

Passing the Baton: Next-Generation Involvement in Indian Family Businesses

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Abstract

Family firms in India account for McKinsey's estimated more than three-quarters of the country's GDP, and accounted for 64.5 per cent of the total Indian market capitalization, as of December 2020. In India, only 21 per cent of family firms have succession planning effectively documented, according to PwC's 2019 Family Business Survey. In the global PwC survey, 36 per cent of Indian companies that took part reported having no discernible succession plan, compared to 28 per cent globally. This paper examines how Indian business families decide whether, when and how the next generation enters, and argues that the decision is poorly captured by the planning-document framing that dominates consultancy research. It reviews the succession literature from Handler onwards, examines the socioemotional wealth explanation for why families retain control at a cost, and corrects a survival statistic that is quoted constantly and misquoted almost as often. It then proposes an interview-based study of six to ten Indian business families, including the author's own, designed to record how the conversation about entry actually happens rather than whether a document exists.

Keywords: family business, succession, next generation, socioemotional wealth, governance, India

1. Introduction

In a great many Indian families there is a moment (and it is usually somewhere in between the end of school and the end of a first degree) when a question stops being hypothetical. Nobody announces it. It arrives as an offhand remark at dinner, or as a father saying he could use some help during a busy month, or as an uncle asking what exactly you plan to do with an economics degree.

That moment is the subject of this paper, and it is remarkable how little of the research literature is actually about it.

The consultancy studies that dominate this field, and they are good studies, ask whether a firm has a documented succession plan. It is a sensible question with a clean answer. But it measures the output of a process rather than the process itself, and it assumes a sequence, deliberate planning followed by transition, that many Indian business families would not recognise as a description of what happened to them.

1.1 Why this is worth studying now

India's family businesses are not a legacy sector. They are the economy. McKinsey's analysis of three hundred listed family-owned businesses with revenue above Rs 2,000 crore concluded that family-owned businesses now account for more than seventy-five per cent of India's GDP, with a projection of eighty to eighty-five per cent by 2047.

At the same time, a demographic transition is under way that has no precedent in Indian business history. A generation raised with international education, exposure to professional career tracks and genuine outside options is being asked to join businesses their grandparents founded. The alternatives available to them are real in a way that they were not for their parents.

1.2 Research questions

1. How large and concentrated is family ownership in the Indian economy?
 2. What can governance and planning data tell us about Indian succession practice? Are there similarities with other countries?
 3. What does the academic literature suggest are the reasons for the success or failure of succession, and how well do these apply in India?
 4. How do Indian business families actually conduct the conversation about next-generation entry?
- The fourth question is the one this paper's primary research is designed to answer.

2. The scale of Indian family ownership

2.1 Listed company evidence

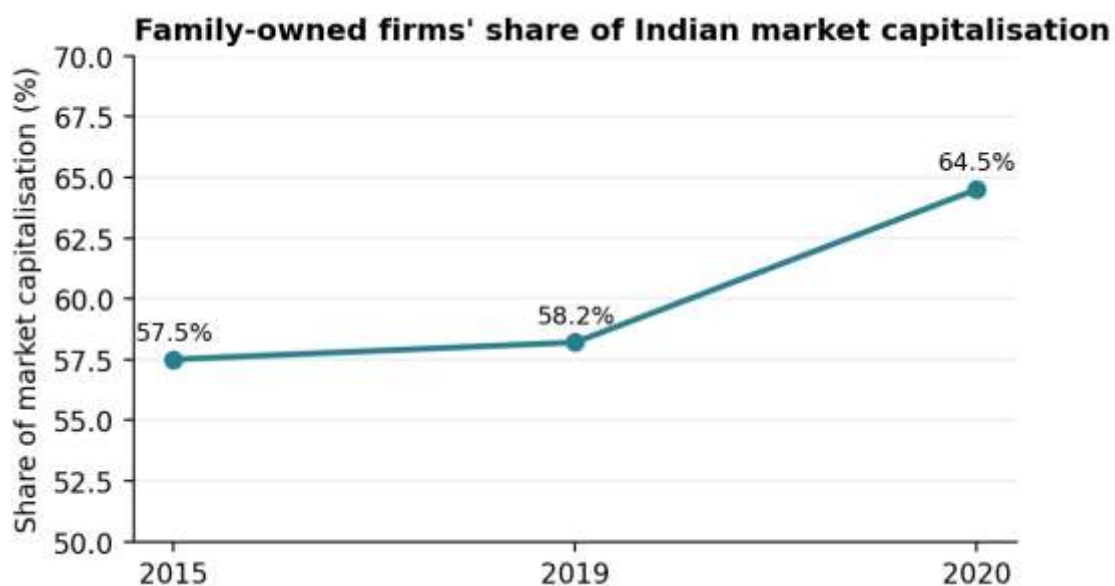


Figure 1: Share of total Indian market capitalisation held by family-owned firms. Source: Business Standard analysis of 1,060 companies across the BSE500, BSE MidCap and BSE SmallCap indices, December 2020.

The share of Indian market capitalisation held by family-owned firms rose from 57.5 per cent in 2015 to 58.2 per cent in 2019 and to 64.5 per cent in December 2020. These family business groups have a collective market capitalisation of about Rs 115 lakh crore, a growth of thirty-one per cent over the previous year.

According to the Credit Suisse Research Institute's Family 1000 study, family-owned businesses are defined as businesses in which the founders or their descendants or a family-controlled entity hold at least twenty per cent of the shares with voting rights. Based on this definition, 111 Indian family businesses comprise the Credit Suisse Research Institute's Family 1000 universe in 2018, the third-largest concentration of family businesses, behind China (159) and United States (121); their combined market capitalization is USD 839 billion.

2.2 The academic measurement

For a research paper, the better source is peer-reviewed. Mani, in the *Asia-Pacific Journal of Management*, analysed 6,782 listed Indian firms and 64,570 directors and owners across 2001, 2005 and 2009. The findings: 71 per cent of India's largest 250 firms are family firms, 45 per cent of the largest 200 firms have

more than ten per cent family shareholding, 42 per cent of directors and owners have family connections, and 23 per cent of shareholdings are held by family members.

The same study produces a striking finding on business communities. Forty-four per cent of directors and owners belong to three trading communities, the Marwari, Gujarati and Parsi, who together control fourteen per cent of shareholdings and constitute under seven per cent of the Indian population. Marwaris alone account for 24 per cent of all directors and owners.

2.3 A statistic worth correcting

Almost every article on family business opens with a version of the following: thirty per cent of family businesses survive to the second generation, twelve per cent to the third, three per cent to the fourth.

The figure originates with John L. Ward's *Keeping the Family Business Healthy*, published in 1987, which tracked 200 randomly selected Illinois manufacturing firms across annual listings from 1924 to 1984. Ward's actual finding was that twenty per cent survived as independent firms under the same name and that, of the surviving firms, thirteen per cent were still owned by the same family. His own phrasing was that only thirteen per cent of successful family businesses last **through** three generations.

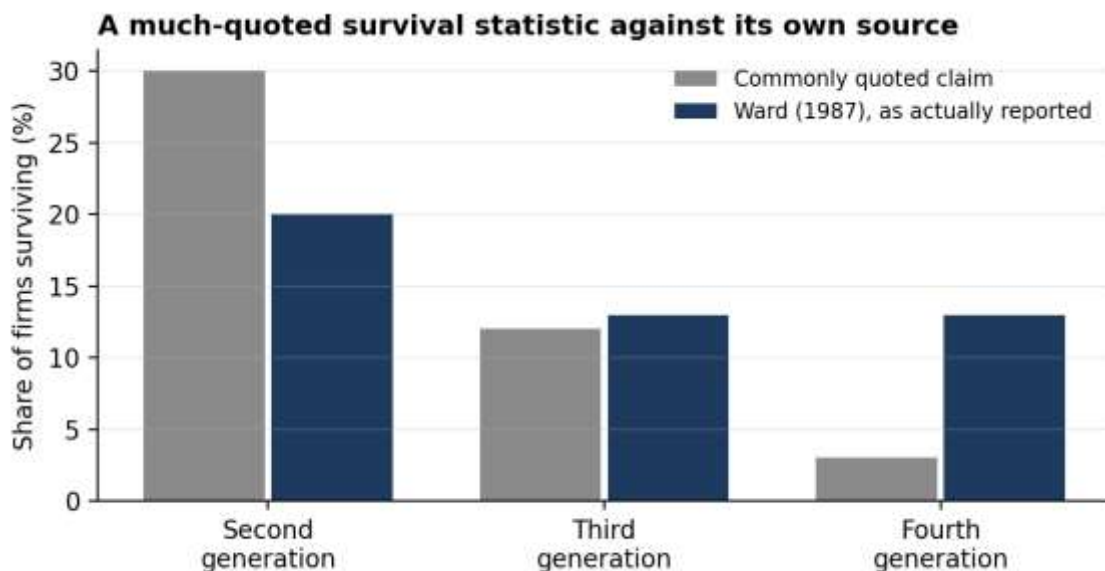


Figure 2: The commonly quoted survival claim against the figures actually reported in Ward (1987). The right-hand series reflects Ward's reported findings; note that his thirteen per cent refers to firms lasting through three generations, a period of roughly ninety years, and is not a per-generation attrition rate.

As a critique in *Family Business Magazine* pointed out in 2016, the word "through" became "to" somewhere in the retelling, which reduces the implied life expectancy of the firm by at least thirty years. Nearly thirteen per cent of firms in Ward's study lasted as independent same-name firms for at least ninety years, which takes them well into the fourth generation.

There are further problems. Firms that were sold, merged or spun off were counted as failures, though for a family these may be excellent outcomes. The sample was Depression-era Midwestern American manufacturers, which generalises poorly to contemporary Indian trading families. And no Indian study replicating Ward's methodology appears to exist, which means any claim about Indian generational survival rates is almost certainly the global statistic recycled.

This paper does not use the thirty-twelve-three figure as evidence. It is discussed here because how a statistic travels is itself instructive, and because a research paper that repeats an unverified number while claiming rigour has a problem.

3. What the succession data shows

3.1 Planning

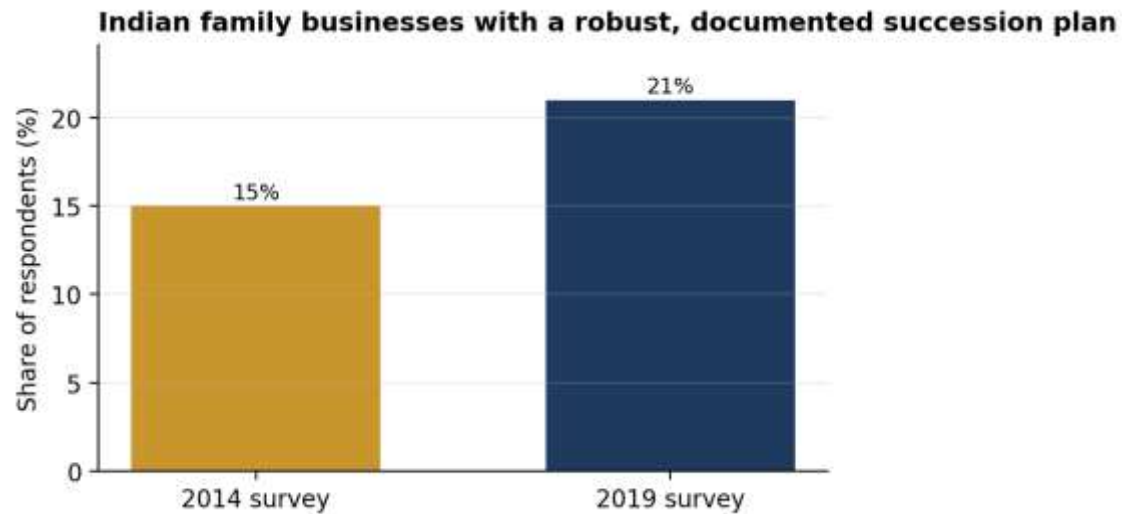


Figure 3: Indian family businesses reporting a robust and documented succession plan. Sources: PwC India Family Business Survey 2014, $n = 65$; PwC India Family Business Survey 2019, $n = 106$.

In the 2014 survey, 68 per cent of Indian respondents reported having some succession plan but only fifteen per cent described it as robust and well documented. By 2019 the documented figure had risen to 21 per cent. In PwC's twelfth family business survey, with an India sample of approximately forty, 36 per cent reported no clear succession plan at all, against 28 per cent globally.

The gap between "some plan" and "documented plan" is the interesting quantity. It suggests that in most Indian business families a succession intention exists and is widely understood, but has never been written down. Renuka and Marath, surveying 113 successors in Kerala, put it memorably: formal succession planning in Indian family firms is sporadic and often exists only in the owners' minds.

3.2 Governance

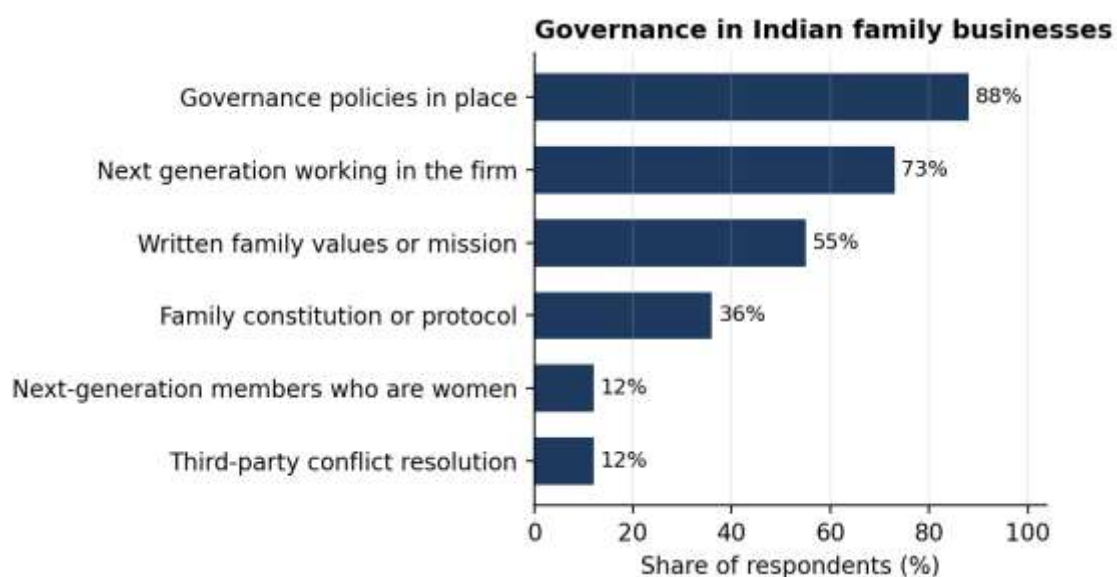


Figure 4: Governance and next-generation characteristics of Indian family businesses. Source: PwC India Family Business Survey 2019, $n = 106$.

Eighty-eight per cent of Indian respondents reported governance policies and procedures in place, and 73 per cent had next-generation members working in the business. Fifty-five per cent had articulated family values in written form, but only 36 per cent had a family constitution or protocol, and only twelve per cent used third-party conflict resolution, with 67 per cent handling conflict within the immediate family. The gender figure is the one that should give pause. Only twelve per cent of next-generation members in the Indian sample were women, against 23 per cent globally, and 58 per cent of Indian family businesses had **zero** female representation in the next generation working in the business.

3.3 India against the world

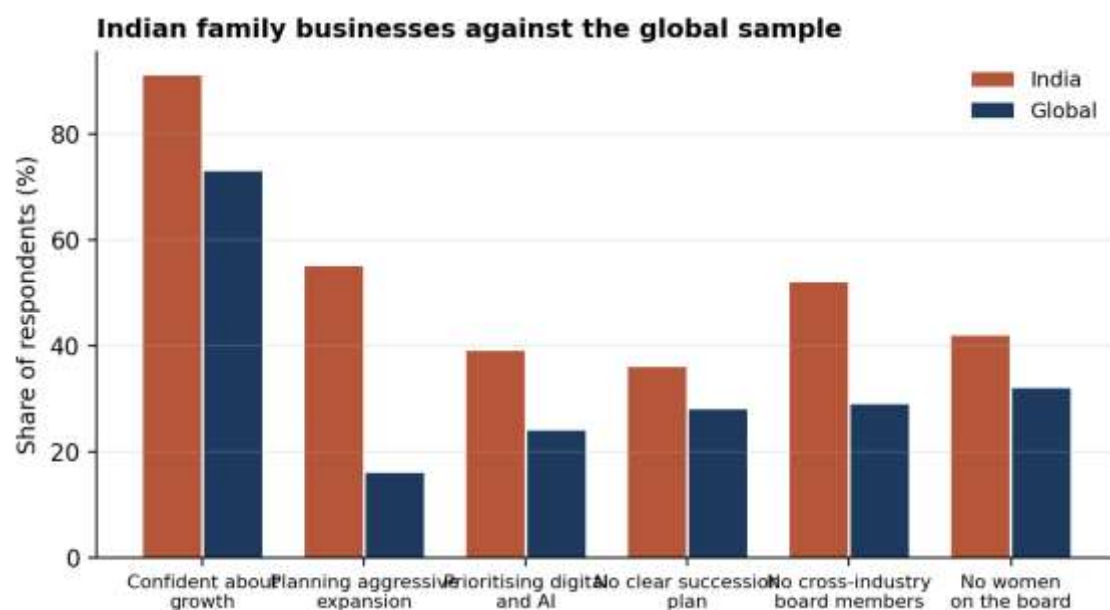


Figure 5: Indian family businesses compared with the global sample. Source: PwC 12th Family Business Survey, India release 2026, India n = approximately 40, global n = 1,325. The small India sample should be borne in mind.

The picture is consistent and slightly uncomfortable. Indian family businesses are far more confident than their global peers, 91 per cent against 73 per cent, and dramatically more expansionist, 55 per cent planning aggressive expansion against sixteen per cent globally. They are also ahead on technology intent, with 39 per cent prioritising digital transformation and artificial intelligence against 24 per cent globally. On governance they are behind on every measure. More lack a succession plan, more have no cross-industry board representation, more have no women on the board. Average board size is 6.6 against five globally, and thirty per cent have family-only boards.

High ambition paired with thin governance is a recognisable pattern, and it is the pattern most likely to produce a difficult transition.

3.4 What the next generation says

PwC's global NextGen surveys are not disaggregated for India, which is a real limitation. The global findings are nonetheless suggestive. In the 2022 survey of over a thousand next-generation members across 68 territories, 61 per cent said their family had a succession plan but only 39 per cent had been involved in developing it. Twenty-eight per cent had been given significant operations to run, down sharply from 48 per cent in 2019. Fifty-seven per cent cited the current generation's reluctance to retire as a challenge.

Deloitte's 2026 study of 1,587 family businesses across 35 countries found 89 per cent with some succession plan but only fifty per cent describing it as broad and well developed, with the leading barriers being next-generation readiness at 35 per cent, identifying a successor at 33 per cent and current leadership reluctance at 32 per cent. Notably, forty per cent require outside work experience before a family member joins, and non-family chief executives are projected to roughly double from thirteen to 26 per cent after the coming round of successions.

Indian-specific next-generation attitudes come chiefly from the Thomas Schmidheiny Centre for Family Enterprise at the Indian School of Business, whose study of 105 family business members, 36 seniors aged over 51 and 69 juniors aged 30 or under, found succession policies reported by 43 per cent of juniors and 44 per cent of seniors, and, tellingly, that only 29 per cent of juniors felt unconstrained by other family members' interference in their own areas of responsibility.

4. Literature review

4.1 Succession as a process, not an event

Handler (1994), in *Family Business Review*, produced the foundational review that reframed succession from a single handover into a **mutual role adjustment** between founder and successor unfolding over years. Her organisation of the field into four streams, succession as process, the founder's role, the next generation's perspective and multiple levels of analysis, still structures the literature.

Le Breton-Miller, Miller and Steier (2004), in *Entrepreneurship Theory and Practice*, developed an integrative process model embedding succession in family, industry, social and cultural context, running through sequential stages of ground rules, nurturing and development, selection and hand-off.

4.2 What predicts success

Sharma, Chrisman and Chua (2003) published two relevant papers in the same year. In the *Journal of Business Venturing* they found that satisfaction with succession depends less on the incumbent's characteristics than on the **successor's willingness to take over** and the incumbent's propensity to step aside, with family agreement to maintain the business as the decisive variable. In *Family Business Review* they applied Ajzen's theory of planned behaviour, concluding that succession planning happens when the incumbent both desires to keep the business in the family and has a trusted, willing successor available.

The implication for this paper is direct. Succession planning is not primarily a matter of professional advice or governance sophistication. It is downstream of whether a willing successor exists. A family with no willing successor does not produce a plan, and no amount of consultancy changes that.

4.3 Succession as knowledge transfer

Cabrera-Suárez, De Saá-Pérez and García-Almeida (2001), in *Family Business Review*, reframed succession as a knowledge-transfer problem. The family firm's competitive advantage rests on tacit, idiosyncratic, socially complex knowledge held by the incumbent, and succession succeeds when that knowledge transfers.

This resonates strongly in the Indian trading context, where much of what a business is worth sits in relationships with suppliers, customers, lenders and officials that have never been documented anywhere.

4.4 Why families hold on

Gómez-Mejía and colleagues (2007), in *Administrative Science Quarterly*, introduced socioemotional wealth through a study of Spanish olive oil mills. Their finding was that family firms accept **worse financial performance and higher business risk** to preserve family control, identity, dynastic continuity

and emotional attachment. Mill owners refused to join cooperatives that would have reduced their business risk, because joining meant losing family control.

This is the most useful single theory for the Indian case, because it explains a pattern that otherwise looks irrational: families keeping succession in-family even where a professional manager would demonstrably perform better. The behaviour is not a failure to optimise. It is optimising for something the financial statements do not record.

4.5 The structural model

Gersick, Davis, McCollom Hampton and Lansberg (1997), in *Generation to Generation*, set out the three-circle model of family, ownership and business as overlapping subsystems generating seven distinct stakeholder positions, together with a three-axis developmental model. Their family axis runs from young business family through entering the business and working together to **passing the baton**, which is the stage this paper is named for and the stage the proposed research examines.

4.6 Indian empirical work

Renuka and Marath (2023), in the *Rajagiri Management Journal*, surveyed 113 successors from family businesses in Kerala using partial least squares structural equation modelling. Governance structure predicted succession success at beta 0.47, $p < .01$, falling to 0.29 with management succession planning as a mediator, giving an indirect path of 0.18, $p < .01$. This is partial mediation: governance matters, and part of how it matters is by producing a succession plan.

Varshney, Agarwal, Dana and Dwivedi (2024), For instance, Varshney, Agarwal, Dana and Dwivedi (2024) examine owners and successors of business owners in Gujarat and Rajasthan via a qualitative multiple-case approach and categorize their findings into 5 factors contributing to sustainability: succession planning, strategic diversification, innovation and adaptability, mentorship and knowledge transfer, and competitive advantage in the Journal of Family and Economic Issues.

Leonard (2011), Historical analysis of Gujarati, Goswami and Marwari family businesses in Hyderabad conducted by Leonard (2011) observed that adoption practices ensured business survival in cases of lack of biological heirs, exogamous marriages extended businesses across merchant networks, and property did not have to follow the patrilineal pattern of inheritance. She challenges the argument that community similarities provided business trust, arguing that doing business was risky, merchants often delegated business responsibilities to non-kin, and their business affairs were regulated by shifting legal conventions.

4.7 The gap

The Indian literature is thin on the specific question of how the entry conversation happens. Renuka and Marath measured governance and outcomes. Varshney and colleagues identified factors. The ISB work measured policies and perceptions. None of them records the conversation itself, and in a context where succession plans exist mainly in the owner's mind, the conversation is where the plan lives.

5. Proposed methodology

5.1 Design

A qualitative multiple-case study using semi-structured interviews with paired respondents, one senior-generation and one next-generation member, drawn from the same family business.

The paired design is the methodological point. Most family business research interviews one person and treats their account as the family's account. Interviewing both sides separately allows the study to record where the two accounts diverge, and divergence is likely to be the most informative finding available.

5.2 Sample

Target: six to ten family businesses, each contributing two interviews, for twelve to twenty interviews in total.

Selection criteria: business operating for at least fifteen years; at least one next-generation family member aged between eighteen and thirty-five; the family willing to permit separate interviews with two members.

Recruitment: personal and family networks, including the author's own family business and his uncle's firm, extended by referral. The author should state the personal connection openly in the final paper. It grants access that a stranger would not receive and it introduces a bias that a stranger would not carry. Both facts belong in the methods section.

Deliberate variation: the sample should include at least two businesses where a next-generation member declined to join or left, since declining cases are the most informative and are systematically under-represented in a literature built on participating successors.

5.3 Interview schedule, senior generation

- How did you come to be in this business? Was it a decision or an assumption?
- When did you first think about who would take over?
- Have you discussed it with your children directly? What did you say?
- Is anything written down? A will, a plan, a family agreement?
- What would you want a child of yours to do before joining, if anything?
- Would you be comfortable with a non-family chief executive? What would have to be true?
- What is the thing about this business that you could not explain to someone in a document?
- Is there anything you would do differently if you were starting the handover again?

5.4 Interview schedule, next generation

- When did you first understand that the business might be yours to run?
- Was it ever presented as a choice?
- What do you think your parents expect?
- Did you speak to it directly, or did someone bring it up with you?
- What are you doing now? How does that relate to the business?
- What would make you want to join? What would make you not want to?
- Are we given responsibility, really? Or is this a pretense?
- If you have siblings or cousins, what share of the inheritance do you think you would get?

5.5 Analysis

Interviews recorded with consent, transcribed and coded thematically across two passes, with the coding frame reported in full. Analysis should proceed in three layers.

Within-case: how each family describes its own process.

Paired divergence: the central analysis. Where do the senior and next-generation accounts of the same family disagree? Particular attention to whether a conversation both sides regard as having happened is remembered the same way.

Cross-case: patterns across families, tested against the literature. Specifically, does Sharma and colleagues' finding, that successor willingness drives planning, hold in these cases? Does socioemotional wealth appear in how families talk about outside management?

5.6 Ethics

Such a design would touch family relations, money, and, arguably, disagreement between parents and children. Several checks would be essential.

- Each participant separately consents and is informed that a family member is also being interviewed.
- Nothing said in one interview is repeated to the other participant, including by implication. This must be stated to both.
- Businesses and individuals are anonymised in the written paper, identified as Family A, Family B and so on, with identifying details of sector and location generalised.
- No financial figures are sought. Revenue, valuation and ownership percentages are not necessary to answer the research question and asking for them will damage the interview.
- Any participant may withdraw at any point, including after the interview.

5.7 Limitations

Small non-random sample, recruited partly through personal networks, with a bias towards families willing to discuss succession, who are likely to be families where succession is going comparatively well. Qualitative findings are not generalisable and should not be presented as such. The author is a member of one of the families studied, which affects both access and interpretation.

6. Conclusion

The research literature on family business succession is, on the whole, a literature about plans. It asks whether the plan exists, whether it is documented, whether governance structures support it and whether the successor was involved in drafting it. These are answerable questions and the answers are useful.

But in India, where only around one family business in five has a documented plan and where a careful Kerala study found that succession planning "often exists only in the owners' minds", the plan is not where the action is. The action is in a set of conversations, some direct and most not, conducted over years between people who cannot speak to each other about it in the way a board would.

The theory that best explains why those conversations are difficult is socioemotional wealth: the family is optimising for continuity, identity and control, none of which appear in a financial statement, and it will accept measurable cost to protect them. The finding that best explains when planning happens at all is Sharma and colleagues': that it follows from a willing successor rather than producing one.

Put those together and the interesting question is not whether Indian business families plan. It is what happens in the years before planning becomes possible, when a family is quietly working out whether the next generation wants this. Asking both sides of that question separately, and comparing what they say, seems a reasonable place to begin.

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