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Abstract
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What Happens Next? A Qualitative Study of Founder Succession in Social Enterprises

by Sophie Bacq, Frank Janssen, and Christine Noël

In the organizational context of social enterprises, the viability of the primary social mission is put to the test when the founder leaves the organization. Yet the literature has remained silent on this important stage in the life of a social enterprise. We address this gap by conducting in-depth case studies in the unexplored setting of India. Based on multiple interviews, field observations and archival data, we develop insights into the significance of “social entrepreneur centrality” in social enterprise founder succession, discuss its consequences, and review the effects of contextual influences. Contributions to social entrepreneurship research and practice are discussed.

Introduction

Social enterprises are organizations that primarily pursue an explicit social mission while operating with the financial discipline, innovation and determination of private sector organizations (Alter 2004; Bacq and Lumpkin 2014). This blending of social and economic objectives implies major organizational challenges when it comes to the viability of such initiatives (Costanzo et al. 2014; Smith, Gonin, and Besharov 2014). Social enterprise founder succession is one of these challenges. Whereas founders of any organization “have a major impact on how the [organization] solves its external survival and internal integration problems” (Schein 1983, p. 17), we argue that the primary and central character of the social mission at the core of social enterprises differentiates them from other organizations (Bacq and Janssen 2011a; Defourny and Nyssens 2010). As a result, a social enterprise founder’s departure not only jeopardizes the survival of the organization, but also the conduct of its social mission. Several reasons can explain this. First, past research on founder influence suggests that because the social entrepreneur may have imprinted his/her

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The legal form of social enterprises can vary on a spectrum from traditional, subsidized nonprofit organizations to for-profit corporate companies (Alter 2004). What distinguishes social enterprises from traditional nonprofit organizations is their “entrepreneurial orientation” (Sullivan Mort, Weerawardena, and Carnegie 2003; Weerawardena and Sullivan Mort 2006), which includes characteristics of innovativeness, proactiveness and risk-taking (Lumpkin and Dess 1996; Miller 1983). Social enterprise innovativeness has been well documented in the literature (Austin, Stevenson, and Wei-Skillern 2006; Dees 1998; Nicholls 2008). Social enterprise proactiveness can translate into a market orientation that leads to identifying market opportunities (Catford 1998; Dees 1998; Sullivan Mort, Weerawardena, and Carnegie 2003; Thompson, Alv, and Lees 2000), and engaging in the continuous production of goods and/or services that generate earned-income (Gras and Mendoza-Abarca 2014). Finally, social entrepreneurs are not risk averse—they "tolerate risks" (Peredo and McLean 2006, p. 64) or even act “boldly without being limited by resources currently at hand” (Dees 1998, pp. 3–4).
vision and values on the mission more deeply than in other types of ventures (Nelson 2003; Stinchcombe 1965), s/he may find it even more difficult to “let go” and see changes happen within the organization. Second, organizational members may perceive the changes triggered by a succession event as threats to the organizational culture and social mission. Therefore, one can rightfully ask: how does the primacy of the social mission affect founder succession in social enterprises?

In line with Cadieux (2009), we define success as the process that occurs from the moment the entrepreneur (or founder—in this paper we use both terms interchangeably) starts to think about leaving his/her activity until a successor officially takes over the direction of the organization. This includes the interaction of diverse categories of internal (e.g., employees, managers, family members) and external (e.g., clients, beneficiaries, supporting institutions) stakeholders. The issue of founder succession in social enterprises is a crucial one because it could mark the demise of the organization when not planned or carried out carefully (Bacq and Janssen 2011b; Donkervoort 2006; Imperatori and Ruta 2006). Despite its importance, extant research fails to provide answers. Addressing this gap is all the more critical today; given the growing number of social enterprises that have been created during the last decade (Bhalla 2014), we can assume that many of them have already faced, or are soon likely to face, a succession event.

Our overall research objective is thus to inform social entrepreneurship (SE) researchers of novel developments in succession research streams. We aim to do so by adopting an insider’s view through the qualitative analysis of two in-depth case studies of social enterprises based on multiple interviews, field observations and archival data (Yin 1984). Furthermore, in line with grounded theory principles (Corbin and Strauss 1990, 2014; Eisenhardt 1989), our philosophy with this paper is that individual social entrepreneurs play a key role in the succession process in social enterprises. Indeed, social entrepreneurs are described in the literature as being driven by a strong vision (Catford 1998; Dees 1998; Roberts and Woods 2005; Sullivan Mort, Weerawardena, and Carnegie 2003) and a strong charisma (Bacq and Janssen 2011b; Chaves and Sajardo-Moreno 2004). Based on insights gained from our data, and corroborated by the nonprofit management and family business literatures, we develop the concept of “social entrepreneur centrality” as core to the issue of founder succession in social enterprises, and explore several questions triggered by this concept.

Our research method is appropriate considering both the complex nature of our research question (Merriam 2002) and the novelty of the geographic context in which we conducted our study—India. India serves as an interesting setting to explore our research question for three main reasons. First, India is an emerging economy and “entrepreneurship research can still be critiqued as almost exclusively focused on North American and European research sites” (Bruton, Ahlstrom, and Obloj 2008, p. 1). Second, India is a very poor country characterized by high levels of illiteracy and unemployment, as well as low levels of income (Manimala et al. 2001). Although entrepreneurship researchers have traditionally not been interested in studying poverty contexts, recent trends consider entrepreneurship as a means by which people can break the cycle of poverty (Bruton, Ketchen, and Ireland 2013).

Since SE, by definition, addresses problems that are not adequately resolved by the state, civil society, or the market, we might expect a higher prevalence of SE in areas with higher levels of social pains (e.g., poverty, environmental degradation, drought, war, or illiteracy), higher levels of state failures (e.g., corruption, education, or health provision) or lower levels of civil society involvement (e.g., trade unions, social dialogue, or volunteering) (Lepoutré et al. 2013).

India does suffer from social pains, as well as from state failures like corruption. It is therefore not surprising that in such a country people are increasingly in search of innovative and sustainable ideas to improve their country’s social and economic progress (Sanghavi 2008, as mentioned in Segran 2008). The last decade has thus seen some improvements and the government and social enterprises are gradually starting to cooperate in order to generate some positive social change in the Indian society (Segran 2008). Since SE is crucial for India, it is also of paramount importance that Indian social enterprises—and their missions—survive their founder’s departure.

Third, India has specific cultural features that impact entrepreneurship. One of these is the importance of social norms (family, friends, role models) in business life, which we aim to explore in this study. Altogether, India provides an interesting, under researched context to study a key
issue to the viability of enterprises that bring positive social change to needy populations.

This paper proceeds as follows. Next, we outline the conceptual background that informs our research question, with a focus on three dimensions: (a) the brief extant literature on founder succession in SE; (b) insights from extant research into the choice of a successor; and (c) the Indian context and its influence on SE and founder succession. Then, we present our grounded theory methodology before discussing our findings and their implications at length. We finish by offering future research avenues for researchers willing to move these issues forward.

Conceptual Background

Founder Succession in Social Enterprises: A Brief Review of the Literature

Despite its importance for the sustainability of social enterprises, extant research on founder succession is extremely limited (notable exceptions include Donkervoort 2006; Hare, Jones, and Blackledge 2007). As a result, two relevant, yet independent, literature streams inform our research question. First, we turn to the nonprofit management literature, as social enterprises share with traditional nonprofits a common pursuit of primary social, noneconomic objectives—although they differ by their entrepreneurial orientation. However, in this field as well, "research on founder and leader transitions in the nonprofit sector is limited" (Block and Rosenberg 2002; Adams 2005; cited in Balser and Carmin 2009, p. 185). Second, we turn to the literature on family businesses, which has documented the issue of succession to a greater degree. Indeed, in line with Bacq and Lumpkin (2014), we argue that because of similar challenges faced by social enterprises and family firms that are related to their simultaneous pursuit of economic and noneconomic goals, the family business literature is well suited to inform research questions on social enterprises.

The main theme that emerges from both literatures concerns the importance of the founder as an individual who greatly influences the conceptualization and the conduct of organizational activities, and whose central role may compromise the succession. Documented in the nonprofit literature as the "founder’s syndrome," nonprofit founders have been shown to have difficulties leaving their organizations, passing the mantle of leadership to others, or supporting changes that deviate from their initial vision (Block 2004; Block and Rosenberg 2002).

In the family business literature, this key role of the founder is also described by Hollander and Ellman (1988, p. 149) who state that "the culture of the business becomes, at least in part, an embodiment of the founding personality, this culture then influences operational style; which in turn affects both the development of the business and its ability to respond to change." This phenomenon has been further referred to as "founder centrality" or how predominant the founding entrepreneur’s position is among the firm’s top management group (Harvey and Evans 1994; Kelly, Athanassiou, and Crittenden 2000). Like family businesses, founder-run organizations are characterized by centralized decision-making processes (Dyer 1986; Geeraerts 1984) and a culture that reflects the founder’s vision and values. The importance of the founder is such that individuals involved in these organizations internalize these views (Balser and Carmin 2009) and show loyalty toward the enterprise’s culture (Hernandez and Leslie 2001). This founder centrality, first documented in family businesses, seems to be especially true in cultural contexts where family patterns, values, and considerations about people matter within organizations (Athanassiou et al. 2002). This context is likely to prevail in social enterprises and to be exacerbated in India (see below). On the other hand, founder centrality may also constrain the vision and objectives of those succeeding in the business leadership (Eddleston 2008). It is thus not difficult to extend the reasoning that prevails in nonprofit and family business settings to social enterprises, as it has been argued that social entrepreneurs see the enterprise as a prolongation of their own personality and values (Bacq and Janssen 2011b). This calls for more research that addresses this unexplored area and thus leads to our first research question:

Research Question 1: How does founder centrality manifest in social enterprises, if at all?

Choosing a Successor

Given the importance of individual values and personalities in SE, the choice of a successor has signaling implications. The family business literature offers some insights on the possible options and their pros and cons. Cadieux (2007) reviews
three types of successors—familial, external, or internal. First, a familial succession occurs when a family member takes over the venture, which often guarantees a better knowledge transfer thanks to a strong commitment to the continuity of the familial initiative. Second, an external successor has no link with the enterprise, which implies higher risk given the very low level of prior knowledge, but usually offers a large capital payback to the entrepreneur, as well as an opportunity for strategy reorientation. Third, internal successors include employees or managers familiar with the venture and its activities, which offers the guarantee of keeping the founder's expertise and entrepreneurial spirit within the organization (Cadieux 2007).

Both internal and external successions2 could be valid options for social enterprises. Hare, Jones, and Blackledge (2007) have shown that more than 75 percent of social enterprises with succession plans indicate that it is likely to take the form of internal promotion. An internal successor increases the likelihood of maintaining continuity of the social entrepreneur's vision for social change by training the internal successor through the transfer of his/her knowledge, know-how, and skills. Also, one could argue that an internal successor, who is very familiar with and committed to the social mission of the social enterprise, will be more willing to accept the often poor financial compensations that are offered in these organizations (Chaves and Sajardo-Moreno 2004; Cornelius, Corvington, and Ruesga 2008).

On the other hand, opting for an internal successor could indicate that the founder wants a “clone” and believes him/herself to have the optimal characteristics to lead the organization, which could lengthen or even compromise the succession process (Hambrick, Geletkanycz, and Frederickson 1993). Nevertheless, the existence of talented and committed staff does not guarantee the availability of an internal successor. In addition, in organizations that often practice participative and democratic governance (Bacq and Janssen 2011b; Neville and Murray 2008), choosing one individual out of all the members might create tensions harming organizational culture and harmony (Carman, Leland, and Wilson 2010). However, choosing an external successor who is aligned with the social enterprise’s core social mission may prove to be just as challenging. Therefore, we formulate this second research question:

Research Question 2: How does founder centrality influence the choice of a successor and the succession process in social enterprises?

Social Entrepreneurship and Founder Succession in the Indian Context

A country’s or region’s economic and cultural specificities heavily influence SE (Bacq, Hartog, and Hoogendoorn 2013; Morris and Schindelhutte 2005) and therefore need to be taken into account. After the independence movement of 1950, the Indian government tried to protect local organizations by implementing a variety of regulations restricting imports and exports. However, Indian products were not competitive on the global market and the economy stagnated for a long time (Koster and Rai 2008). The economic crisis of 1990 finally led to a change of regime in 1991 and the government set up new strategies that broke up with the state control of economic affairs. This strategic change was called the new economic policy and its main goals were globalization, privatization, and liberalization (Sarkar 1996). As a result, the Indian economy has been growing considerably for the last two decades (Datanet India 2012).

Entrepreneurship took new directions as well. As the government stopped impacting and controlling companies, a whole new range of opportunities were brought into being, and India’s population was called upon for innovative undertakings (Koster and Rai 2008). India is currently acting on the assumption that the entrepreneurial spirit can be taught (Dana 2007). Many research and educational institutions are being set up, aimed at the promotion of nationwide entrepreneurship (Dana 2007) and greater effort is being put into developing a positive attitude toward entrepreneurship (Levenburg and Schwarz 2008).

Specific cultural factors also influence India’s entrepreneurial activity (Dana 2000; Misra and Kumar 2000). Culture consists of a set of shared values and beliefs that in turn determine socially accepted behaviors (Hofstede 1980). Culture can create a favorable or unfavorable environment and shape individual entrepreneurial

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2Since we are not dealing with family firms, we do not consider familial succession.
perceptions and intentions (Krueger, Liñán, and Nabi 2013; Shinnar, Giacomin, and Janssen 2012; Wennberg, Pathak, and Autio 2013). We have seen that cultural contexts where family patterns, values, and considerations about people are important within organizations exacerbate founder centrality (Athanassiou et al. 2002). Indians attach a lot of importance to family and are less individualistic than Westerners (Lee 1999). One of the dimensions by which the Global Leadership and Organizational Behavior Effectiveness (GLOBE) differentiates among cultures is in-group collectivism, defined as “the degree to which individuals express pride, loyalty, and cohesiveness in their organizations and family” (House and Javidan 2004, p. 12). Unsurprisingly, India ranks high on in-group collectivism.

Despite the importance of SE for emerging economies such as India, there has been no research undertaken yet on the social enterprise succession process in these contexts (Bullough and AbdelZaher 2011), and how cultural and geographical conditions affect it. Furthermore, SE researchers have yet to explore in depth the interaction between the context and the process (Nicolopoulou 2014). Therefore, we aim to fill this gap by addressing our third and last research question:

**Research Question 3: How does the cultural and geographical context influence founder succession in social enterprises?**

In the next section, we describe the methodology we followed to collect and analyze our data.

**Methodology**

In line with recent efforts in the entrepreneurship literature (Haugh and McKee 2004; Hlady-Rispal and Jouison-Laffitte 2014; Lewis 2015; Yitshaki and Kropp 2015), we use grounded theory methodology (Corbin and Strauss 1990, 2014; Eisenhardt 1989) to address our research questions. That is, we aim to “develop a well integrated set of concepts that provide a thorough theoretical explanation of social phenomena under study” (Corbin and Strauss 1990, p. 5). A grounded theory should give some degree of predictability, but only in specific conditions. Indeed, in contrast with a positivist view of research, “the aim is not to generalize findings to a broader population per se” (Corbin and Strauss 1990, p. 8). Rather, a grounded theory seeks to determine how the actors respond to changing conditions, as well as the consequences of their actions. The changing conditions we study in this research are the founder succession events in two social enterprises located in East India, namely Sasha and Gram Vikas. The next section elaborates on the data we collected to achieve our research objective.

**Data Collection**

We used our relationships with Indian scholars to identify potential succession cases of social enterprises in the Indian landscape. It was important to find cases of social enterprises for which a sufficient amount of information and documentation was available, hence a certain level of formalization and structure was needed. Initial contact with the organizations was made in October 2011 while one of the authors was visiting an Indian academic institution for a semester. The data collection process took place between October 2011 and July 2012.

Our sampling strategy responds to the highly unexplored aspect of our research questions, as no known study has examined this phenomenon. After triangulating data from various sources, we are confident that, as a starting point to explore the topic, these two case studies meet grounded theory sampling standards. First, in order to guarantee the significance of the data we collected, we did not sample individuals but “incidents, events, happenings” that the phenomenon involves. Second, we sampled for variation in order to achieve representativeness and consistency of the concepts and categories (Corbin and Strauss 1990). That is, both Sasha and Gram Vikas developed and grew rapidly, in similar time-periods, geographic, and demographic conditions. These commonalities are interesting from a methodological standpoint since the two organizations can serve as natural controls for each other (Yin 1984). Yet both organizations studied were at different stages of their succession process, which provides an opportunity for contrasting our findings: Sasha underwent its founder succession in 2004, at the

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3The GLOBE research project is a cross-cultural study of leadership, societal culture, and organizational culture, spanning more than 60 countries and 700 organizations (House et al. 2004).
founder's death, and therefore constitutes a useful case to analyze past successes and errors in retrospect, and elicits lessons learned during the succession process. *Gram Vikas*, on the other hand, was still in the process of finding a new leader at time of data collection. In this sense, our cases provide examples of “polar type” events (Eisenhardt 1989). Before presenting our data collection sources and instruments, we briefly review their commonalities and differences, based mostly on interview material.

**Two Cases of SE Founder Succession.** *Sasha* was established in Kolkata in 1978 by Subhashini Kohli as a not-for-profit *Fair Trade* organization—a type of social enterprise (Huybrechts and Defourny 2008). *Sasha* empowers artisanal producers by providing them with marketing, financial, technical, or managerial inputs, and by ensuring the sale of their products at a fair price. A subsidiary of *Sasha, Sarba Shanti Ayog (SSA)* is responsible for capacity building of the artisanal groups. Today, *Sasha* works with nearly 150 craft groups that are mostly cooperatives formed by craftspeople in West Bengal, Orissa, the Northeast, and Karnataka. When it comes to selling its handicraft, *Sasha* has partnerships with organizations all over the world. Fifty employees work for *Sasha*, split between the head office and on-the-ground collaboration with the artisans; SSA employs five additional people. Besides the executive officer, Roopa Mehta, eight managers are in charge of different departments. Additionally, people are hired on an assignment basis for technical support or training.

*Gram Vikas* is a nongovernmental organization that was founded by Joe Madiath in 1979 in Orissa with the objective of supporting its rural population (Chowdhury and Santos 2010; Madiath and Jayapadma 2005 also described *Gram Vikas* as a social enterprise). Equality and sustainability underlie all its activities, which focus on water and sanitation, food safety, sustainable energy, education, and empowering rural people to become self-confident and live independently. As of March 2011, *Gram Vikas* had reached 1,089 communities with a total population of more than 354,000. It mainly operates in Orissa, but recently started implementing programs in three other nearby states in India. *Gram Vikas* employs 322 full-time equivalents who work either in the head office or in one of the project areas. Additionally, because *Gram Vikas* aims to involve the rural people themselves, nearly 200 volunteers work within the villages to support their local development.

*Sasha* and *Gram Vikas* differentiate themselves from one another on several dimensions that can affect the succession process. For instance, in terms of financial sustainability, *Sasha*’s entire overhead and running costs are covered by the margin they get from purchasing the artisanal products at a fair price and selling them to customers worldwide. Only about 10 percent of the overall financial resources come from external sources, mostly for extraordinary projects. On the other hand, like the vast majority of India’s social enterprises (Vishy 2012), *Gram Vikas* generates 50 percent of its revenues from earned-income activities, whereas the other half is covered by the *Accelerated Rural Water Supply Program* of Orissa’s government (Gram Vikas 2011a).

**Data Sources.** In line with grounded theory principles that recommend using any sources that might shed light on questions under study (Corbin and Strauss 1990), we collected both secondary and primary data by means of field observations and in-depth interviews (Yin 1984), which are summarized in Table 1.

First, we collected and reviewed the annual, strategic, and financial reports from the previous 5 years as references for thematic analyses (Creswell 2003). Unfortunately, these were not available for the time period that *Sasha* underwent its succession, and we therefore had to rely on some unofficial documentation provided by the organization’s administration (e.g., memos). Apart from these documents, we also collected data from other sources, such as websites, newsletters, and publications describing *Sasha*’s ongoing projects and programs. Furthermore, we referred to newspaper articles and case studies released by third-party observers.

Second, primary data were collected from nonparticipant observations within both social enterprises and from semi-structured interviews. In both organizations, based on our observations and analysis of secondary documentation, we identified a variety of individuals who were involved with—and influenced by—founder succession. We further selected interviewees based on their position within the organization, making sure that we collected data from individuals working at various organizational levels and shouldering different responsibilities. That is, in each organization, we interviewed one of the key actors of the succession (the founder in the
case of Gram Vikas and the successor in the case of Sasha), a board member and an employee. The reality of both organizations did not enable us to collect data from individuals working at the exact same position—for instance, at Gram Vikas, a successor had not been found yet, whereas she had been in place for many years at Sasha. Nevertheless, such variety among the interviewees’ background helped us grasp perspectives at different levels of the organization. This further contributed to establishing the validity of the information we gathered.

We conducted two rounds of interviews, as summarized in Table 2. The first round was conducted face-to-face in India. In both organizations, we had the opportunity to spend time and talk with several people in their regular working environment. In this way, any type of

<table>
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<th>Table 1</th>
<th>Data Sources</th>
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<td><strong>Secondary sources</strong></td>
<td><strong>Primary sources</strong></td>
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<td><strong>Provided by the organization</strong></td>
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<tr>
<td>Annual reports</td>
<td>Participation in meetings</td>
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<td>Financial documents</td>
<td>Visits to headquarters</td>
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<td>Memos</td>
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<td>Reports to foundations and other stakeholders</td>
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<td>Strategic plans</td>
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<td><strong>Publicly available</strong></td>
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<td>Websites</td>
<td>On-site at Gram Vikas and Sasha or over the phone/Skype</td>
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<td>Newsletters</td>
<td>Multiple hierarchical levels within the organization—directional, managerial, operational</td>
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<td>Publications on ongoing projects/programs</td>
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<td><strong>Provided by third-party observers</strong></td>
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<td>Newspaper articles</td>
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<td>Journal case studies</td>
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<th>Table 2</th>
<th>Interview Details</th>
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<tr>
<td><strong>Organization</strong></td>
<td><strong>Function</strong></td>
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<tr>
<td>Gram Vikas</td>
<td>Joe Madiath</td>
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<td>Founder and former CEO</td>
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<td>Manager</td>
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<td>Sasha</td>
<td>Roopa Mehta</td>
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<td>CEO and founder successor</td>
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<td>Debashish Ray Choudhuri</td>
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<td>Executive Director of SSA &amp; Board Member</td>
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<td>Employee present at the time of the succession</td>
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communication hurdle due to our different cultural backgrounds could be overcome and we were able to build trustworthy relationships early on in the data collection process. Such relationships were maintained after we had left the country, and the second round of interviews was conducted over the phone or Skype. The familiarity with the organizations and our interlocutors enabled us to overcome the physical distance for this second round of interviews.

In line with Patton (1988) and Pellemans (1999), we used semi-structured interviews that follow certain guidelines while still leaving room for spontaneity and flexibility. In this approach, the role of the researcher is to intervene each time s/he needs to deepen and clarify the answers given by the interviewee (Pellemans 1999). This approach corresponds to Patton's (1988, p. 197) “standardized open-ended interview” that consists of a set of carefully crafted questions asked in the same order to the different interviewees, which reduces bias in data collection. Hence, we asked specific questions that were still broad enough to make an expanded discussion possible so that further insights and opinions of the participants could be gained (Creswell 2003).

Our initial interview guide first focused on the person, his/her role in the organization and views on SE. In this way, the context of the interviewee's working environment became clearer, which helped to understand his/her involvement in the succession process, the latter being the main focus of the second part of the interview. In line with our grounded theory approach, flexibility and adaptability were key throughout the whole data collection and analysis processes, which are interrelated and were therefore carried out in parallel. That is, data analysis was used to direct the next round of interviews and observations so that all potentially relevant aspects of the topic were captured. Consequently, some interview questions were adapted over time, based on preliminary findings from case studies and observations. This iterative process led to a deeper exploration of various conceptual points in subsequent interviews. Such flexibility was particularly important for the case of Gram Vikas, where the search for a successor was still ongoing. These interviews provided invaluable insights into the organizations' current issues, trials that were abandoned later on, and other developments in the succession process as they happened over time. It also gave us access to different points of view. All of our interviews, which lasted on average between one and two hours, were tape-recorded and transcribed. These, in addition to our notes from the observation phase and hundreds of pages of secondary data, composed our data sources.

Data Analysis

To analyze our collected data, we proceeded in two steps. First, transcribed information from our interviews and observations was organized in an open coding format, with every relevant piece of information arranged under one or more categories (Mäkelä and Turcan 2007). To identify and create the various categories, relevant attributes, and concepts for our succession cases were identified and noted for each case. Categories' dimensions included actors (e.g., founder, employees, successor), phase (e.g., presuccession stage, succession), organizational activities or departments affected by the succession (e.g., funding strategies, board decisions, field workers), and any kind of cultural specificity. Grounding the categories in the reality of the data provided some congruence between theory and observation (Corbin and Strauss 1990). Second, when the data category allowed it, the two cases were compared and cross-checked for coherence (Yin 1984), in order to generate a better overall understanding and to identify general ideas. The categories were at first quite narrow, only allowing very specific data. Progressively, they were regrouped into 10 “bulked” categories, which are summarized in Table 3. These meta-categories are more abstract and will be used as the cornerstones of our grounded theory as we relate them to one another.

Findings

In line with the guiding principles of this method, our grounded theory “explains as well as describes” (Corbin and Strauss 1990, p. 5). Therefore, before elaborating on the categories that emerged from our data analysis, we provide descriptive narratives of founder succession at Sasha and Gram Vikas that are grounded in the data we collected.

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4Available from the authors upon request.
<table>
<thead>
<tr>
<th>Category</th>
<th>Case studies</th>
<th>Relationship to theory</th>
<th>Specificities in India</th>
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<tbody>
<tr>
<td>1. Organizational structure and decision making</td>
<td>Both organizations have a strong board, which makes the final decision on succession.</td>
<td>n.a.</td>
<td>n.a.</td>
</tr>
<tr>
<td>2. Financial sustainability and fundraising</td>
<td><em>Sasha</em> is self-sustainable whereas <em>Gram Vikas</em> is not and needs to entertain good relations with financial supporters.</td>
<td>n.a.</td>
<td>In India, most social enterprises strongly rely on outside funding and the leader therefore needs some lobbying qualities.</td>
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<tr>
<td>3. Employees' attitude toward change</td>
<td>In both organizations, the employees were not afraid of a change in leadership and saw it as an opportunity rather than a threat.</td>
<td>Theory evokes both possibilities; field research supports that the employees perceive a new leader as positive.</td>
<td>n.a.</td>
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<td>4. The fact of being a social enterprise</td>
<td>The social mission might attract &quot;like-minded&quot; people but the lower financial remuneration makes the hiring process more challenging, which was especially observed in the case of <em>Gram Vikas</em>.</td>
<td>Theory and practice agree that the lower salaries are counterproductive to finding a successor and that even the social cause cannot always outbalance this situation.</td>
<td>n.a.</td>
</tr>
<tr>
<td>5. Location of the social enterprise: rural–urban</td>
<td>This is a problem for <em>Gram Vikas</em>, which operates in a remote rural area.</td>
<td>n.a.</td>
<td>In India, there are many organizations that perform similar activities as <em>Gram Vikas</em> and therefore might face difficulties finding a successor due to their remote, unattractive location.</td>
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<tr>
<td>6. Personality of the social entrepreneur</td>
<td>The founder is a highly charismatic person, which makes it difficult to let him/her leave the organization.</td>
<td>Findings from the field are in accordance with all theories and even use the same words to describe the phenomenon.</td>
<td>In India this factor is amplified, as personality cult is something very present in this country.</td>
</tr>
<tr>
<td>7. Characteristics of the social enterprise</td>
<td>Successor's required skills depend on the activities conducted by</td>
<td>Although it is useful to find a successor with adequate managerial</td>
<td>Especially in countries like India, social enterprise activities are in</td>
</tr>
<tr>
<td>Category</td>
<td>Case studies</td>
<td>Relationship to theory</td>
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<td>the social enterprises.</td>
<td>Expertise is useful to become more professional, like <em>Sasha</em> did during the</td>
<td>skills, the lack of experience in certain sectors or fields of expertise is not a main</td>
<td>quite traditional fields and therefore do not require many specific kinds of expertise.</td>
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<td></td>
<td>succession, but at <em>Gram Vikas</em>, networking skills are of greater</td>
<td>obstacle to succession.</td>
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<td></td>
<td>interest.</td>
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<td>8. The organizational</td>
<td>In both organizations, the culture is very much influenced by the founder.</td>
<td>Extant theories make the same statement, which makes it difficult to hire an outside</td>
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<td>culture</td>
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<td>successor because s/he has to internalize the culture first.</td>
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<td>9. Succession possibilities</td>
<td><em>Sasha</em> had an internal and &quot;involuntary external&quot; transition, which</td>
<td>Theory suggests three succession strategies (family, internal, external). After the</td>
<td>n.a.</td>
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<td>worked well, whereas <em>Gram Vikas</em> has no choice but to find a successor</td>
<td>field research it seems that an internal succession would be the most suitable for a</td>
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<td>outside the organization.</td>
<td>social enterprise, though it is not always possible due to various circumstances.</td>
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<td>10. Support of the</td>
<td>In both organizations, the lack of advanced planning resulted in difficulties</td>
<td>Theory claims a lack of planning in advance, which is shown in both case studies.</td>
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<td>succession process</td>
<td>for the succession process. At <em>Gram Vikas</em>, some support can be given by the</td>
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<td>founder during the takeover phase, to familiarize the new executive director</td>
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Two Narratives of Founder Succession in Social Enterprises

At *Sasha*, the succession took place in 2004, after the death of the founder Subhashini Kohli. Roopa Mehta, the successor, had been sitting on *Sasha*’s board since its inception in 1978 and became a full-time member 7 years later. The succession from Kohli to Mehta was “natural” in the sense that decisions were already taken jointly prior to Kohli’s death. Founder succession at *Sasha* had thus been handled internally with a successor who had known the organization for a long time and had internalized its mission, values and culture. At *Sasha*’s capacity building subsidiary *SSA*, on the other hand, Debashish Ray Choudhuri was hired from outside the organizational boundaries. His position has been created precisely with the aim of introducing change and institutionalizing *SSA*. This goal of empowering *SSA* had been set when Kohli was still leading the organization. Her intention was to get someone from the outside and to familiarize him/her with the organization, its activities and its people for some years, before that person would take the leadership position. According to Choudhuri, the process would never have happened so fast, had it not been for Kohli’s unfortunate death.

At *Gram Vikas*, the search for a successor was still ongoing at the time of data collection. Joe Madiath retired in 2010, but the board had requested a 5-year extension because of the difficulty of finding a suitable successor. Indeed, no one within the organizational boundaries was both suitable and willing to take on the leadership position. Hence, Madiath and the *Gram Vikas* board had started searching for a successor outside the organization. Steps taken in that search were formalized over time. First, Madiath planned to put together a team of people who could collectively take over the leadership of the organization; after some time, the board would elect a CEO among them. To spread the word, they also spoke to other NGOs and to management institutes like IRMA (Institute of Rural Management Anand), and others to recruit their graduates. However, these attempts were unsuccessful and the search process had to be further formalized by hiring a consulting firm. The latter would be expected to do three things: (1) lay out a succession plan; (2) identify a set of candidates; and (3) lay out a remuneration structure. Yet Madiath expressed concern that the consulting firm would choose “retired bureaucrats.” According to him, this would have “obviously no point: If a retired bureaucrat can succeed, why should I then stop to work at all?”

With this in mind, in the following sections, we review three major themes of founder succession in social enterprises that emerged from our interviews, observations, and archival data, namely: (1) social entrepreneur centrality in SE founder succession, (2) the succession approaches that SE actors employ in response to social entrepreneur centrality, and (3) the influence of the cultural and geographical context on founder succession in social enterprises. We discuss these themes and their underlying categories in detail. Then, we return to the literature in order to compare our findings to it, eventually finding novelty, similitude or conflict with it. Finally, we carefully derive a model that illustrates the process of founder succession in social enterprises from the categories that emerged from our data and link them together, as captured in Figure 1.

Social Entrepreneur Centrality

The first notable finding from the two social enterprises that we studied concerns the salience of “social entrepreneur centrality.” We define it as the degree of predominance of the founder’s position in the social enterprise, both in terms of decision making and in terms of cultural values promoted in the organization. Social entrepreneur centrality starts with very strong convictions, desire and passion to fight for a social cause, so that a social entrepreneur may lack support from his/her relatives, as illustrated by the quote that follows:

“In my family, initially they were against it and I had no support, because they thought that I am wasting my time. They wanted me to go into administration or go into business or even go to have my own farm or plantation. […] All those

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5From more recent organizational documents, we learned that in May 2014, Shubhasis Pattnaik took over from Joe Madiath as CEO and Executive Director of *Gram Vikas*. Pattnaik joined the social enterprise after twelve years as a consultant at Infosys Ltd, an Indian multinational corporation headquartered in Bangalore, which provides business consulting, information technology, software engineering and outsourcing services. Madiath still sits on the board as a Founding Member.
great possibilities […] where you get a position and power and money. I rejected all of them. And so they were against me going out and living on almost nothing and working with the very poor. They vehemently opposed it.” (Founder, Gram Vikas)

Our data further revealed that such stubbornness and strong convictions often translate into a very charismatic personality, which supports some insights from the extant literature (Chaves and Sajardo-Moreno 2004). As such, social entrepreneurs can be characterized as very convincing people who manage to build a strong network around themselves and have the ability to enthuse many other people, who then support the organization, as the following quote illustrates:

“Oh, you want to know what made me work with Gram Vikas. The basic motivation factor was Joe, the current executive director of Gram Vikas, Joe Madiath. […] […] then I came and visited Gram Vikas, I liked the work of Gram Vikas and yes, then in 2007 I officially joined Gram Vikas. […] It was basically all because of Joe [Madiath], because at that time it was not that I was hunting for another job […]” (Manager, Gram Vikas)

It follows that the social entrepreneur’s charisma closely affects the culture that is developed within the organization, as illustrated by these quotes:

“[…] Gram Vikas is an organization, which has a huge standing in India […] and a lot of it is because of Joe Madiath. […] Joe Madiath is almost bigger than the organization […] His aura and everything is bigger than Gram Vikas. And so, people tend to equate Gram Vikas with Joe, which I do not think is a very healthy
sign, but that is how it is.” (Board Member, Gram Vikas)

“For many people, Joe and Gram Vikas seems to be the same thing, they cannot imagine Gram Vikas without Joe.” (Manager, Gram Vikas)

Such conceptions of social entrepreneur centrality are further substantiated in Madiath’s own words:

“Yes, it is quite difficult, because I have grown in the organization, I set up the organization, I have my legitimacy. So, every person coming in would be viewed with a certain amount of suspicion and hesitation. That is understandable. […] But if a new person comes, there would be hesitation, is he going to be at least as good as you or is he going to understand us, all sort of those questions.”

What seems to emerge from our data is an imprinting effect that a charismatic social entrepreneur has on the values and mission of the organization, so that it creates some level of intertwinement between the entrepreneur and the organizational culture. Next, we discuss how such centrality of the social entrepreneur affects the founder succession process.

Consequences of Social Entrepreneur Centrality on the Search for a Successor

Below, we explore the consequences of social entrepreneur centrality from the perspective of different actors involved in the founder succession process: the founder, the successor, the board of directors and the employees.

The Founder. From the perspective of the retiring founder, three issues arise from our data: (a) whether the founder is ready to leave the organization, (b) his/her level of involvement in the search for a successor, and (c) the continuous support s/he is willing to provide to the successor during the transition period.

Interviewees in both organizations stressed that, as a consequence of social entrepreneur centrality, the succession can be positively or negatively affected by the retiring CEO’s level of readiness to hand over:

“[…] when I came in it was a difficult time because the CEO had been ill for two years, but she […] had still not quite banded over things and was still running the business. […] As a social enterprise we do not want Sasha to be a personality-led social enterprise. It is an organization which is managed and led by a CEO and which can be replaced by another CEO. […] That’s the way when I’m ready to leave, which will be in a few years, and I can easily see someone else coming in.” (CEO and Successor, Sasha)

Gram Vikas’s founder seemed ready to leave:

“Succession-wise he [Joe] has been in fact saying to the board for quite some time now, that he would like to leave. Not leave but to hand over the reins to someone else.” (Board Member, Gram Vikas)

Thus, our data do not provide evidence of the social enterprise founders’ substantial difficulty to leave or let go.

Second, it seems that the founder’s involvement in the search process is limited to providing some feedback on the applicants, and that the board is actually more involved in making the decision of whom to hire as a successor:

“I won’t be involved in the final selection but I think I will be giving feedback of what I think of each of those who applied for that post. I mean, the board will be influenced to some extent but it won’t be my decision, it will be totally theirs.” (Founder, Gram Vikas)

Third, our cases indicate that social entrepreneur centrality bears consequences not only in terms of the level of involvement of the founder in the search for a successor, but also in terms of providing continuous support to the successor. Regarding the latter, staying in the organization longer in order to accompany the successor—a process known as joint management (Cadieux 2007)—just as Madiath of Gram Vikas was planning to do—might be beneficial:

“I am ready to stay a year longer after the new person takes over and guide that person wherever he needs my input. But the day that person feels that enough is enough, I would like to quit. … [during that year I will] assist the team only if I am needed, to the extent that is needed.
But I do not want to be a person who would breathe down on the new person."

In this way, the new executive director has some time to get familiarized with the company and only takes over fully when s/he is ready.

The Successor. The choice of a successor involves considering different aspects of the successor: (a) whether to find an internal or external successor, (b) the importance of the successor’s prior experience in and familiarity with the social sector in which the social enterprise operates, and, probably most importantly, (c) the fit between the successor and the social mission.

First, the fact emerged from both case studies that the founder’s charismatic personality might intimidate potential successors from stepping into his/her shoes. This is particularly valid for potential internal successor candidates, who know the strong personality of the founder, as expressed by Mehta, current CEO and successor at Sasha:

"The first transition was a difficult transition. [The organization] was not organized the way it is organized now. It was very person-centered […]. And because it was [so] person centered and the person is extremely special… sometimes […], the person is so special that the person takes over […], in that instance, the transition is much more difficult, so I had a very hard time. It could have been very, very hard if I had to imitate that person, because you never really step into the shoes. I think that is a key point of a succession, that if you try to step into somebody, become that person [it is not the best way]. You need to understand where the business is going, what it is about and then carry it in your style or whatever and within your competencies."

Nevertheless, at Sasha, the succession by Mehta was perceived as very “natural” by both its board members and its employees:

"In the year 2004 Subhashini passed away and Roopa was the natural successor actually. So the board then decided that she takes over the role of the chief executive." (Board Member, Sasha)

"[Mehta] was handling a lot of things, decision making and overseeing everything. So, she was, as we always say, the second man, and she was more than the second man actually. When I saw it, it was Shabi and Roopa jointly taking decisions. So, it was sort of natural." (Employee, Sasha)

At Gram Vikas, the first choice was also to look inside the organization for a successor. But as stressed by board member Soma Dutta, it was not that easy:

"Within the organization the options are few and the senior people who are there have been there for almost as long as Joe has, and are not very keen on taking the leadership role. Basically, they are happy where they are. And for that reason one has to look outside."

A manager at Gram Vikas adds perspective to this issue of hiring an internal versus external successor:

"The senior members have all been working with Joe, so they would be scared to take over. They know Joe, who is a very charismatic person, and they would not feel well, there is a hesitation and they would think that they would not fit in the shoes of Joe Madiath. […] Recruiting somebody from outside would also work out, but the transition should clearly be not quick. The person has to understand the whole organization in its spirit, so that takes time. […] Finding a successor for Gram Vikas is something which is not completed yet. Because Joe as a leader is a very charismatic leader, [the successor would need to be] a person who can really understand the organization, internally, the culture […] and then also have the qualifications to run such an organization… It is something which ideally we should have thought of earlier."

From the perspective of the founder, looking for a successor who is an exact replica of the founder is not a desirable strategy either, as expressed by Gram Vikas’s retiring CEO:

"It should not be a person like me; I am not looking for a clone of myself. But the
basic principles, the mission of Gram Vikas should be embedded.” (Founder, Gram Vikas)

Therefore, in line with their participative management approach, the succession process at Gram Vikas started with building a strong senior management team of eight to ten people from which the right person to take over as a director would emerge:

“We are trying to look for one person who will be guided by a team of people. But this person will officially be the leader and take the organization to its future direction.” (Manager, Gram Vikas)

Unfortunately, of the five possible successors identified by Madiath in 2012, none of them turned out to be suitable, as Madiath explains: “They are good now for the role they play but I do not think they could come to the leadership position of an NGO with 30–35 years of history.”

In sum, our data seem to indicate that strong social entrepreneur centrality implies (a) unforeseen challenges for internal succession, and (b) a preference for a successor who would be coming from outside the organizational boundaries. Among potential external successors, two criteria emerge as most relevant. On the one hand, the successor’s experience in the social sector seems to be of relative importance:

“Development orientation has to be there and I think that person has to have some experience with leading organizations and helping organizations through change. Because Gram Vikas is not just a succession change but it is a change in organization profile as well. So someone who had experience in working with an organization like that, I think, would be very good. But these are more like desirables than, I would say, selection criteria. Because sometimes you have a person who may have come from the private sector, but you just find them very bright and having great ideas, so that might work as well.” (Founder, Gram Vikas)

“My strength was the background and experience I had and a deep commitment to the work plus just professional strengths, like being very open to new ideas and developments and I think we do also have a certain organizational ability.” (CEO and Successor, Sasha)

On the other hand, and most importantly, the fit between the organizational core values and the successor candidates seems to be a determining characteristic in deciding whom to hire as a successor to the founder:

“We could get a person who is good at leading an organization, who maybe has a degree. […] But to understand the spirit of an organization like Gram Vikas is something which is not so easy. I think it would be good to have someone who knows already Gram Vikas as a friend, even if he is from outside the organization.” (Manager, Gram Vikas)

This fit is what can assure the continuity of operations and, most importantly, of the social mission, as expressed by the successor at Sasha:

“The first concern was to tidy up the organization and […] to give [the producers and the people of Sasha] the reassurance that the organization will continue and the right things will be done.” (CEO and Successor, Sasha)

Furthermore, an additional important category that emerged from our data is the financial sustainability of the social enterprise and how it affects the fit between the successor and the social mission, in particular when it comes to the financial compensation the successor can expect in a social enterprise setting. For instance, as Joe Madiath shared with us: “I think the temptations of people who have come to that level in Gram Vikas, … to get corporate jobs [are there]. […] The salaries they are paid there are so astronomical compared to what we are paid.”

Therefore, given the challenges that social entrepreneur centrality imposes on a potential internal successor, and the importance of fitting in with the organizational mission, an alternative emerged from our data: to let the external successor first grow inside the organization, familiarize him/herself with the system, and understand the social enterprise “spirit” before s/he takes over:

“Recruiting somebody from outside would also work out, but the transition should clearly be not quick. The person has to understand the whole organization in its spirit, so that takes time.” (Manager, Gram Vikas)
“The board thought that we need somebody who is mature enough, who has experience and let him grow in the system for some time and then he can slowly take over.” (Executive Director and Board Member, Sasha)

Thus confirming insights gained from both non-profit and family business literatures, our case studies indicate that social enterprises rely heavily on a very pronounced organizational culture, built around their social mission, as well as on the personality and charisma of the founder—the two often being related and anchored in a pronounced social entrepreneur centrality. In fact, in an organization where financial profits are not the primary goal, the social mission constitutes its raison d’être. It is therefore crucial that the prospective successor identifies him/herself with the organizational culture and social mission so that when succession takes place, the successor increases the survival chances of both the organization and the social mission. Our data further indicate that several other actors, apart from the founder, influence founder succession.

Board of Directors and Employees. Our case studies indicate that a strong board, led by an excellent chairman, is a key success factor when it comes to ensuring continuity of the vision and mission at times of succession, as illustrated by these excerpts:

“Of course it is active in some important decisions, it always come through the board.” (Board Member, Sasha)

“The final decision, I think, will be of the board.” (Board Member, Gram Vikas)

“But if the board chooses something else [than he would have chosen], even if I might not like it, I will accept it, it is their choice.” (Founder, Gram Vikas)

Finally, employees can perceive the change of leadership either as a threat or as an opportunity for personal advancement and/or organizational growth. In the two cases we studied, although the employees were satisfied with their current/past leader, they perceived the change in leadership as a necessity for long-term success, in terms of survival and growth, and as an opportunity for the organization to overcome certain obstacles of the past and to perform even better. At Sasha, for example, founder succession turned out to be an opportunity for the social enterprise to professionalize, as the organization’s structure and system were previously poorly defined. When Mehta took over, she recalls:

“In operations, a lot of things had suffered and the time was right to move on to the next level, so I think that was really what my focus was. And even now it continues to be, to delegate much more, to get people to take much more responsibility etc., rather than being too much a one or two person organization. […] So I think it has just become much more professional.”

According to an employee at Sasha, these goals were achieved and “things [became] more clear and more systematic.” Gram Vikas’s manager shared with us: “Personally I feel that there should be a leadership change, Joe has contributed a lot but for the organization’s growth, there should be a change in leadership.”

In both cases, succession planning by the board and employee buy-in are key success factors for the succession process, which further increases the likelihood of the survival of both the organization and its social mission. Furthermore, what has been less documented in the literature so far are the contingency factors that are tied to the cultural and geographical context in which the social enterprise is embedded, and how they affect founder succession in social enterprises. We turn to these contextual influences in the next section.

Cultural and Geographical Influences

As a cornerstone of grounded theory, broader structural conditions must be analyzed, which include economic conditions, cultural values, political trends, and social movements (Corbin and Strauss 1990). Building on the aforementioned background information, in this section we show specific linkages between particular conditions in the Indian context, individuals’ actions, and their consequences in terms of founder succession in social enterprises. In particular, as they emerged from our observations and review of archival documents and, to a lesser extent, our interviews, we review the role played by cultural norms and geography.

Cultural Norms. We focus on two important norms in India: personality cult and perceptions
of professionalism. India is a country where the cult of personality is present to a great extent (Chaudhry 2011; Dey 2012), which translates into people knowing the names of large organizations’ leaders and attributing their achievements to the individual, instead of the organization. This can be explained, at least partially, by the fierce competition that prevails in India because of its large population and increasing market size. Organizational leaders who succeed in these extraordinary competitive conditions are thus cherished as national heroes. For instance, Joe Madiath has received numerous awards for his achievements at Gram Vikas, including the Ashoka Changemakers Innovation Award and the India NGO of the Year Award in 2006, and the Skoll Award for SE in 2007 (Gram Vikas 2011b).

The prevalence of the personality cult in India bears consequences for founder succession in social enterprises. Whereas role models have been shown to play an important role in shaping individual intentions to become entrepreneurs (Engle, Schlaegel, and Delanoe 2011), in the case of founder succession, one could expect that the imprinting effects of social entrepreneur personality on the choice of a successor are amplified by the fact that leading entrepreneurs are put on a pedestal. As a result, the importance of the person of the social entrepreneur could be exacerbated to a point that disheartens succession candidates from replacing such charismatic social entrepreneurs.

Another cultural feature that could impact SE succession in India is the fact that, in emerging economies, external successors are associated with higher professionalism and even higher organizational profitability after the succession process (Chung and Luo 2013). Hence, this form of succession might be the appropriate option for organizations that are looking to formalize and further develop their operations. However, to be beneficial, an outside successor needs to be psychologically close to the culture, both at the organizational and the country levels. For instance, Paine (2010) found that outside American successors’ failure in taking over Chinese organizations could be explained by a lack of cultural understanding of the context they were operating in. One cultural element specific to Asian countries such as China and India is the fact that pre-existing social relationships play an important role in business affairs. As a result, social embeddedness could compromise the success of external successors in such contexts that rely heavily on networks and social contacts (Chung and Luo 2013).

Geographical Location. As cultures and problems differ considerably from one region of India to the other, most social entrepreneurs’ work remains relatively local and, as such, their impact regional (Bullough and AbdelZaher 2011; Mukherjee 2008, as mentioned in Segran 2008). In particular, 70 percent of the Indian poor live in rural areas and suffer from acute social problems including lack of access to healthcare, education, drinking water, sanitation, financial products, etc. Therefore, the geographical location of Indian social enterprises, of which more than 40 percent target rural markets (Vishy 2012), could affect founder succession. For instance, Sasha’s headquarters are based in Kolkata, the largest city in Eastern India, but the craftsmen groups from which they source are located all over India. This could further complicate the search for a successor who understands the specific facets of all these localities.

On the contrary, Gram Vikas, whose headquarters are in Mohuda, a small village located one hour away from Berhampur, Orissa, faces severe constraints to find a successor because of the remote location from which they operate:

“This location really restricts the choice of people that you get. It is malaria-infested and it is difficult to reach. It can be a very isolating experience to work over there on a long-term basis. [...] [For a potential successor] there is also the issue of a good school for the children and things like that.” (Board Member, Gram Vikas)

While this problem is specific to countries such as India, which are huge and have a large portion of their poor living in remote rural areas, it might seem reasonable that, like Sasha, an increasing number of social enterprises in India establish their headquarters in metropolises, even if they operate across the country (Vishy 2012). Such a move to a bigger city is exactly what Gram Vikas was planning to do by moving to Bhubaneshwar, the capital of Orissa, because a more popular, less remote geographical area might help to attract more candidates.
Indeed, our interview with founder Joe Madiath revealed that their current remote location makes the hiring process more difficult because of issues such as high malaria infection risk, absence of good schools for children and general lack of infrastructure. However, this shift is not without posing problems of legitimacy vis-à-vis the beneficiaries and employees:

“I think, and what I also have told to my board, you will have the problem of legitimacy because you will push your people to be in all remote areas and the head office and sort of the big guns in the organization will stay with all the comforts of a city. So, the gap between the real doers, the performers in the field and the generals and captains who direct them will widen.” (Founder, Gram Vikas)

The geography of the social enterprise thus bears signaling implications to its beneficiaries and stakeholders at large. In the next section, we discuss our findings in contrast to the extant literature, as well as their implications for SE research and practice.

Discussion

“In general, it [founder succession in social enterprises] is not a subject people talk about or write about much” (Young and Billimoria 2005). The fact that such an important issue for the survival of social enterprises and their social impact receives such limited attention triggered the questions we address in this research. As one of the first empirical analyses of the issue, our in-depth analysis of archival data, field observations and interviews with various actors yield descriptive explanations of the complex interactions that prevail in such phenomena. Our findings contribute to the extant SE literature and theory in at least three ways.

First, our study provides evidence that the centrality of the founder/entrepreneur is highly present in social enterprises, and that it may be a broader, more complex concept than originally conceived in the family business literature. The latter defines founder centrality as the founder’s position among the firm’s top management group in terms of betweenness (founder’s ability to exercise power), closeness (founder’s ability to evade control of other top management group members), and connectivity (founder’s level of connection to other managers who are important and well connected with others who matter in the network) (Kelly, Athanassiou, and Crittenden 2000). Our study extends the founder centrality concept to include an additional dimension related to the founder’s charismatic personality. Thus, to answer our first research question, founder imprinting effects (Nelson 2003; Stinchcombe 1965) seem to be playing a key role in social entrepreneurs’ succession. However, the founder syndrome described in the nonprofit literature, according to which nonprofit founders experience difficulty leaving their organizations, passing the mantle of leadership on to others, or supporting changes that deviate from their initial vision (Block and Rosenberg 2002), was not evidenced in our data. Rather, founders of social enterprises seemed to grasp the importance of putting together systems that will guarantee the continuity of the social mission.

Our second research question suggested exploring the influence of social entrepreneur centrality, including the reported interplay between the social entrepreneur’s charismatic personality and the organizational culture and mission, on founder succession in social enterprises. In terms of choice of a successor, the literature seemed to indicate a preference for internal succession in social enterprises, which augments the chances of fit between the successor and the social mission. Whereas this argument was used by several interviewees at Gram Vikas, in reality, there are several reasons why a current organizational member might not be best suited for the role.

A first series of reasons directly relates to the charismatic entrepreneur who has imprinted the organization to the extent that none of the senior leadership feels confident in taking over the role. In the case of Sasha, although she was very familiar with the organization, having worked for it for almost three decades, Mehta faced many obstacles that arose during the succession and were unforeseen consequences from previous incidents. As a result, the importance of social entrepreneur centrality may justify a preferred external succession route, although it prevents building on prior insights and history with the organization.

A second series of reasons relates to the lack of organizational formalization of social enterprises. Indeed, if its organizational structure is not sufficiently elaborated, the social enterprise is simply too small to present many hierarchical levels. For this reason, there are rarely
possibilities for internal development and succession because the necessary management skills or business experience may not be present internally.

Relatedly, our findings emphasize the key role played by other actors in the social enterprise succession, including the board of directors and employees. In particular, they point to a need for a more structured and systematic organization of social enterprises. Indeed, it has been shown that founders of social enterprises are frequently not in favor of bureaucracy, documentation, scrupulous planning, and structure (Elkington and Hartigan 2008). Nevertheless, this lack of structure posed specific problems at the time of succession at *Sasha*. Although they had the advantage that Mehta was present and working closely with Kohli, the first challenge after the takeover was to bring more formalization to *Sasha* in order to reassure the employees:

“So now the organization is running in a more systematic way, in a more structured way [...] So the organization, I can say, it is moving toward a quality and is getting more systematized and things are now more under control.” (Employee, *Sasha*)

A key take-away from this is that such a degree of organizational systematization triggers formalization of the succession planning, which increases it probability of success. Closing the loop, it could be that low levels of organizational structure development relate to the issue of social entrepreneur centrality in that the founder has the maximal decision power. However, such a centralized decision-making process as highlighted by Dyer (1986) and Geeraerts (1984) was not confirmed by our data. Rather a participative way of working was highlighted in both *Sasha* and *Gram Vikas*:

“Because it is such an open, transparent organization, where there is a lot of dialogue and exchange and a fairly participative way of working... it was not as difficult as it could have been.” (CEO and Successor, *Sasha*)

It could be that the additional dimension of founder centrality—charismatic leadership—translates in social enterprises into participative management, which may ease the transition from a person-dependent organization to a more open, transparent, and systematic structure. The triadic relationship between social entrepreneur centrality, organizational structure, and founder succession calls for promising future research avenues.

Finally, our third research question revolves around the influence of the cultural and geographical context on the succession process. Our findings provide insights into the importance of cultural values when it comes to social enterprises, in particular the fact that, in the Indian context, social entrepreneur centrality is exacerbated by a pronounced personality cult and external successors tend to be associated with more professionalism. Additionally, contrary to what can be found in the literature, a remote location might compromise founder succession in a social enterprise. Most importantly, this study contributes to the extant small business and family business literature by offering future research avenues that lie at the intersection of founder centrality and founder succession. We discuss these, as well as study limitations, in the next section.

**Limitations and Future Research Avenues**

The findings of this exploratory study of founder succession in social enterprises should be treated carefully, as some constraints and limitations were faced during the data collection phase. Although the two cases were rich in variety—they were different in terms of phase of the succession process, sector in which they operate, size and organizational structure—future research is needed that investigates social enterprises in other types of markets, both emerging and mature. Indeed, we found that the context in which succession takes place matters. In this case, we learned that India's tendency to consider social entrepreneurs as national heroes makes the search for a successor even more difficult. The importance of social entrepreneur centrality is reinforced by this cult of personality. In addition, specific to India, the organization's location (that is, whether it operates in urban or in rural, remote areas) matters. The study of the same phenomenon in other contexts could further reinforce our insights into the prevalent cultural factors that affect founder succession in social enterprises, as well as address generalizability concerns.

Nevertheless, the validity of our findings was strengthened by the variety of positions that our interviewees occupied in both organizations, and by investigator triangulation, as several
authors were involved in the research and analysis of the case studies. Indeed, “research projects carried out by teams offer opportunities for the probability of collaborative analysis” (Strauss 1987, pp. 138–139).

Future research avenues offered by this study are numerous. In the following paragraphs, we discuss three main potential research streams.

First, scholars could test our model by empirically investigating interactions between our different constructs. For instance, future research could test the relationship between social entrepreneur centrality and the success outcomes of the founder succession process in terms of achieving the double bottom line. Several questions could be examined. Does a social entrepreneur’s charisma, passion, and stubbornness positively or negatively relate to the organization’s (a) social impact, (b) survival, (c) financial results? Further, do some variables moderate these relationships? That is, under which conditions is social entrepreneur centrality beneficial or detrimental to founder succession outcomes? Does it depend on the socialization process of the successor, as suggested by Battilana and Dorado (2010)? Does it depend on the level of involvement of the founder in the search process and then in the joint management of operations later on?

Furthermore, our findings emphasize the importance of contingency factors, in particular of cultural norms and geographical location. As such, future studies could also look at countries where the cult of personality is not as present as in India and where organizational leaders are not heroes, like in some European countries, in order to see if those cultural aspects make successions easier. In line with Paine (2010), it would also make sense to analyze cases in which the successor would come from another culture and/or lacks understanding of the cultural context in which the succession takes place. The timing of succession is another contingency factor that deserves further examination. When is a good time for the social entrepreneur to leave? If s/he leaves too soon, there is a risk of losing the vision, motivation, and entrepreneurial character of the social enterprise. On the contrary, there are other risks associated with a person-dependent organization that has not been able to put systems in place that will carry the vision and mission forward after the founder’s departure. This question of timing offers interesting avenues for future research.

Second, this study offers promising future research avenues at different levels of analysis. In line with the extant SE literature, it calls for further research on SE individual and organizational issues. At the individual level, our research points to social entrepreneur centrality as a key individual variable affecting the conduct of organizational actions. Based on the insights generated by this study, researchers interested in exploring the individual characteristics and personality traits could extend current research on social entrepreneurs’ passion (Boschee 1998; Miller and Wesley II 2010), charisma (Shamir, House, and Arthur 1993), and ability to enthuse others.

At the organizational level, our study points to the importance of a strong board led by an outstanding chairman for a successful SE founder succession. Yet, the important topic of governance has been mostly overlooked in the extant literature. Therefore, future research could explore the board’s role more systematically by looking at the influence of board composition’s (directors with a business versus directors with a social background) on founder succession in terms of external versus internal succession or in terms of the successor’s professional origin (business or social).

Yet, another level of analysis emerged as key in this research—team level of analysis. Indeed, our study indicates that the success of an internal succession might be compromised by the social entrepreneur’s strong personality and charisma. In contrast, the success of an external succession depends on the fit with the organizational values. In reaction to these challenges, our case studies point to an intermediary solution that consists of forming a team of potential successors, from which one can be chosen once they have been acclimatized to the organization’s culture and values. Although presenting promising and novel insights, the study of management teams in social enterprises is a topic that has been largely ignored by SE scholars to date. Such a focus on teams departs from the biased idea of the “social entrepreneur hero,” and could provide new perspectives on the challenging integration of both social and commercial logics in social enterprises (Pache and Santos 2013).

Third, SE scholars seem to have been looking to find replicates of research findings conducted on nonprofit organizations. However, our study indicates the presence of an imprinting effect as mentioned in the family business literature, but
no founder syndrome as described in the nonprofit literature. In that respect, it would be interesting to study cases where the founder is not ready to let go and to observe how negatively this affects the succession process. In a more general way, it would make sense to examine the extent to which succession processes in social enterprises are in line at all with the nonprofit literature, or if the majority of these lean towards the family business literature observations. Indeed, the latter constitute a promising source of inspiration for future research on succession and governance issues in social enterprises as recently suggested by Bacq and Lumpkin (2014).

Implications for Practice

Social entrepreneurs are highly charismatic founders because their personality and personal values are often intertwined with the values at the core of the social mission and organizational culture, a phenomenon we named social entrepreneur centrality. This relationship grows even stronger as the social enterprise develops and scales. Nevertheless, it is crucial for the long-term survival of the social mission and impact that the social enterprise leadership draws a line between the organizational activities and the success story of one individual. Our recommendation for social enterprise practitioners would be to make sure that every organizational member (including the founder) is aware of this problem and is able to separate commitment to the social mission and enterprise from infatuation with a charismatic entrepreneur. Relatedly, among the success factors of a succession event, we also stress the importance of formalization of the social enterprise, in order to make it less a person-dependent and more a professional organization.

These findings lead to two major recommendations for SE practitioners. First, they stress the importance of involving all stakeholders in the succession process, and especially the board of directors, not only in selecting the successor, but also in making sure that the founder is willing and ready to let go. Formalizing governance entities and mechanisms in social enterprises is likely to be conditional to a successful leadership transition and thus an area where SE practitioners should invest time and energy. Second, another important take-away for social entrepreneurs who wish to have a smooth succession process and are unable to find a promising successor internally consists in forming a team of potential successors who will gradually acclimatize to the organizational culture and values cherished by the founder.

Furthermore, our study stresses the need for the successor to understand the overall cultural context in which s/he will operate, as well as the challenges posed by an unattractive or unsafe geographical location of the social enterprise, since many social problems occur in remote, rural areas. Therefore, we recommend social entrepreneurs to pay attention to the professional background, experience, but also cultural history of their potential successor. In addition, the location of the social enterprise’s headquarters should be carefully chosen as they could affect the continuity of the social enterprise.

Finally, our study also reassesses the importance of principles that are already known in the family business literature, like carefully planning the succession process and the need for a joint management period between the founder and the successor. It follows that family business practices should inspire social entrepreneurs as they conduct their search for a successor, as well as other organizational activities. As such, social entrepreneurs should not be afraid to guide their business decisions with regard to human resources, pricing and stakeholder alignment based on “values and principles that extend beyond mere financial gain, and often rely on altruism and noneconomic rationales” (Bacq and Lumpkin 2014, p. 271).

Conclusion

The aim of this research is to provide a better understanding of the founder succession phenomenon in social enterprises, in particular in the context of emerging economies such as India. With the number of social enterprises that have grown in size, and reaching a point where planning for succession is not only useful, but necessary, social entrepreneurs and their organizations have to be aware of the challenges they might face and get some insights on how to proceed for a successful transition. Our study reveals that particular attention has to be paid to social entrepreneur centrality and contextual influences on the founder succession process. If a social enterprise manages to survive its founder’s departure, one can expect higher survival chances of the social mission and organization as a whole—that is, higher chances that societal problems can be solved in an enduring and
sustainable way. It is our hope that this exploratory study on this highly topical issue will generate interest among researchers and future studies on the topic.

References


