before he was laid off because of a downturn in the high-tech industry after the Y2K bubble burst. After this turn of events, Saad took four months off and traveled the world. He then came back to Pakistan where he did some rigorous financial analysis for Star Fabrics and helped the directors come up with a strategy for the coming two years. He moved back to Canada in 2002 and joined Cadbury as a Business Cell Leader for the Cadbury dairy milk product line. Since he knew that he would eventually move back to Pakistan and manage the family business in some capacity, he wanted maximum exposure and working experience abroad. In 2003 he joined Korex Don Valey ULC (Contract Manufacturer for Unilever Canada) as a Production Manager for the powders detergent product line, where he worked for a further two years. He then moved to Michigan for several months to understand the machine tool industry and, based on his research and equipped with first hand knowledge, he returned to Pakistan in early 2005 to start an alloy precision machining company. He was convinced that this industry has a phenomenal future in Pakistan and the family agreed to invest in his venture. In May 2005 Mist International Pvt. Ltd. was established with Saad Ahsan as the Chief Executive Officer. Saad believes in team culture and he has employed a team based organizational structure with him as a member of each team. Such a structure allows Saad to remove the middle layer of management, hence lowering overall human resource cost; it also allows him to delegate responsibility and stay in the loop. Mist has been in operation for approximately one year and Saad believes that its future looks promising. He realizes that it will take him another five to ten years to come to a level where he will have a self-sustaining organization running on systems and teams.

Saad is a member of the Rajput *biradiri*, a kinship network in which members marry within the extended family so as to keep the business assets and property within the *biradiri* and only seldom depart from the custom of endogamy. In the same vein, Saad

married his cousin. Family elders are given the utmost respect and as a result their advice is sought and implemented in almost every major decision, e.g., the grooming, schooling, marriage or career of a younger family member.

7. Analysis

7.1 Successor Development

Pre-entry phase activities within Case Study 1 showed that the successor had sound exposure of the family business environment and related jargon through experience as a summer intern and also through CEO dinners at home. There was strong emphasis on higher education within and outside Pakistan; qualifications relevant to the family business were also encouraged. There was also strong inclination towards working outside the family business, within similar, leading multinational organizations in the world. The father-son relationship was less personal and more professional; the son was granted no special treatment. There were few policies or documentations related to succession and successor development. In Case Study 2, a similar approach to developing the successor was discovered; business experience and knowledge were gained through a summer internship and through dinner table talks at home. Quality education and higher studies were also encouraged. There was no inclination towards working outside the family business. Father-son relationship was good both in personal and professional matters; the son was treated as a future CEO. There was no policy or documentation related to succession and successor development. In Case Study 3, similar developmental practices were adopted in terms of internships and education. There was a strong inclination towards working outside the family business. An exceedingly close father and son relationship existed; the son was treated as a friend. Once again, no written procedures for development existed. All three case studies showed strong preference towards the grooming of the successor in the pre-entry phase. Moreover, in Case Study 3, the successor was given several options of joining the business or setting up his own business or working outside family businesses, whereas no such options were given to successors in Case Studies 1 and 2 as they were expected to join the family businesses as soon as they were ready. Therefore, it can be deduced that pre-entry phase activities were not very different from the literature findings and positively influenced successor development within the family businesses.

Entry phase activities within Case Study 1 indicated strong emphasis on management and executive courses. The successor was given challenging projects, and provided with experience of managing non-related business unit within the family businesses. Regular feedback, mentoring and coaching from non-family members were present, and the father maintained a professional relationship in the business environment. The successor started working in the family business as a management trainee like every other employee. The father continually provided opportunities to his son to develop business and personal networks within and out side the business. Mutual role adjustment started as the successor gained more knowledge of the business and its operations whilst the father took the role of adviser. The successor received greater freedom in

decision making as he moved up in the management hierarchy within the business on merit and as he developed more leadership competencies. During the entry phase the successor was also given partial shares/equity of the family business.

In Case Study 2, similar emphasis was given to management courses, challenging assignment and constructive feedback. The successor started working in the family business as a director and the future CEO and started sitting in the same office as his father. The father was still in charge of the business but was willing to transfer the leadership role and move to adviser role. The successor had some freedom in decision making but was not totally independent. Succession transition was aided due to a good father-son relationship. The father provided opportunities for the son to develop business and personal networks within and outside the businesses. During the entry phase the successor was not given any shares/equity of the family business. Entry phase activities within Case Study 3 indicated less emphasis on management and executive courses. The successor started working as a CEO in his own independent business unit from day one, and was given challenging assignments within that business. The father provided regular feedback and helped the son to manage his own business, showing a good relationship between father and son. No opportunities were provided to the son to develop business networks within and outside the business, since the line of business was totally different. There was less scope of mutual role adjustment since the son started a completely different business. Therefore, there was no sharing of business and operational knowledge between father and successor. The father was in charge of his business unit and the son, of his own. The successor had freedom in operational and financial decision making but with consensus from his father. The successor was also given the partial shares/equity in his own business unit. Case Studies 1 and 2 showed strong preference towards grooming of the successor in entry phase as compare to Case Study 3, where the successor started out on a new business without significant early training within the family business. Once again it can be safely concluded from Case Studies 1 and 2 that entry phase activities are not very different from the literature findings; great importance is given to successor development within the family businesses.

Succession phase activities within Case Study 1 showed a strong inclination towards the transfer of both equity (shares) and leadership of the business from the father to the successor. Whilst the father played an advisory role the successor established himself as the leader of the business. Even though the father had some shares in the business, the majority of the shares had been transferred to successors. Case Study 2 had different dynamics in terms of the transfer of equity (shares) of the business to successors. The father was a CEO but 50 % owner of the business with the remaining 50% owned by his brother. The father wanted to divide the business between his brother and his own two sons, but the successor refused to accept the division of the business. The successor wanted to keep the business united and wanted to distribute the shares in the business to the next generation of successors. The father, from his own experience, wanted to set up different businesses for his two sons and for his brother (and his sons), as his father (Mohammad Yunus) had done when he was alive. Therefore, there was strong emphasis on transfer of leadership role to successor but less on transferring

ownership/equity. In Case Study 3, the equity of the business was still with the father and uncles but the leadership role was completely transferred to successor. The family was in the process of dividing the businesses among the 2nd and 3rd generation of successors, and of determining the value of each business and shares of each brother in each business. Therefore, different business could be given to each brother (and to their sons) with 100% ownership and leadership. Thus the division of the businesses, with ownership and management control to each brother was planned. Since succession phase activities and successful succession were only observed in Case Study 1 with caution, it can be concluded that succession phase activities positively influenced successor development and successful succession.

All three cases showed the division of business assets among family members, especially among sons. Only Case Study 1 showed distributing businesses assets to the daughter as well, as she was working in the business. An interesting observation in Case Study 1 was that family members found different solutions to solve the disintegration of business in the succession phase. First, the family listed the business at the Lahore and Karachi Stock Exchanges, to stop the division of businesses. Secondly, they separated the three core elements of the family business: 1) management of the family business, 2) wealth of the family business and 3) shareholding of the business. They had competent and professional managers running and managing the day-to-day operations of the business and these managers were part of the corporate board, the highest level at which decisions were made. Moreover, if a family member wanted to join the business he/she had to prove his/her competence otherwise he/she could enjoy the dividends only. In terms of wealth, each family member had the opportunity to withdraw large sums of cash at least three times in his/her life, for example when getting married, when buying a house, or upon children getting married etc. This helped each family member to have enough liquidity and cash surplus to live a comfortable life. In terms of shareholding, each family member could enjoy an annual dividend from his/her shares distributed according to the Islamic inheritance law, thus ensuring constant annual income. These elements not only helped the growth and unity of the business but also made the succession and successor development process more transparent and successful.

The businesses in Case Studies 1 and 2 did well in the financial performance indicator. Both businesses are growing more than 10% in revenue and more then 7% in profitability since the last succession. Case Study 3 is not performing well financially (less than 5% growth since the last succession and profit figures were not shared). But Case Studies 2 and 3 had division of the business units among successors from the first generation and both families are, at present, in the phase of further division of business assets among the third generation of successors. On the other hand, in Case Study 1 the family business performed well financially and they were also able to keep the business assets united without breaking up the business units among the two successors. Both the son and daughter were part of the management, and had ownership in the business through respective share holdings. The analysis showed (Exhibit 4) that the objective of keeping the business united was achieved only by the business in Case Study 1 and the others were unable to do so.

7.2 Kinship Culture

To determine the practice of kinship culture and its influence on business succession we asked the family heads and other members regarding their *biradiri* system, norms and values, and whether the family had any preference towards having a central figure or practice of family council/board or rationale and a systematic process of decisions making. The respondents from Case Studies 2 and 3 responded strongly in favor of respecting and following *biradiri* values and norms. This was supported from the history of the organization. The respondents from Case Study 1 did not respond positively, since the business had already been transformed into a corporate organization after its inception. In Case Study 1 there was also a corporate board for major decision making and low preference towards a fatherly figure. As has already been mentioned, in a *biradiri* system one of the norms is *bharosa* between members of the *biradiri*. Therefore, major investments and new startups are taken up jointly by biradari members, and financial positions within the business also go to them. This means that when it comes to providing jobs in the business, as opposed to professional managers, the *biradiri* members are the first choice for recruitment regardless of merit. This was strongly observed in Case Studies 2 and 3; in both cases business founders turned to brothers and family members to help them in times of setting up the new business or business expansion. Regardless of their experience and educational background and business inclinations, family members were included in the business. On the other hand, Case Study 1 showed a completely opposite trend; family members joined the organization purely on merit and competence. Another concept that has been previously explained is the concept of bhai or buzurg (elder brother or father figure, respectively). *Bhai* in the *biradiri* system has authority and decision making powers and everyone in the family accepts his decisions unquestioningly since it is assumed that his decisions will respect the interests of the members. Such a scenario is similar to other Islamic countries; for example in the family companies of the Gulf Region, the elder brother or father figure has overwhelming authority and "regardless of talent, the eldest male is generally given the business leadership role, even if another family member might be better suited for the job" (Davis et. al, 2000, p. 231). Case Studies 2 and 3 showed strong preference towards respecting the bhai. In these cases the person decided the division of the family businesses as well as all the future investment in the businesses. In both cases the *biradiri* was highly respected and the family head decided to divide the business among son(s) and brother(s) to keep conflicts at bay to keep the family united. Conflict between siblings and cousins is seen as a sign of losing *izzat* (losing face) which is considered the ultimate disgrace and is therefore avoided. To further enhance family bonding, the practice of inter-family marriages was encouraged. Case Study 1 showed inclination towards respecting the family head's decisions regarding inter-family marriages; however, he was not at all acting as *buzurg* or *bhai* as compared to what was observed in Case Studies 2 and 3. Hence, the *biradiri* system played a major role through providing trustworthy support and investment in the formation of business in its early phases and in centralized decision making by the family head. This system discourages women's entry in the business and encourages further divisions of business upon the entry of a new generation of successors and encourages the incompetent

family member's induction into the business. Moreover, the strong affiliations with kinship culture limits opportunity of transformation into a corporate and professionally managed organization. For example, in Case Study 3, even though the family business had had two successions, the level of technological development, managerial and organizational capabilities and human resources competencies were still at the early stages of development. Therefore, it can be safely concluded that if the family has strong preference towards kinship culture, it will positively influence the division of the family business assets and consequently divide the business.

7.3 Islamic Inheritance Law

To determine the application of the Islamic inheritance law in family business succession, we asked the respondents during the case research if they had used Islamic law during the succession or transfer of equity or ownership to the next generation of successor. All three owners/fathers responded positively. Since two of the business families (Case Studies 2 and 3) never had women in the business operations, there was no share in the business for their daughters. Daughters were married within the family to cousins and were given furniture, jewelry or cash at the time of the wedding. The business assets were divided among sons on an equal basis by the father/owner in his own life. In Case Study 2, the father's sudden death prevented the division of the business assets amongst the successors. Therefore, the sons and brothers of Mohammad Yunus (founder) divided the business units among themselves, with the help of a buzurg of the biradari. This division of business consequently included the division of business equity, fixed assets, employees, cash, products and even the furniture. The same process occurred in Case Study 3. Only Case Study 1 showed the non-division of business, even though shares were given to the daughter because she was also part of the top management of the organization. Therefore, the study suggests that family businesses adhere to Islamic inheritance laws during the succession phase and in the division of business assets among the successors.

8. Conclusions

Successful family businesses start early in developing successors for future roles within the family. Our findings suggest that within successful family businesses the activities within the three phases of pre-entry, entry and succession were not very different from the literature research findings. However, less successful family businesses showed difficulty in practicing the succession phase activities; transferring equity and leadership roles were delayed until the final succession or until the division of the business. Moreover, role adjustments of both successor and father during the succession phase were not often adopted. However, succession planning and documented procedures for developing and grooming successor were less observed in all three cases. Furthermore, successful family businesses were moving away from kinship culture towards professionally managed business operations. Also, successful family businesses were listing themselves on the stock exchange to stop the division of the business during the succession phase. Furthermore, separation of ownership and management of the business

and business wealth sharing among family members was also observed within successful family businesses. These interventions in family businesses helped in controlling the disintegration and division of the family businesses due to Islamic inheritance law and kinship culture.

The study also observed an important element of family business transformation from the first generation of business operations to the second generation of business operations from these three case studies. If the family business is at the level of basic cottage industry and very little managerial, technological and organizational systems have been developed, it will remain at the first generation of family business operations regardless of the number of successions within the business. The second generation of family businesses showed some advancement in terms of technological application, managerial, financial and organizational systems and sufficient human competencies and capacities to manage the growth and complexities of its operations. The third generation of the family businesses developed world class business operations and managerial and organizational capabilities with sound financial and human resources capabilities and competencies. Hence, the real challenge of succession, in the family business, is to keep the family united and the business undivided, and to manage the challenge of family members (siblings) working in the same business, and see the transformation of family business from first generation of business operations to second and third generations of business operations.

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Exhibit 1
Kart Limited – Family Tree*

I

II

III

Sheikh Salman Hussain

Sheikh Muhammad Hussain

Sheikh Majid Hussain

Sheikh Zahid Hussain (Kart)

Sheikh Shabir Hussain

Sheikh Shehzad Hussain

Samina Hussain

Sheikh Khawar Hussain

Syed Abid Hussain

Sana Hussain

Sheikh Akbar Hussain
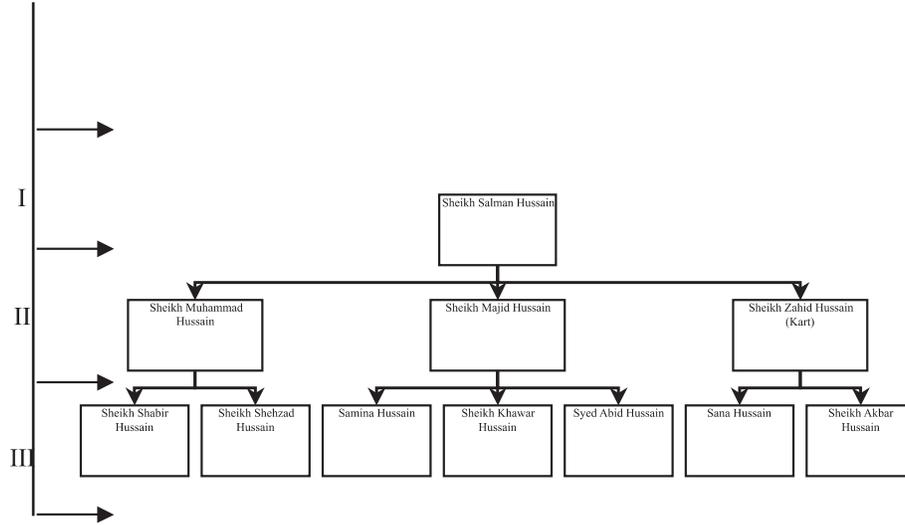
Exhibit 2
GFC – Family Tree

I

II

III

(Late) Mohammad Yunas (1922-1980)

(Late) Mohammad Ayub (Brother)

Mirza Anayat-Ullah (Brother-in-law)

Irfan Ayub

Furqan Ayub

Salman Ayub

Usman Ayub

Mirza Imtiaz Ahmad

Mirza Aizaz Ahmad

Mohammad Ilyas (Son)

Mohammad Ijaz (Son)

Imtiaz Ahmad

Nabeel Ilyas

Asim Ijaz

Nazim Ijaz
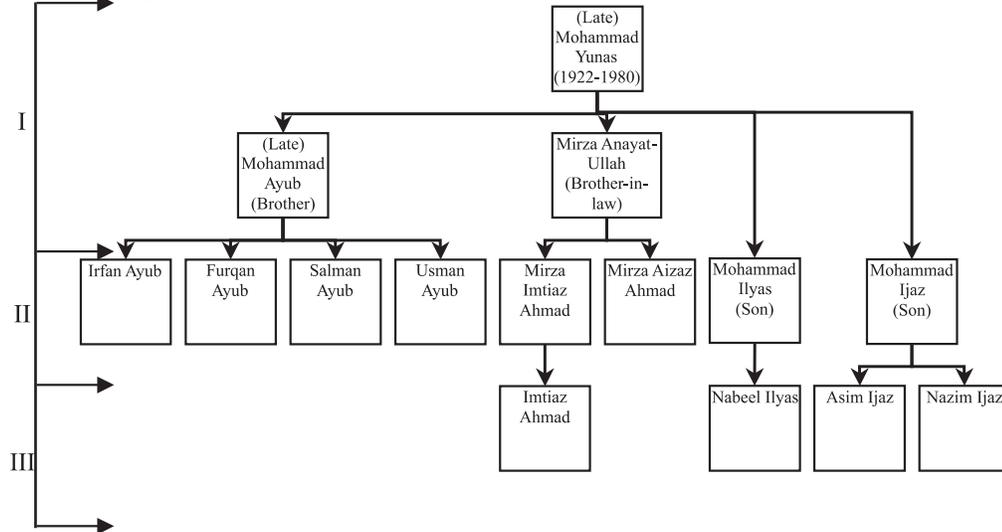
Exhibit 3
Star Fabrics – Family Tree*

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                          ┌─────────────┐
          ───────▶        │  Ali Ahsan  │
                          └──────┬──────┘
              ┌──────────────────┼──────────────────┐
              ▼                  ▼                  ▼
       ┌─────────────┐   ┌───────────────┐   ┌──────────────┐
       │ Noman Ahsan │   │ Iftikhar Ahsan│   │ Salman Ahsan │
       └──────┬──────┘   └───────────────┘   └──────┬───────┘
              ▼                                      ▼
       ┌─────────────┐                       ┌──────────────┐
       │ Ahmad Ahsan │                       │  Saad Ahsan  │
       └─────────────┘                       └──────────────┘
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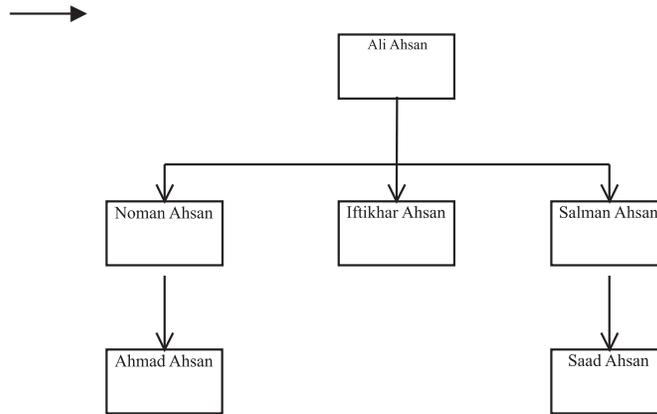
Exhibit 4
Business and Family Matrix

27

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Abstract

Family businesses are growing and turning into complex business groups, transforming from family controlled and managed to family owned and professionally managed public listed businesses. Hence, successful succession of a business and development of future successors are becoming the key success factors for family businesses. This paper examines succession dynamics and successor development within three family businesses in Pakistan. These cases are not only taken from different sectors, e.g., textile, engineering and manufacturing, but are also at different phases of organizational development. The conceptual framework to observe successor development at the pre-entry, entry and succession phases was developed from literature research. The paper further explores the kinship culture in succession of the family businesses, and examines aspects of Islamic inheritance law in family business succession. We find that kinship culture and Islamic inheritance law influence division of the business during the succession phase in Pakistan. The paper also explores transformation of the family businesses' from kinship and biradari culture to professionally managed businesses listed on the stock exchange.

Keywords: Succession, Successor Development, Family Businesses, Kinship Culture, Islamic Inheritance Law, Pakistan.