

Emerging Changes in Family Business

Surinder Kumar

Associate Professor, Dept. of Commerce, Govt. Degree College, Shahpur (H.P)-176206

ABSTRACT

A family business is a commercial organization in which decision making is influenced by multiple generations of a family-related by blood or marriage or adoption. It is a corporation that is entirely owned and managed by members of a single family. It is also known as a company owned, controlled and operated by the members of one or several families. It is one in which one or more members of one or more families have ownership, interest and significant commitment towards business. They are closely identified with the firm through leadership or ownership. It is a commercial organization in which decision making is influenced by multiple generations of a family – related by blood or marriage. They are closely identified with the firm through leadership or ownership. It may be defined as any business in which two or more family members are involved and the majority of the ownership or control lies within a family.

Keywords: Family Members, Next Generation, Positive Aspects

Introduction

Family business is the oldest and most common model of economic organization. The vast majority of businesses throughout the world –from corner shops to multinational publicly listed organizations with hundreds of thousands of employees- can be considered family businesses. Family business are widely seen as the backbone of economy- they create wealth, they provide jobs, they are locally rooted and connected to their communities and they seem to be around for long periods of time. Yet, despite the many positive aspects of family businesses, there is also darker side. Family conflicts incompetent members of the next generation and flamboyant lifestyles are just some of the more frequent criticisms about family businesses. There is no agreed –on definition of a family business. The percentage of ownership, the strategic control, the involvement of multiple generations, and the intention for the business to remain in the family are among the many criteria that experts use to distinguish family business from other types of businesses.

Objectives of Family Business

- Family businesses are ideal in nature as they are loyal to the principles of the founder and thus ensure uniformity in their operations.
- Family business comprises of family members in business operations ensuring effective utilization of in house talent in family.
- Succession is one important decision which determines future effectiveness in terms of company operations.
- Family members who are not contributing or not involved in business are part of the business.
- Family business values are reflection of values possessed and followed by family members.

- Members of the family have legal control over business.
- Single minded dedication of family members ensures survival of family business through toughest times.
- Effectiveness and existence of family business is determined depending on understanding persisting within the family.

Importance of Family Business

1. **Contributing to Economic Development:** Family business plays a vital role in economic development of most of the countries. Retail sector, small scale industries and service sector are owned by the family business.
2. **Spirit of Entrepreneurship:** Family business contributes towards the development and has been successful in country like India. It paves way to various families to initiate and bring up new ventures in the country.
3. **Trust Lowers Transaction Cost:** Partnership and forms of business involving outsiders usually lead to conflict In the long run. In case of family business as all the parties In the family are affected by loss incurred in the company do not involve any sort of conflict and difference in point of view arises and they try to resolve it internally in the family ensuring business is not affected by the same.
4. **Information as a Source of Advantage:** As a family business is a private firm it is not required to take decision in accordance with the pressure from other sources and strategies of the business need not to be revealed to outsiders of their business.

Advantages of the family business

- One of the popular misconceptions about family business is that they are unable to adapt easily to increasing competitiveness and technological progress. The reality is that family businesses frequently have the advantage of entrepreneurial spirit, flexibility and opportunism.
- It is believed that family firms are “too soft” and rarely reach their potential. The reality is that family businesses actually outperform public companies. Oftentimes, the marketplace forces public companies to make short-term decision, whereas a family business has the advantage of having more freedom to make its own decisions. They can adapt to market fluctuations more easily because they can afford to be more patient. They have common goals & commitment to brand building.
- Family businesses are often seen as ideal because family members form a grounded and loyal foundation for the company & they exhibit more dedication to their common goals. “Having a certain level of intimacy among the owners of a business can help bring out familiarity with the company and having family members around provides a built in support system that should ensure teamwork and solidarity.

DISADVANTAGES OF FAMILY BUSINESS

- Family business tends to be stable organizations. Although, this is a good thing in many instances, stability can also make it difficult to change. A new, younger family member coming into the business will find tradition & structure. Changing that is not simple. The key to changing a family business lies in defining tradition in terms of the company’s core values, not in specific ways of doing things.

- Family closeness can lead to sibling rivalry or problems when both the parents and the child want control. By the third and fourth generation, with many cousins possibly sharing ownership can become very complicated.
- There may be times when the interests of family member's conflict with the interests of the business. one family member may want to expand the business, but the other family members may not share this person's desire.

Basics Issues in Family Business

1. **Communication:** It is important in any business, but the complexities of communication in a family business are particularly problematic.
2. **Commitment:** It is critical that there be a commitment to communication effectively with family and non-family members of the business. Business leaders should be open about their awareness of the potential for communication issues to evolve & their willingness to accept feedback and input from all employees for improvement and areas of concern.
3. **Secrecy:** It is particularly important not to convey the impression that family members are more in the know than other employees. This can be overcome if the family business makes a concerted effort to create and maintain an environment of open communication where people feel comfortable voicing concerns and opinions.

Resolving Issues

- **Family Meetings:** A family that works together can implement is to hold periodic family meetings. It helps to ensure that there is a forum for family issues to be discussed.
- **Establish Shared Family Values, Goals & Objectives:** Shared family values help to provide "family glue" and become a tool in joint decision making. Shared goals and objectives for the business put everyone on the same page.
- **A Code of Conduct:** It is useful to develop a code of conduct which specifies the behavior expected of family members. It can include commitments that each family member will: Take responsibility for managing their own emotional reactions invest time in the relationships with their fellow family shareholders.

References

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