MEASI Institute of Management

FAMILY BUSINESS (534E5B)

REGULATION 2022-24

MANAGING START-UPS COURSE MATERIAL

VISION & MISSION STATEMENTS OF THE INSTITUTE

VISION

- To emerge as the most preferred Business School with Global recognition by producing most competent ethical managers, entrepreneurs and researchers through quality education.

MISSION

- **Knowledge through quality teaching learning process:** To enable the students to meet the challenges of the fast challenging global business environment through quality teaching learning process.
- **Managerial Competencies with Industry institute interface:** To impart conceptual and practical skills for meeting managerial competencies required in competitive environment with the help of effective industry institute interface.
- **Continuous Improvement with the state of art infrastructure facilities:** To aid the students in achieving their full potential by enhancing their learning experience with the state of art infrastructure and facilities.
- **Values and Ethics:** To inculcate value based education through professional ethics, human values and societal responsibilities.

PROGRAMME EDUCATIONAL OBJECTIVES (PEOs)

PEO 1 – Placement: To equip the students with requisite knowledge skills and right attitude necessary to get placed as efficient managers in corporate companies.

PEO 2 – Entrepreneur: To create effective entrepreneurs by enhancing their critical thinking, problem solving and decision-making skill.

PEO 3 - Research and Development: To make sustained efforts for holistic development of the students by encouraging them towards research and development.

PEO4 - Contribution to Society: To produce proficient professionals with strong integrity to contribute to society.

Program Outcome

PO1 - Problem Solving Skill: Apply knowledge of management theories and practices to solve business problems.

PO2 - Decision Making Skill: Foster analytical and critical thinking abilities for data-based decision making.

PO3 - Ethical Value: Ability to develop value based leadership ability.

PO4 - Communication Skill: Ability to understand, analyze and communicate global, economic, legal and ethical aspects of business.

PO5 - Individual and Leadership Skill: Ability to lead themselves and others in the achievement of organizational goals, contributing effectively to a team environment.

PO6 - Employability Skill: Foster and enhance employability skills through subject knowledge.

PO7 - Entrepreneurial Skill: Equipped with skills and competencies to become an entrepreneur.

PO8 - Contribution to community: Succeed in career endeavors and contribute significantly to the community.

Program Specific Objectives

PSO 1: Finance: The students should demonstrate proficiency in analyzing financial statements, evaluating investment opportunities and making financial decision to maximize shareholders' value.

PSO 2: Marketing: Students should be able to create a comprehensive marketing plan that integrates effective communication strategies, leading to customer success and the accomplishment of marketing objectives.

PSO 3: Logistics: Students will acquire knowledge of inventory management for domestic and global supply chains, thereby developing problem-solving skills in logistics to optimize supply chain efficiency.

PSO 4: Business Analytics: The students should able to analyze data, communicate insights, take data-driven decisions and solve business problems effectively.

Subject Code	Subject Name	Category	L	T	P	O	Credits	Inst. Hours	Marks		
									CIA	External	Total
534E5B	FAMILY BUSINESS	Elective	4	-	-	-	3	60	25	75	100

Course Objectives	
C1	To familiarize the students to the basic concepts of Family Business, Models & Dimensions
C2	To provide insights on Family Enterprises Evolution and Growth
C3	To throw light on Family Business Leadership, Responsibilities, Characteristics
C4	To elucidate on Religion in Family Business family values & Succession Planning
C5	To create awareness and importance of Building Team among family Members

SYLLABUS

UNIT	Details	No. of Hours	Course Objectives
I	Introduction of Family Business – Conceptual Models of Family firms. Three-dimension development Model. Ownership Development Dimension. Family Developmental Dimensions. Business Developmental Dimensions. Modelling for Family Business	9	C1

II	Family Business types and traditional forms of family business. Founders and the Entrepreneurial experiences. Growth and Evolution of Family Business. Complexity of family enterprise. Diversity of successions.	9	C2
III	Introduction, Leadership Challenges in Family Business, Evolving Strategies and leadership Role, Leader Legacy, Approaches to Family Leadership, Structure of Family Leadership, Responsibilities of Leadership Job, Difference between Family and Corporate Leadership, Family Democracy vs Meritocracy, Obtaining Honest Feedback, Defining and Measuring Success, Leadership Skills for 21st Century, Case Studies	9	C3
IV	Leadership and Religion in Family Business, Succession in Family Business through Authentic Leadership, Family Entrepreneurial Leadership Transition to the Second Generation, Challenges of Family Leadership, Familial Values & Professionalization, Structure and next generation Leader's preparation	9	C4
V	Introduction, Strategies for Building Team, Starting Points. The growing trend toward teams and partnership, Steps to creating a team atmosphere, Sibling Partnerships-Tasks and pitfalls in a sibling partnership, Pros and cons of sibling partnerships, Cousin Consortiums-Building a working relationship among cousins, Husbands and Wives, Common threads of successful spouse teams, Beating the stresses of mom-and-pop partnerships, Case Studies.	9	C5
	Total	45	

Course Outcomes		
Course Outcomes	On completion of this course, students will;	Program Outcomes
CO1	To familiarize the students to the basic concepts of Family Business, Models & Dimensions	PO4, PO6, PO8
CO2	To provide insights on Family Enterprises. Evolution and Growth	PO1, PO2
CO3	To throw light on Family Enterprises. Evolution and Growth	PO5, PO6, PO7
CO4	To elucidate on Religion in Family Business family values & Succession Planning	PO4, PO5
CO5	To create awareness on Building Team among family Members	PO3, PO8

Reading List	
1.	Family business EJ Poza - 2013 - books.google.com
2.	The family business: Its governance for sustainability
3.	F Neubauer, AG Lank - 2016 - books.google.com
4.	An overview of the field of family business studies: Current status and directions for the future P Sharma - Family business review, 2004 - Wiley Online Library

References Books	
1.	Rajiv S Agarwal Family Business Management Sagec Publications Pvt Ltd, 2022
2.	Smita Goswamy., Family Run Family Led ,Wings Publication,2022
3.	Priyanka Gupta Zielinski, The Ultimate Family Business Survival Guide, Pan Publications,2021
4.	Mark Daniell, Sara Hamilton; Family Legacy and Leadership: Preserving True Family Wealth in Challenging Times; John Wiley and Sons,2010
5.	R. Srinivasan, C.P. Lodha (2017); Strategic Marketing and Innovation for Indian MSMEs; Springer,2017
6.	Manfred F.R. Kets de Vries, Randel S. Carlock, Elizabeth Florent (2007); Family Business on the Couch – A psychological perspective; Wiley Publisher,2007

	PO 1	PO 2	PO 3	PO 4	PO 5	PO 6	PO 7	PO 8
CO 1				2		2		2
CO 2	2	3						
CO 3					2	2	2	
CO 4				3	3			
CO 5			3					3

3-Strong 2-Medium 1-Low

FAMILY BUSINESS

UNIT 1

Introduction of Family Business - Conceptual Models of Family firms. Three-dimension development Model. Ownership Development Dimension. Family Developmental Dimensions. Business Developmental Dimensions. Modelling for Family Business

Conceptual Models of Family firms.

What is Family Business? Definition, Types, Structure and Examples

A family business is a business that is owned, operated and handled by two or more members of a family. These members should be blood-related, related by marriage or adoption. A family-owned business has to have the following qualities-

- A sole family has to own the majority percentage of the ownership
- Has to have control over the voting system.
- Possess power in strategic decision-making.
- Multiple generations of that single-family have to be involved in that business.
- The same family has to draw the senior management of that firm.

A family business is of utter significance in the economy of a country. It is one of the oldest economic systems with a substantial contribution to the GNP or Gross National Product of a country, total export, and total employment.

Family Business Examples

Some noted family business organisations around the world are as follows.

Company	Country	Industry	Family Name
Walmart	USA	Retail	Walton
Tata Group	India	Conglomerate	Tata
Reliance Industries	India	Conglomerate	Ambani
Berkshire Hathaway	USA	Conglomerate	Buffet
Ford	USA	Automotive	Ford
Dell Technologies	USA	Computer Hardware	Dell
BMW Group	Germany	Automotive	Quandt
Toyota Group	Japan	Automotive	Toyota
Samsung Group	South Korea	Conglomerate	Lee
LG	South Korea	Consumer Electronics	Koo
Hyundai	South Korea	Automotive	Chung

Family Business Characteristics

Some of the main elements and characteristics of family business are-

- **Members:** Family business management is conducted by a group of individuals who are also the members of a single family is the owner and runs the enterprise.
- **Position of members:** The role and position of the family members in the business enterprise depend upon the relationship between the members.
- **Control:** The family exercises control over the enterprise since the family is the major shareholder in the company.
- **Mutual Interest:** The family members who hold key positions in the business are supposed to influence the business policies as determined by the mutual interest of the firm and the family.
- **Involving Multiple Generations:** The family looks after the business management and operations, and thus the rein is passed from one generation to the next.
- **Mutual Trust:** All family members must have mutual trust in every involved member since they have a mutual origin, the same values, business orientation and ethics.
- **Integrity and Transparency:** These characteristics are built by strong moral principles and determination toward business goals and honesty in transparency in business.

Types of Family Business

There are in general three types of family businesses. They are as follows-

1. **Family Owned Business:** This kind of business refers to the one which controls the size of the significant and controlling ownership stake. This stake is controlled and owned by the family members.
2. **Family Managed and owned Business:** In these businesses, a single family or an individual member of the family owns the controlling stake of the business. The major owner allows the family to create and decide upon the objectives, policies and methods.
3. **Family Led and Owned Business:** In this kind of business, while the owner can belong to the family or a member of the family, at least another family member should be a member of the company's board of directors. The family member can therefore influence major strategies, direction and plans.

Other than these business ownership models, there can be First Generation Entrepreneurs and Second Generation Entrepreneurs.

First Generation Entrepreneurs

They are the ones who invest money and take risks and uncertainties of setting up a new business. They create wealth and is the pioneer of the business. They innovate and come up with new ideas to create a successful business.

Second Generation Entrepreneurs

The Second Generation Entrepreneur controls and runs the previously established business of their parents and grand parents. However, their decisions and activities will be under examination. They involve in the business as middle and top-level management, and after they showcase their potential in handling business craftily, they are handed over the rein of the business.

Structure of A Family Business

A family business system runs following a three-circle model as represented underneath:

The first circle refers to 'ownership', the second circle symbolises 'family', and the third circle stands for 'business'. The different entity definitions are as follows:

- **Non-family non-manager owners:** These kinds of owners are external investors who own a particular proportion of the entity but do not work.
- **Family owners:** These set of groups consist of family members who own a certain portion of the business yet do not participate in its operations.
- **Family owner-employees:** This kind of ownership involves owning and working as an employee in the company, mostly as a top managerial position-holder.
- **Non-family owners employees:** This is a group of individuals who are not family members, yet they are working employees in the firm and own a specific portion of share capital.
- **Family members:** This group consists of all family members who work for the company but do not have any share in the company's capital.
- **Non-family employees:** These employees of the business firm work under the employment contract, and they are not members of the family and do not own shares in the firm.

Advantages and Disadvantages of a Family-owned Business

The advantages and disadvantages of a family-owned business are as follows

Advantages

1. **Stability:** Since there is longevity in the leadership position, there is stability in a family-owned business. In these businesses, a leader stays in the position for years with different life events like retirement, illness or death triggering the change at the top.
2. **Commitment:** Family businesses have a greater inclination toward commitment and accountability than non-family firms due to their need for business as well as the family. These characteristics foster benefits like understanding the industry, organisation and job, effective marketing and stronger customer relationships.
3. **Flexibility:** While non-family businesses have delineated responsibilities for individual roles, the members of family businesses can take on tasks outside of their pre-determined roles.
4. **Long-term Outlook:** Non-family firms have to draw goals for the coming quarter, while family firms can think of the goals decades ahead. This long-term perspective can foster clear decision-making culture throughout the business.

Disadvantages

1. **Lack of Family Interest:** Sometimes, future generations are not interested in participating in the business. This might result in unenthusiastic, apathetic and disengaged workforce management.
2. **Conflicts Between Family Members:** The relationship between family members, family history and the almost blurred boundary between work life and family life can be conflicting. Family connections make these issues more complex.
3. **Lack of Structure:** Since family businesses depend on trust and loyalty, they may lack proper internal rules as well as external corporate law.
4. **Nepotism:** Some family businesses promote the family members for senior managerial positions, even though these members lack the education, skills and potential to embrace those responsibilities. This is a drawback that negatively impacts the company's success.

5. Succession planning: Many family-run businesses lack clearly defined succession plans. In the case of an emergency need to appoint a successor due to a scandal, illness or death, it might become hard for the business to decide upon the successor.

Conclusion:

At the initial stage, while setting up the business, is a stage of ordinary business. However, with the passing of time, other generations of the founder's family and extended family started participating in the business, making it a successful family business. The key managerial ranks of that company are mostly occupied by family members.

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FAQs

Q: What are the benefits of a family-owned business?

Ans:

The benefits of family business are-

- Commitment and unified leadership
- Trust and authenticity
- Stability
- Flexibility and versatility
- Decreased expenditures and costs
- Vision and goals.

Q: What are the challenges of a family business?

Ans: Some challenges of family businesses are:

- Setting benefits and compensation according to the position instead of relationships.
- Family-oriented family culture
- Separate business from pleasure
- Generational problems or control issues.

Q: What are the characteristics of a family business?

Ans: The distinct characteristics of family business include a major percentage of ownership, power over strategic decisions, voting control, participation of multiple generations and active management by family members.

Q: What is meant by family business?

Ans: A family business is referred to as a commercial organization where the decision is made by multiple generations of a single-family related through blood, marriage or adoption, who is capable of influencing the vision of the entity and the potential to use the ability to achieve necessary goals.

The 5 Models of Family Business Ownership

One of the first questions we ask clients is,

"How do you own your family business?" Often the response is legalistic: "We are a limited liability company" or "Our shares are held in trust." This information is essential, of course, but it leaves unanswered the more fundamental questions: "In your family business system, who *gets* to be an owner? And what, precisely, does ownership mean to you?"

The lack of awareness that family business ownership requires a set of choices is perhaps the greatest - and most harmful - misconception in the field of family business. Indeed, a failure to understand your ownership options can ultimately cripple your business, causing it to lose its competitive advantage, even resulting in buy-outs or sales that nobody really wants.

The best way to head off these crises is to understand that there are different ways of owning family businesses. Although there are hybrids, most family businesses adopt one of five models of ownership. One of the most important decisions you'll ever make is to choose which model to adopt.

We worked with the fourth generation of a construction giant, for example, where the family was deeply divided because owners held different ownership assumptions. Those actively engaged in the business resented what they called the free-loaders - family members entitled to equal distributions of profits, even though they were uninterested or unqualified to work in the business. The free-loaders had their own bone of contention. They saw owners working in the business as robber barons who inveigled cushy salaries and benefits.

Superficially, warring family members were arguing about compensation and dividends. In reality, disagreement ran deep about what it meant to be owners in their family business system. Some family members were adamant that owners should work in the business, while others passionately disagreed: "This is our inheritance! Our great-grandfather wanted us to be equal owners."

The breakthrough came only after the warring camps became aware of the five basic ownership Models:

owner/operator*, *partnership*, *distributed, nested, and ***public*.**

Understanding each model's implications and trade-offs finally allowed the owners to start having calm discussions about what ownership meant for them, making compromise possible.

It's critical to periodically revisit how you own your family business - particularly during times of transition. Holding on to the model that worked beautifully in the previous generation can threaten, or even kill, the business in the next generation. It can also put an impossible strain on family relationships.

Perhaps the simplest model replicates the role of the founder - it keeps ownership control in one person (or couple). This model, which we call ***owner-operator***, can be successful for many generations. Think of the British monarchy. Or Caterpillar Inc., whose corporate philosophy encourages distributors worldwide to have one person who works in the business with ownership control. For the owner/operator model to work, families need to find a means for deciding who gets to be the owner-successor that is perceived to be fair.

For other owners, the ***partnership*** model works well. Partnerships are unique in that only leaders in the business can be owners and benefit financially from it. We worked with a massive shipping company run by five brothers as a partnership. The sons expanded the business they inherited from their father into a billion-dollar company. Their partnership worked because the brothers contributed more or less equally to the business's success. They drew the same salaries and profit distributions.

Trouble didn't break out until the third generation. Four of the brothers invited their sons to enter the business, creating a dilemma for the brother with just one daughter. She wasn't even considered as a potential business partner, an exclusion that cost her millions. Her father gave his brothers an ultimatum: either they admit his daughter, or he'd blackball their other sons from entering the partnership, too.

Questions of entry to the partnership became paramount. The company continued to operate day-to-day, but since the partnership required consensus, all major decisions were postponed. Tragically, when the brothers couldn't reach unanimity, they sold the company that had given them, and other family members, a deep sense of identify and purpose.

Was this outcome inevitable? Not at all. Even in situations of tremendous conflict, you can save your family business if you consider different ownership models. The owners here might have moved to a ***distributed*** model, for example, where ownership is passed down to most or all descendants, whether or not they work in the company. Shifting to this model might have allowed the brothers to reconcile their differences. All members of the third generation could have become owners, while changes in the compensation policy would have rewarded those contributing to the success of the business.

The distributed model is the default position in most family-owned businesses. Parents usually want all their children to inherit equally and, besides, most assets are wrapped up in the company. But there are challenges with this model, too. Family members working in the business often disagree with those outside the business, differing, for example, on compensation and distribution policies.

Still another option for family business owners is the ***nested*** model: Various family branches agree to own some assets jointly and others separately. This model - nested in the sense that smaller family ownership groups sit inside larger ones - is particularly attractive when conflict or differences in preferences interfere with decision-making on shared assets. For the nested model to work, the family runs the core business as a profit-making operation and distributes relatively large dividends to the branches, which then use the money to create their own business portfolios. The nested model can effectively reduce tension among branches while keeping the family together as a whole. There's a risk, however, of under-funding the core business to finance the outside investments.

A final option is the ***public*** model, where at least a portion of the shares are publicly traded, or where a family business behaves like a public company even though it remains privately held. Whether shares are publicly traded, or not, the business is run by professional managers, and the owners play a minimal role, usually limited to electing board members. Otherwise, they either support the direction of management or sell their shares. This model works well when the business requires a significant infusion of outside capital, or when owners are too numerous, dispersed, or disinterested to be engaged actively in decision-making. The key question then becomes how the family owners can maintain control when they play such a limited role in making decisions about the business.

There's no natural progression from the owner-operator model to the public model. Owners can, and do, move back and forth between models. We've seen ownership groups shift even very large companies from the public model to the distributed model. Of course, moving to a different ownership model involves big changes in governance, legal structures, and family relationships. That's not easy. But adopting a new ownership model can help owners unlock a family business that's become very stuck. It may also be the one thing that can keep your family together.

Hindu Undivided Family business is a precise kind of business structure found only in India. This is one of the classical methods of business structure in the nation. It is administered by the Hindu Law. The source of membership in the company is birth in a family and 3 consecutive generations can be members of the company.

The business is managed by the head of the family (eldest member) and he is called Karta. However, all the members hold equal ownership over the property of an ancestor and they are called as co-parceners.

Meaning of Joint Hindu Family Business

- It refers to a form of business organization which is owned and carried on jointly by the members of the Hindu Undivided Family (HUF).
- It is also known as Hindu Undivided Family Business.

Characteristics of Joint Hindu Family Business:

Formation

- There should be at least two male members in the family to form a HUF.
- Ancestral property should have been inherited by members of HUF.
- All of the members enjoy this property and have an equal share in that property.
- Thus, any child taking birth in that family becomes a member of the HUF.
- There is no requirement for an agreement to become a member.

Liability

- There is limited liability of all the members or co-parceners in the Hindu Undivided Family business.
- All the co-parceners have equal rights and shares in the property of Hindu Undivided Family business
- The Karta has unlimited liability.

Control

- Karta is the person who has full control over the Hindu Undivided Family business.
- Karta can take advice from all the members but he is not bound to accept their decisions.

Continuity

- After the "Karta" is deceased, the very next eldest member takes up the position of Karta in Hindu Undivided Family business.
- The business can be divided and ended up by the mutual consent of the members.

Minor Members

- The person who has taken birth in Hindu Undivided Family can be a member of the family business.
- Therefore, a minor can also be a member of the family

Important terms which are used in a Joint Hindu Family Business:

(1) **Hindu Undivided Family**

- The family who runs or carry on the business organization.
- Hindu Undivided Family includes an eldest male member 'Karta' and the other male members called co-parceners.

(2) **Karta**

- He is the person who is the head and eldest member of the family.
- Karta is the person who has full control over business activities.

(3) **Ancestral Property**

- It is the property of forefather or an ancestor and over which the members have equal right.

(4) **Co-parceners**

- It consists of porosities and three lineal descendants.
- They have equal ownership rights over the property of an ancestor.

Systems which are used in a Joint Hindu Family Business

There are two systems which are used in joint Hindu family business:

(1) **Dayabhaga System**

- It prevails in West Bengal & Assam and allows both the male and female members of the family to be co-parceners.
- A son gets right in the ancestral property only after the death of his father.

(2) **Mitakashara System**

- There are four sub-schools - Benares, Mithila, Maharashtra or Bombay, and Dravida or Madras school.
- The application of schools of Mitakshara is region-wise.
- Mostly, it prevails in most parts of India, except West Bengal.
- It allows only the male members to be co-parceners in the business.

Note: The Hindu Succession (Amendment) Act, 2005 gave Hindu women the right to be coparceners or joint legal heirs in the same way a male heir does.

What are the merits of a Joint Hindu Family Business?

The merits of the joint Hindu family business are as follows:

(1) **Effective Control**

- The Karta has full control over the business activities and takes a decision quickly.
- No one can interfere in the decision of Karta as every member is bound to accept his decision.
- Hence, it avoids clashes among the members and results in very speedy decision making.

(2) Continued Business Existence

- After the death of Karta, the next eldest member takes up his position. So, it does not affect the activities of the business.
- Hence, all the business activities are done smoothly, continuously without any threat.

(3) Limited Liability of Members

- As all the liability of the members is restricted to the extent of their share in the business.
- But the Karta has unlimited liability due to his complete hold on the business.
- Hence, in case of dissolution of the business, Karta's personal assets and his share will be liable.

(4) Expanded Loyalty and Cooperation

- All the business operations are carried on by the members of a family jointly.
- So, this increases loyalty and cooperation with each other without any hindrance.
- Therefore, all the targets of the business can be achieved by the cooperation among the members and the Karta.

Limitations of a Joint Hindu Family Business

Below-mentioned are the few demerits of a joint Hindu family business:

(1)Limited Resources

- All the members of Joint Hindu Family Business totally depend upon the ancestral property due to their limited liability.
- Many commercial banks resist extending the credit limit due to the weak financial position of the business.
- Hence, this will result in limited expansion and growth of the business.

(2)Unlimited Liability of Karta

- All the important decision regarding management of various business activities are taken by Karta.
- But there is a disadvantage with the Karta that he has unlimited liability.

- Hence, all the business debts are paid by using the personal assets of the Karta.

(3)**Dominance of Karta**

- The Karta takes all the decisions individually and manages the business
- He also involves other members in decision making.
- But Karta is not bound to accept the decisions of the members which may create conflicts between the Karta and the other members.
- Hence, due to clashes in decision making, lack of cooperation between Karta and other members occurs.

(4)**Limited Managerial Skills**

- Sometimes the members suffer due to unfair decisions taken by the Karta in respect of business operations.
- Unfair decisions are taken due to the lack of managerial skills.
- So, the Karta cannot be knowledgeable or proficient in all managerial functions.
- Nowadays, the joint Hindu family business is declining due to the decreasing number of joint Hindu families in the nation.

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Family Business Management: Check Advantages and Disadvantages of family businesses

By BYJU'S Exam Prep

Updated on: September 11th, 2023

Family Business Management: Family business, as the name proposes, is the business that is effectively possessed, worked, and managed by at least two members from a single-family. Here, individuals might be connected by blood, marriage, or adoption. In this article, we will discuss the family business.

Family-owned organizations are great for family involvement, but also for both the local and worldwide economies. However, many think that it is difficult to get by. Around 33% of the 100,000 family businesses that are passed to the next generation every year subsequently fail, while numerous entrepreneurs battle to guarantee that they are financially independent of their organizations when they resign.

There are advantages and disadvantages to maintaining any business, from a small business to a bigger, publicly-traded company. However, family firms accompany their own remarkable benefits and difficulties.

Advantages of Family Businesses

Common values - Family are probably going to have similar ethos and beliefs on how things should be done. This will provide you with an extra sense of purpose and pride - and a competitive edge for your business.

Solid responsibility - Building an enduring family venture means you're bound to invest the additional hours and energy expected to make it a success. Your family is bound to understand that you want to adopt a more adaptable strategy to your working hours.

Loyalty - Solid personal bonds mean you and your family members are probably going to stay together in tough situations and show the assurance required for business success.

Security - Realizing you're working for people in the future generations the long-term speculation required for development and success - however it can likewise create a damaging inability to respond to change.

Diminished costs - family members might be more ready to make monetary sacrifices for the business. For instance, accepting lower pay than they would get somewhere else to help the business in the longer term, or deferring wages during a capital emergency. You may likewise observe you needn't need employers ' liability insurance in the event that you just utilize family members.

Disadvantages of family businesses

Absence of skills or experience - a few family businesses will select family members into jobs that they don't have the right skills or training for. This can negatively affect the success of the business and lead to a distressing workspace.

Family conflict - conflict can emerge in any business, yet it's essential to consider that disputes inside a family business can become personal as the staff is working with the people closest to them. Awful sentiments and resentment could undermine the business' activities and put your family relations in danger.

Partiality - Some family businesses can fall into the trap of promoting relatives to senior administration jobs, in any event, when it could be certain that the people inside these jobs need more instruction, experience, or skills to completely accept their responsibilities. In these circumstances, it would be far more sensible to put more qualified non-family in these positions.

Progression planning - numerous family business owners might think that it is hard to conclude who will be responsible for the business if they somehow happened to step down. The leader should decide impartially who can best take the business forward and intend to objectively the potential for future conflict.

https://byjusexamprep.com/bba/family-business-management#toc-1

When seeking to understand the inner workings of a family-owned organization—whether a family business, family investment company, family office, or family philanthropic foundation—two key frameworks are useful guides:

The Three-Circle Model of the Family Business System

The Family Enterprise Framework

These two conceptual models provide a lens through which an observer can analyze a family-owned organization's activities, members, dynamics, interconnections, challenges, functionality, and an array of other helpful characteristics.

Each framework provides a clear way to sort one's observations about a family-owned organization into distinct categories. This sorting helps to organize and clarify one's thinking. It also reduces any sense of confusion about "Where do I start?" when analysing the entity, which is a natural question given the complexity of these organizations.

Students and members of family enterprises say that when they use these frameworks, their family business or family organization "now makes sense." The models allow a user to both "zoom out" to gain a picture of the whole entity, and also "zoom in" to see its independent parts or individual members—no simple task again considering the complexity of these organizations.

These two models are the creation of Professor John A. Davis, a leading authority on family enterprise, family wealth, and family offices, and a pioneer of the family enterprise field. They are illuminating, simple, and powerful frameworks that unlock understanding about family-owned organizations. You are invited to put them to use to map your own system, or one you know, to witness for yourself the informative power of the models.

FRAMEWORK

#1

Three-Circle Model of the Family Business System

"All family businesses can be described using the three circles, and each family business system can be uniquely understood with this framework."
- John A. Davis

The Three-Circle Model of the Family Business System is the main paradigm in the world of family business. It is used by families, leaders, academics, students, and consultants worldwide. Created in 1978 by Renato Tagiuri and John Davis at Harvard Business School, it quickly became, and continues to be, the central organizing framework for understanding family businesses.

This framework clarifies, in simple terms, the three interdependent and overlapping groups that comprise the family business system: (i) family, (ii) business (or employee group)*, and (iii) ownership.

**Note: The Business circle can also be used as a placeholder for other operating entities such as a family office or family foundation.*

Below are four insights one can gain by using the Three-Circle Model to map and understand your family business system.

<u>Insight #1: This is a System.</u>

The overlap of these three circles, or groups, illustrates that they are interconnected. The interconnection and interdependence of its parts is why we formally label this a family business *system.*

This designation is significant. Being a *system* means that what happens in one group (or circle) influences the others. If you make a change in one circle, expect a ripple effect in the other two circles. If one circle is stalled or in conflict, it can affect the performance of the other two circles and of the entire family business system. On the other hand, a high-performing circle can help to bolster the other two circles and strengthen the overall system. By its nature, being a *system* leads to increased complexity in a family business, compared to a non-family business.

The long-term success of family business systems depends on the functioning and mutual support of each of these groups. Because of the interdependence of these three groups, the systems works best when the three groups are aligned in their goals. A business, a family, and an ownership group each have their own purpose and goals, including some goals that they share in common. But they each measure success in distinct ways and have different expectations about the behavior of members of their group. To the extent that each group is mutually supported by the other two over time, each group will feel rewarded by being in this particular system and will likely want to sustain and perpetuate the system. Of course, if the groups are not compatible or well-aligned, or if they "pull in different directions," the family business system will be uncomfortable, will function less productively, and will be less sustainable.

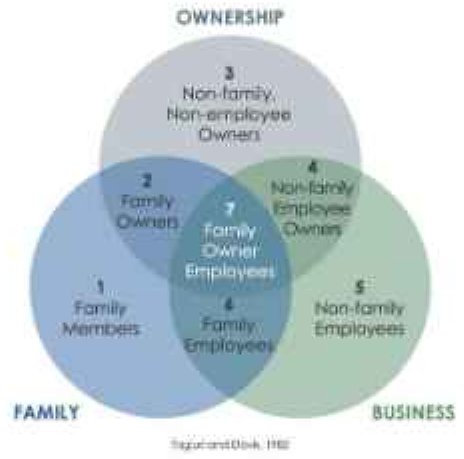
<u>Insight #2: There are Seven Stakeholder Groups to Consider.</u>

The Three-Circle Model identifies where key people are located in the system. Their positioning in the three circles reveals the different roles they hold.

An individual in a family business system occupies one of the seven sectors that are formed by these three overlapping circles. An owner (also known as a shareholder or partner) and *only* an owner (including a beneficiary of a trust) sits within the top Ownership circle. Family members occupy the left-hand Family circle, and employees of the company the right-hand Business circle.

If you have only one of these roles, you will be in just one circle. However, if you have two roles, you will be in an overlapping sector, sitting within two circles at one time. You may have three roles, in which case you would reside in the center of all three circles.

EXHIBIT 2
Three-Circle Model of the Family Business System



In the Three-Circle Model, the seven distinct interest groups (or constituencies or stakeholders) with a connection to the family business are these:

1. Family members not involved in the business, but who are descendants or spouses/partners of owners
2. Family owners not employed in the business
3. Non-family owners who do not work in the business
4. Non-family owners who work in the business
5. Non-family employees
6. Family members who work in the business but are not owners
7. Family owners who work in the business

Some individuals have one role—a family member or a non-family manager, for example. Others have multiple roles—such as a family owner, or a family employee or a family board member (both are considered to be in the business circle). Davis explains, "The overlapping areas in the Model indicate multiple roles and potential role confusion, leading to questions such as: *Do I approach this conversation with my parent as their son/daughter or as their business* *partner?"* Role confusion means acting from a perspective in one's various roles that does not fit the appropriate situation. This can lead to conflict.

Insight #3: Each Group Has its Own Legitimate Interests and Perspective.

The Three-Circle Model explicitly recognizes the several interest groups or constituencies in the family business system. Each of the seven interest groups identified by the Model has its own viewpoints, goals, concerns, and dynamics. It becomes apparent that every group in the system has its own, legitimate perspective and interests in the family business. All of the constituency groups in the family business system need to be respected and incorporated, in some appropriate way, into the decisions and policies of the company. The different viewpoints must be largely aligned and integrated in order to set a stable future direction for the family business system. Of course, every person occupying a particular constituency group will not necessarily share exactly the same views on all matters. These sub-differences can be their own sources of conflict in a family business system.

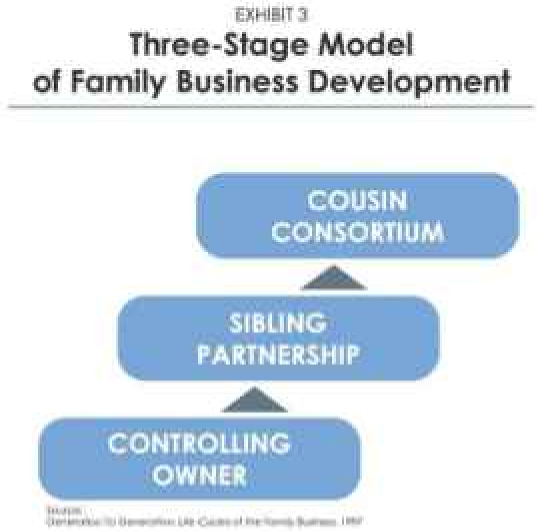
One of the benefits of the Model lies in its neutrality. It does not favor one group nor one perspective over another. This can help to defuse tensions in the system by depersonalizing issues. The Model illustrates the power of different viewpoints, rather than assuming differences are caused by personality differences. "One of the benefits of a systems-oriented approach is that it alleviates some of the blaming that goes on in families," Davis says. "People have told me that relationship tensions made more sense after they saw where their relatives were located in the three circles. For example: 'My brother is always irritated at me because of the low dividends we pay. And I've been thinking, *You're so greedy.* But when you see where he resides in the three circles, his position on dividends makes sense. He doesn't earn a salary and benefits like I do working in this company, which he also owns, and he is financially reliant on the dividends. We talk about dividends now as *owners* of the business rather than strictly as siblings."

Insight #4: The System is Always in Motion.

The Three-Circle Model also teaches us that the needs and intersections of the three circles together, and of each interest group independently, evolve and change over time. The three circles are always in motion—never static.

Families, businesses, and ownership groups each operate in their own environmental context and are regularly reacting to, adapting, and morphing in response to changing conditions. For example, the family changes in size and diversity as in-laws (spouses) join the family, or couples divorce, or the next generation is born. The business operates within an industry, a market, a country, and a region which cause the business to react to particular disruptions, laws, regulations, consumer preferences, and changes of various kinds. The ownership circle morphs over time as shares pass to new owners, trusts and trustees are added, non-family partners are brought on, the company goes public, or other ownership changes. As described in the first section of this article, what happens in one group impacts the others—hence, the entire system is always in motion.

The three circles move together on a trajectory and must prepare for future challenges they will likely face, and not only address their current challenges. Fortunately, the development of each circle over generations is fairly predictable. This realization led to the creation of the Three-Stage Model of Family Business System Development (described in the book *Generation to Generation: Life Cycles of the Family Business*).



How to Use the Three-Circle Model

The three circles help users take a systems view of a family business system. This allows them to holistically understand the system and develop comprehensive plans to address issues and achieve goals.

You are invited to use the Three-Circle Model to analyze and map your own family business system. Here are some ways you can put it to use:

- Identify *where* individuals reside today and *where* they may be moving in the future, and therefore what their perspective on key issues is today and how it may change.

- Understand the *goals, interests, and priorities* of the seven stakeholder groups. Identify where they align and where they are out of sync.

- Locate *where*in the family business system issues or challenges are occurring.

- Catalog the strengths and vulnerabilities of the system and understand the interdependence of the three circles. It is useful to list the strengths and weaknesses of each circle and to consider how the characteristics of one circle are influenced by the other two circles. This analysis helps to diagnose *why* issues have occurred or spread from one circle to another.

- Explore the trajectory of each circle: how each circle is moving, and what is likely to change about each circle, and the entire system, in the future. Identify what kind of leadership, talent, and governance is needed for where the circles are heading.

- With this systems perspective, develop holistic, coordinated plans so all three circles move in the same direction.

You can also use the Three-Circle Model to answer a specific question. For example, why are two sibling owners so regularly in conflict with one another, and what can be done to improve the relationship? It could be that they reside in different parts of the Three-Circle Model and have some different interests and goals. It could also be that they have a problematic history as siblings. And their relationship could be weakened by the fact that they each have children employed in the family business who are competitive. Without a plan to address the sibling conflict, important owner-level conversations are likely to be stalled or derailed—and no company can afford to be slow or indecisive in today's fast-moving environment. A plan to address this conflict should take into account the various influences on their relationship, made more understandable by the Three-Circle Model.

Family Enterprise Framework: Understandings Beyond the Family Business

"When families enlarge their lens to take into account all of the important activities in the family enterprise—not just the family business—this allows for more thorough, coordinated strategies and long-term continuity."

- John A. Davis

A family's company is typically the family's most important asset and its dominant activity. While central to a family, its company is only one of several assets and activities that an enterprising family typically considers meaningful and wants to grow and perpetuate into the next generation. The family company is part of a larger system called the *family enterprise*.

A *family enterprise* is the collection of a family's meaningful, jointly-owned activities and assets (economic interests) that help to identify, support and unite the family. Typically, this includes the primary family business, other operating businesses, financial assets, perhaps some real estate investments, family assets like homes or art collections, philanthropic and community activities, and other pursuits that carry the family's name, reputation, and DNA. Typically, a family wants to perpetuate its meaningful activities and assets, and it is helpful to view them as a collection tied together by a common purpose, direction, and values.

Professor John Davis developed the concept of the broader family enterprise—describing the range of activities that families engage in and that define them—to have a more holistic view of a family's experience and interests. When families enlarge their lens to take into account all of the important activities and assets in the family enterprise, this allows for more thorough, coordinated strategies and long-term continuity for the entirety of the family's interests.

Below are four insights one can gain by using the Family Enterprise Framework.

Insight #1: Every business family has an enterprise broader than just the family business.

Most business families are intensely involved with the owning and running of their family company. The family business is a constant companion at family gatherings, the subject of many if not most family conversations, the career focus for many family members, a measure of family status, the source of most family wealth, and a vital part of the family's history and identity. It may appear that a business family has no other interest as important to them as their company.

But families characteristically do have other meaningful interests. Over time, business families tend to naturally collect assets and activities beyond the family business. They create, acquire, and grow companies, other investments, philanthropy, social or community activities, and family traditions. These are typically accumulated opportunistically due to one or more family members' interests, personal relationships, good instincts, fortunate timing, and/or persistent hard work. The family enterprise can become a large, complex collection of assets and activities (sometimes whose underlying purpose and logic can be difficult to explain); other times, the family enterprise remains small and straightforward. Regardless of their scale, these joint assets and activities provide a center of gravity around which the family orbits as they shepherd the family enterprise together.

Accumulating meaningful assets and activities beyond the family business is prudent for a family to do. Over generations, the family business generally employs a smaller percentage of family members while at the same time, ownership becomes diluted which produces smaller ownership stakes per person (a natural function of growing families). These factors (among others) can cause family members to grow distant and less connected to the company. It shouldn't be the only activity where family members can come together, contribute, be recognized, or receive financial rewards. Davis says, "I have never seen a business family stay successful for generations that did not have a strong family enterprise with activities outside of the family business to keep the family unified, connected, purposeful, and moving in the same direction."

Every business family has a family enterprise broader than just the family business. What is yours? How was it assembled over time? Was it opportunistically or deliberately constructed?

Insight #2: Your family's purpose is broader than your family business.

Once families define their family enterprise, they begin to understand their family mission as extending beyond just the family business.

Successful families ensure the continuity of their success by being strategic as a family. One way they do this is to establish a clear and compelling mission (or purpose) that drives the family. It answers the questions: What does the family want to build together? What is the family fundamentally trying to accomplish or achieve together? What motivates the family to stay together?

In early generations, families tend to answer these questions with business-focused responses (e.g. "We want to build a great business. We want to dominate our industry. We want to be known for producing high quality products in our region."). But over time, families need to feel that their purpose extends beyond having a successful business. Most families develop ambitions that have to do with staying together while making an impact on the world (e.g. lifting certain communities, bettering society, advancing movements, saving the environment, or bringing resources to particular populations). In later generations, this is especially important to keep the family together as fewer family members become involved in the family business.

The objective for a family is to design, organize, and manage its family enterprise so that the entire enterprise is productive and meets the goals of the family. It must be led by the family's core tenets: its Mission, Vision, and Values (found at the center of the family enterprise diagram). These are central to the success of a family enterprise. Assets and activities should be chosen and aligned to pursue the family's mission and vision, and to be demonstrations of the family's core values. Davis says, "Family success, in any generation, refers to a family making progress toward achieving its mission and living by its values."

Your family's purpose is now, or will likely soon become, broader than your family business. What is your family's mission? What is your family fundamentally trying to accomplish or achieve together?

Insight #3: The family enterprise should be deliberately designed to meet the family's goals—and should change as needed.

The design of a family enterprise includes selecting assets and activities that the family is proud of, that help the family achieve its important goals, and that engage family members. Families have wide latitude to define their assets and activities in any generation. Davis says, "I applaud a family that changes its activities and grows its assets to better pursue the family's mission. I credit a family even more when it revises its mission and activities to accomplish even more than it previously thought possible. The visioning and architecting of the family enterprise is the work of *family strategic planning*—the guiding map for family leaders."

No family enterprise is static. It must morph over time to reflect the changing interests of the family or the changing dynamics of an industry. Periodically, activities or assets are added (acquired) or removed (divested) as the family's goals, needs, and interests evolve. Your family enterprise is a "living" system that should be updated from time to time, particularly as a generational transition approaches. It is important that the next generation feels enthusiastic and motivated to own and lead a family enterprise that represents them. It is useful to poll family members from time to time to understand their connection to the current family enterprise, and to gauge how their interests and goals are changing. After all, you need a family behind the enterprise that is excited and energized by, and interested in contributing to, the family enterprise, or it will run out of fuel.

How often does your family revisit and redesign your family enterprise? Do you engage the next generation in these conversations? Do you know to what extent your family is energized by your current family enterprise, and how your family enterprise needs to change to maintain family enthusiasm?

Insight #4: There are many roles needed to keep the entire enterprise functioning. Each of the activities and assets in the family enterprise need to be well-led, owned, planned for, and coordinated.

When considered as a whole, it is easy to see that it takes a team of people in different leadership, ownership, and oversight positions to make the family enterprise successful for another generation or more. Each of the important assets and activities need to be well led, owned, and governed so they remain on a successful trajectory. What roles are needed to sustain your family enterprise and to attract and engage the next generation? Does your family enterprise offer family members a place to contribute their time and talents?

In addition, a family's important assets and activities need to be well planned for—not just the family business. An annual process to plan strategically for these different assets and activities is helpful.

They must also be coordinated, because a problem in any area of the family enterprise can reverberate and create difficulties in other areas. It's not uncommon, for example, for family friction to develop over who gets to use the family's vacation house. If unresolved, this dispute can appear in unrelated areas of the family enterprise such as in business meetings or philanthropy discussions, as family members attempt to work out family tension in other settings. Good rules for the vacation house (fairly administered) can be as helpful as good rules for family employment in the business.

If the family enterprise is not very complex and the family not very large, coordination among the various parts of the enterprise can be accomplished informally (e.g., periodic check-ins and discussions of joint interests). When the family enterprise and family grow and become more complex, it is helpful to think through how these different activities can be coordinated and what governance is needed to achieve the family's goals and to keep the family supportive of family success. For example, developing and deploying family talent to lead the various activities and assets should be coordinated centrally by the family (typically by the family council).

How to Use the Family Enterprise Framework

The Family Enterprise Framework helps users take a big picture view of the entirety of their family's meaningful assets and activities. This allows families to evaluate the effectiveness of their family enterprise to understand to what degree it is currently—and will continue to—motivate, define, and unite the family to continue building value together. It also allows for coordinated strategic planning for the entire family enterprise.

You are invited to use the Family Enterprise Framework to map and plan for the future of your own family enterprise. Here are some ways you can put it to use:

- Take stock of your family enterprise today. Map your family enterprise, labeling each "petal" or sub-circle in the framework with the jointly-owned assets and activities that are important to your family.

- Measure the effectiveness of each activity or asset group (or "petal" in the flower model).

    - Is this the right family enterprise for your family currently? How connected is the family to this collection of assets and activities? How effective is this collection of activities and assets at helping your family achieve its mission (or purpose)?

    - Is it the right family enterprise for your family moving into the future? How motivated is the family, including the next generation, to continue to build this array of activities and assets in the future?

- Define how decisions are made in each area. How effective is decision-making? How coordinated are decisions and planning across the entire family enterprise?

- Define the necessary roles required to lead, own, and oversee each activity and asset group. Are you developing family members for these roles? Are you identifying gaps in family talent where you may need to bring in non-family talent?

- With this family enterprise perspective, develop holistic, coordinated plans for each area of the family enterprise so they move in the same direction.

Models of family businesses

Analysis of the vast amount of information in the **FBK-Database** has allowed us to identify six broad categories of family businesses.

The Captain Model: *Small enterprises run by their founders*

Small and médium-sized enterprises ranging from micro-firms to medium firms. The average age of these firms is 28.

The Emperor Model: *Companies and families united by a leader.*

The companies and families are complex but have a poorly-developed structure. The stakeholdings are split between two generations, which work together. Power is in the hands of just one person, who leads the company and family. The average age of these firms is 41.

Family Team Model: *Extensive family working in a small company.*

Médium-sized firms with a large number of shareholders (6.5 on average), good communication and a fairly well-developed structure. Power is shared. From thirty years onwards, the model consolidates and may last a long time.

Professional Family Model: *Few family members running a complex company in a professional manner.*

The family and business complexity of these companies are similar to the Emperor Model but their growth has not been based on a highly-competent leader but rather on a well-developed family business structure. On average, they have three family members in senior management positions, running the firm in a highly professional manner. The family takes a sophisticated approach to managing the business.

Corporation Model: *Complex family running a complex company.*

The Corporation is the most highly-developed model in all its dimensions and is the oldest (61 years on average). It is more developed than the Professional Family but unlike the latter, its owners do not consider it necessary to have family managers, preferring instead to exercise control of the business through the Board of Directors.

Family Investment Group (FIG): *Families of varying complexity that invest jointly.*

Under a FIG structure, the family makes purely joint investments. This involves a different kind of relationship between the family and its investments from a situation where the family is directly involved in the running of its family business.

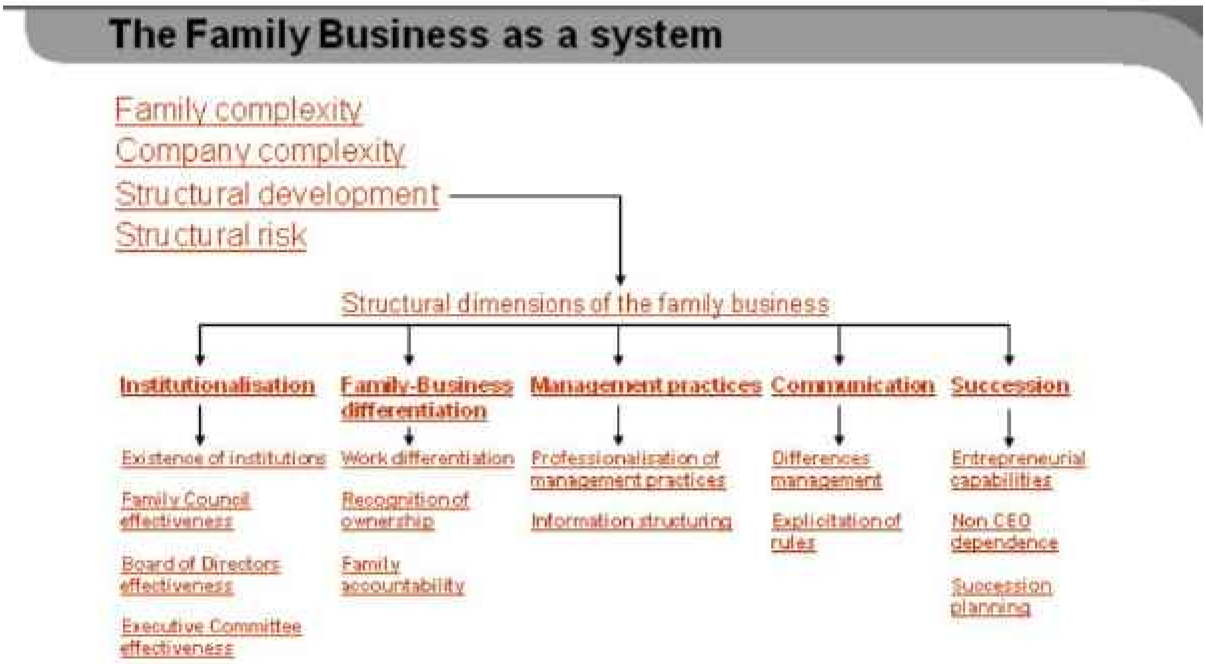
The Structure of Family-Business Relations

The structure orders the relationships between the various elements in a system.

In Family Businesses, structure is the set of elements through which the family orders its relationship with the business. This structure determines which behaviour patterns are allowed and which are not.

You can obtain more information and see which elements make up the structure by consulting the interactive presentation:

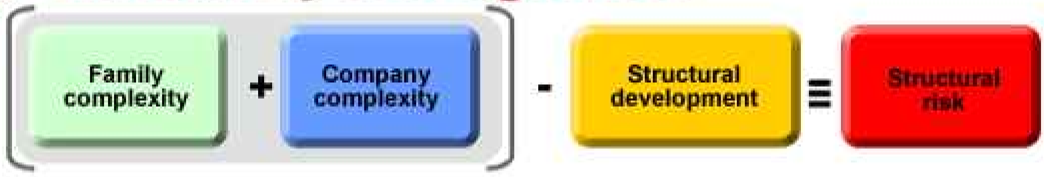
- **The Family Business as a system**



The Structural Risk Form

A family business exhibits **Structural Risk** when the development of relations between family and business (Structural Development) is insufficient for channeling family and company complexity.

Click on the various buttons on the form to broaden concepts.



Family Complexity

Events in a complex family are much more varied than in a simple one and there are many more of them. Complexity increases as the number of family members rises (each member with his or her own interests and profile).

Company complexity

'Complexity' applied to a company means the number of behaviours, and/or events that may occur within the firm. It is determined by the number of elements and their interrelationships. Thus, for example, a shopping centre is more complex than a shop.

Structural Development

The structure of family-business relations is the set of habits, norms, processes, forums and so on through which the family orders its relations with the company. This structure always exists, whether created explicitly or implicitly over the years. The more complex a family and a company, the more highly-developed the structure of relations needed between the two to create order out of the chaos arising from complexity. Thus a city has a more highly-developed structure than a village.

Structural Risk

This is a family business' propensity to become chaotic because it has not been possible to order its affairs through its structure. The risk therefore increases when the structure is insufficiently developed to cope with the existing complexity. Structural risk (like many other risks, such as those of avalanche, fire, etc.) is hard to identify beforehand but becomes clear once it has been identified by an expert (or in this case, by an expert system)

Twin-competency Families

Business Family members have to meet much tougher requirements than non-business families. The former **need both family and business competencies**.

Belonging to both a family and a business requires being able to simultaneously act within two contexts. The business, which is run according to the rules governing labour relations, is one context. The other is the family, whose members each have their own role, whether it be as parent, son or daughter and so on. Finding creative solution for spanning the two contexts requires metacommunication (that is, communication concerning communication) that leads to agreement on when and how family and business rules should be used.

Twin-competency families have developed the ability to **comunícate effectively in both spheres**. This ability is a necessary condition for **successfully combining family life and working together in the business**.

Dominant interests

Dominant interests are those each member has in the business family. **These interests can be placed under three broad heads, although various combinations of these are also possible.**

Protective orientation: This seeks to maximise the meeting of basic family needs, provide income to support the family and other forms of reward (social standing, occupation, self-respect, etc.).

Entrepreneurial orientation: This focuses on developing and leading the business. The aim in this case is to create value through growth and expansion. Accordingly, the business family is willing to forego some of its private consumption and investments for the company's sake. Large family firms have adopted this orientation but it can also be found in many small enterprises too.

Financial orientation: For someone with this orientation, the family business must be optimised in terms of profitability, liquidity, risk, and so forth. That is why it is important that the company be well-managed. Such an individual is not interested in running the company but rather in achieving good results. In this case, the family business efforts focus on achieving higher returns than for alternative investments.

The foregoing orientations may be more strongly or weakly expressed and be mixed in different proportions. Thus one frequently encounters combinations of the protective and entrepreneurial orientations given that making the firm grow is perfectly compatible with providing for the family's offspring.

The **dominant interests or orientations in the firm need to be identified to gain a better insight** into business family members' views and perceptions.

The entrepreneur's mental model

Entrepreneurs' behaviour is not only or even mainly the result of the circumstances in which they find themselves but rather the meaning they give them and how they interpret those circumstances. In short, how one thinks affects how one acts.

The entrepreneur's way of thinking about the firm, his image of its development and the ends it pursues are aspects that have a great bearing on the nature of the company.

NOTES:

https://www.coursehero.com/file/114640843/Family-Business-Lecture-notesppt/

UNIT 2

Family Business types and traditional forms of family business. Founders and the Entrepreneurial experiences. Growth and Evolution of Family Business. Complexity of family enterprise. Diversity of successions.

https://www.youtube.com/watch?v=BtgQzuwJ9SE Difference Diversity and Inclusion

Family Business types:

https://www.slideshare.net/RevathyRajasekaran/family-business-in-india-232171957

https://www.slideshare.net/emagine/introduction-to-family-businesses

https://www.slideshare.net/Aasman7acharya/family-business-54366075

Family businesses all over the world play a significant role in the economy. Globally, as well as in India, family businesses contribute to over 70 percent of the GDP of most developing and developed countries and employ 60% of the global workforce.

According to research by Boston Consulting Group, globally more than 30% of large companies are family-owned and the number of family businesses in emerging markets with revenues exceeding $1 billion is growing rapidly.

India ranks third on the list of countries with the highest number of family-owned businesses according to the 2018 Credit Suisse Family 1000 report based on a study of 1,015 companies with $250 million or more in market capitalization. The country has 111 family-owned businesses, with a market capitalization of $839 billion, after China ($159 billion) and the U.S. ($121 billion). The report also states that more than 50 percent of the top 30 best performing family-owned companies in Asia, excluding Japan, are from India.

Family businesses span across generations and hence are more resilient. They prefer looking at business as a marathon, rather than a sprint. In fact, according to a study by the Kellogg School of Management, family businesses in India are less impacted by the Covid-19 pandemic compared to their non-family business counterparts. The study states that family businesses are not worried about their survival after the pandemic because most of them have lower debt, diversified portfolios, and long-term vision. Family businesses also lay a greater emphasis on adhering to principles while conducting business. Their objective is to build an organization known for its social commitment and value system.

On comparing family businesses with non-family businesses, it is observed that there are many similarities between family businesses and non-family ones in certain aspects like operations and strategy. However, family businesses have unique challenges when it comes to governance due to their organizational structure. The key challenges faced by family businesses are:

1. Succession Planning

As per Deloitte 2019 Family Office Trends, the greatest hurdle most family enterprises face is ensuring a smooth transition from the current generation to the next generation. Founders should avoid the common mistake of assuming that the transition will take place naturally in due course. The survival and growth of the business depends on the succession plan. When it comes to succession planning, the earlier the businesses start putting it together, the better it is. Long-term planning ensures that the new generation gets enough time to learn different aspects of managing the business from the previous generation. Succession planning not only involves picking the right person to take over the business but also grooming him and ensuring the company's values are passed on to him. One of the ways to simplify the process is hiring family business advisors who guide the family through various things involved like taxes, liability, ownership stakes, voting rights, etc.

2. Wealth Management

Wealth management is difficult because personal and professional wealth is intertwined in the case of a family enterprise. Most founders fear that the next generation may not recognize the value of hard work put in to earn the assets and will take the inheritance for granted. On the other hand, members belonging to the next generation fear that they will not receive their rightful share of the inheritance and will not get an opportunity to take responsibility of their family wealth and grow it. This is a topic fraught with emotional complexities. One of the ways to navigate this tricky territory is to have an upfront discussion about it with all family members. This ensures that there is transparency in the division of wealth. Another common practice to avoid disputes is to set up a trust to manage the wealth. The advantage of setting up a trust over following a traditional method of writing a will is that unlike wills which are often challenged before the court, trusts may be executed during the lifetime of an individual. This helps to reduce contentious litigation amongst family members, and also allows the individual some control over the family's assets.

3. Professionalism

Professionalism is a challenge because most family organizations do not have good corporate governance policies in place. One of the ways to promote professionalism is to take active steps to have strong processes in place that ensure the same levels of accountability for family and non-family members. Having a clear demarcation of all roles and responsibilities within family members is necessary to avoid conflicts. Attracting, developing, and retaining great family and non-family talent is also important. Respecting management hierarchy while empowering employees to take decisions leads to the transition of family businesses into professional organizations. It takes trust and commitment to allow decentralization of decision making and building these values is something that the businesses must focus on.

4. Participation of Women

Increasing the participation of women in leadership roles is another area where family businesses face roadblocks. While there are some great examples of women-led family businesses, these are few and far between. According to PwC India Family Business Survey 2019, women average only 15% on the board and 13% on management teams in Indian family businesses, compared to 21% on the board and 24% in management teams across the globe. Mentorship plays a key role in ensuring greater participation of women. Founders of the organization should groom the women in the family in a way that they will be empowered to take strategic decisions for the growth of the business. The organizations must have gender agnostic performance systems. This is necessary to have parity in the ratings of all employees.

5. Adapting to Change

Lastly, family businesses find it a challenge to adapt quickly to change. In most cases, the founders believe in the practices that the company has been following for years and want to continue with them, while the next generation is eager to experiment and implement new ideas. In such a scenario, they should strike a balance between tradition and modernity. While dealing with change, it is crucial to keep all channels of communication open between the two generations. Conflicts are bound to arise, but the key is to deal with them in an open and flexible manner. The organizations should adopt the method that is the most suitable to the business interests at that point in time.

To summarize, every business has to deal with problems, but in the case of family businesses, the issues are compounded because of the underlying family dynamics. These entrepreneurs have to walk a tightrope while meeting business goals and managing family relationships. Family businesses have a lot at stake while dealing with these challenges because they have to ensure that the legacy, they have built over the years is not damaged. However, with effective communication, transparent processes, the presence of a strong independent board, prudent planning, and strong value systems family businesses can overcome these obstacles and emerge stronger.

Family Owned business In India

Family held and run businesses are the oldest and most prevalent form of business ownership anywhere in the world. Family businesses form the backbone of any country's prosperity and economy. In India, keeping business ownership within a family is a deeply-rooted practice since ages. India enjoys a rich and glorious history of family-owned businesses. Initially, family business in India started in the form of trading and money lending involving the hustle and bustle of the bazaar. It was also confined to certain communities, notably the Gujarati and Marwari's especially in the western and northern India. Today, family business almost contributes around 80 percent of national GDP annually. According to various estimates, more than 80% of the companies in India are family owned.

In India, there are many highly successful family businesses which are operating for more than 100 years and not only in India but all over the world.

The list includes:

1. Tata Group - Founded in 1868 by Jamsetji Tata

2. TVS Group - Founded in 1911 by T V Sundaram Iyengar

3. Aditya Birla Group - Founded in 1857 by Shiv Narayan Birla

4. Kiroloskar Group - Founded in 1911 by Laxmanrao Kirloskar

5. Godrej Group - Founded in 1897 by Ardeshir Godrej and Pirojsha Burjorji Godrej

6. Shapoorji Pallonji - Founded in 1865 by Pallonji Mistry

7. Reliance Group - Founded in 1966 by Dhirubhai Ambani Advantages of family run businesses

Family businesses are still thriving in today's competitive economy.

The following are some of the advantages of family run business:

Stability

Family business are ideal in nature as they are loyal to the principles of the founder and top leadership, which results in overall stability within the organization. Leaders usually stay in the position for many years, until a life event such as illness, retirement, or death results in change.

Commitment

There is a greater sense of commitment and accountability by all family members due to involvement of reputation stake of the entire family. These level of commitment is almost impossible in non-family businesses. It is natural that all family members demonstrate and share a level of commitment to the firm since the core of any family business is a shared business vision and identity.

Leadership

In family run business, most of the time leadership is centred to the senior most people in the family. So each family members show faith and loyalty in the top leadership.

Trust

Since all family members know each other and related by blood relations, there is feeling of trust in each other.

Flexibility

In family run business, all family members can take any role which the business needs. You won't hear, "Sorry, this is not my job" in a family business. They can take several different tasks outside of their formal role in order to ensure the success of the company.

Decreased Cost

All family members contributing land, labour, capital and entrepreneurship means there will less cost of running and managing business. In hard times just like COVID-19, family members even can take a pay cut or work without any pay.

Disadvantages of family owned business

Every coin has two sides. Same as with family businesses. In spite of its several advantages, it has following disadvantages:

Family Conflict

As and when new generations come into the family business, conflict is bound to happen due to generation gap. There are many cases of conflict in family business in India like famous case of Reliance when two brothers Mukesh and Anil divided the India's biggest corporate group in 2005.

Unstructured Governance

There are no formal governance structure in many small family run businesses because of the level of trust inherent at family firms. Unfortunately, this can be gravely detrimental.

Nepotism

Some family businesses are reluctant to let outsiders come and seat in the top management and as a result good talent may find it uncomfortable to work in lower levels. This, obviously, has a far-reaching effect on the success of the company.

Succession Planning

If there is no proper succession planning for the family businesses, there are chances of family disputes and sometimes it leads to collapse of entire business. The succession planning and execution is one of the biggest challenges in family run and managed firms. Most of the family businesses fails to remain family business after first one or two generations because of lack of effective succession plans.

Succession Planning is a key to success for family owned business

Succession planning is a strategy for passing on an ownership and management of a company to the next generation in case of family business or to an employee or group of employees in case of non-family business.

The main object of succession planning is to ensure that businesses continue to run smoothly after a company's most important people move on to new opportunities, retire, or pass away.

Need of Succession Planning Succession Planning in an ongoing process, which needs careful planning and preparation for smooth transition of ownership, leadership and management of the family business and family assets to the future successive generations.

A strong succession planning is required due to following reasons:

to achieve the objects of businesses

to ensure the continuity of business in long run to create a wealth for future generations'

to avoid the conflicts in business

to give stability to the business

to hand over the business from one generation to another

Every family business must have a solid succession planning for smooth transition of management and ownership of family business so that the fruits of the business can be enjoyed by the upcoming generations of the family.

4 Types Of Family

Hong Kong tycoon Li Ka-shing (R) listens to his son Victor Li Tzar-kuoi during a press conference in... [+]

Family firms enjoy many advantages and, especially in Asia, serve as important drivers of economic growth.

Yet because of their structure, over time they also run into a maze of complexities which bring with them potential risk.

For example, some businesses grow rapidly without managerial talent available inside the family, meaning the business misses valuable pportunities. In other cases, the number of family members outgrows the ability of the business to accommodate their diverse interests and they descend into conflict.

How do owners know what challenges to address and when? Koay Peng Yen, a consultant at Spencer Stuart and I studied four different types of family firms and provide governance advice for each.

1. Simple business, simple family

Founded in 718, Japan's Hoshi Ryokan hotel in central Japan, is one of the oldest family firms in the world. Run by the same family for 46 generations, it has remained fairly simple by focusing on a single hotel, and by passing leadership and ownership to the eldest son.

In this model the successor's role is clear and unchallenged, siblings do not get involved, and the family's commitment and heritage contribute to the firm's success.

This model has worked well, keeping the business in the family for 1,300 years, but it is vulnerable as it places all bets on one candidate.

Businesses like this are fairly focused, with a concentrated family structure. With only a few family members involved, they do not need complex governance systems for either the business or the family. The business is not very diversified or complex and could benefit from centralised management and flexibility.

2. Simple business, complex family

Family-run Singapore property group Hiap Hoe is an example of how things can become overly messy without proper rules.

The firm's patriarch, Teo Guan Seng, kept three families at the same time and tried to achieve cohesion by letting everyone share in his business wealth. However, family squabbles, a divorce, and feuding children forced him to resign and dismantle the publicly listed holding company.

Businesses of this type are relatively simple, but many family members are involved in management or ownership, or both. Some family members may feel entitled to benefits without contributing proportionately.

A family constitution that clearly sets out the values and expectations for how the family owns, manages, and relates to the business, will be helpful for these firms, along with a family board.

3. Complex business, simple family

Many firms from China, where the owners typically have small families and big markets to play in, fall into this category.

For example, the Wahaha Group, which started in 1987 as a beverage company, has diversified into a successful multinational and now operates in packaged foods, health supplements, and children's clothing. Its 73-year-old Chairman, Zong Qinghou, has appointed his only daughter, Kelly Zong as the group's chief executive. Going forward, her attention will be focused on instilling proper controls in the business, and attracting outstanding non-family talent.

Kelly Zong, head of international business at Hangzhou Wahaha Group Co. and daughter of billionaire... [+]

In cases like Wahaha, whilst the family is relatively simple, the business has already matured and requires sophisticated managerial talent to run it. With few family members involved, it is important to professionalize the business to limit its dependence on scarce family talent.

Merit-based leadership and mature corporate governance systems are a minimum requirement.

4. Complex business, complex family

South Korea's Hyundai Group is a good example of a sprawling business group and a multifaceted family. Founded as a construction business in 1947 by Juyoung Jeong, the group informally split up among his sons and brothers after his sudden demise in 2001. However, the Hyundai firms were interconnected in a convoluted cross-shareholding pattern.

With three generations in the family business, including some deceased descendants replaced by their widows, the family found little common ground and resorted to court cases.

Managing firms where both the business and family are complex requires a significant investment in governance systems. A continuous focus on involving new generations of the family, grooming entrepreneurship and managerial talent, as well as family bonding is required.

The business will also need mature governance systems that set clear expectations for the business leadership, and development programs to stimulate leadership talent.

Four types of family businesses emerge:

- Domestic family-type business;

- Traditional family-type business;

- Enlarged family-type business;

- Open family-type business (Montemerlo, Preti, 2004, 68-77).

Domestic family business

A domestic family business is run by a single and absolute owner: the owner-founder or founder-entrepreneur. By and large, these types of family businesses display a strong overlap between ownership and management.

Accordingly, they are characterized by a paternalistic leadership style precisely because they are directly run by one single owner who behaves just like a paterfamilias (male head of the families) (Alzona, Iacobucci, 2005, 2009). The firms are usually very small and have a very simple organizational structure. The elements that qualify them as domestic businesses, namely their small size and strong ownership structure, do indeed favor the establishment of an authoritarian and highly centralized governance.

The dynamics and governing structures of a domestic family business are very simple, as the development processes and decision power are in the hands of one single person rather than in large management groups.

Consequently, the management body, if present, is composed solely of family members and of very few outside collaborators. Likewise, the staff is made up of family members and of very few nonfamily employees. Hence, the domestic family entrepreneur professionally runs the entire business on his/her own, taking on all the responsibilities and risks related to his/her leadership and management. The success of a domestic family business depends on its ability to adapt quickly to changes thanks to its extremely flexible organizational and decision making context. One of the advantages of these types of family businesses is indeed the fast decision-making process. Being exercised by one single person or by very few family partners, they are able to respond quickly and effectively to the ever-changing market demands. Furthermore, because their main target is the local market, owners can easily establish closer relationships with their customers, thereby becoming more competitive than larger businesses thanks to their ability to provide more efficient services. However, being very small businesses, they do not have substantial assets nor the ability to attract highly qualified employees. Their main financial assets derive from equity or from debt capital. Consequently, the family members receive most of the business earnings. The invested capitals often constitute a relevant share of the family's financial assets. The remaining part is hardly ever invested but in low risk activities. There exists, therefore, an almost total overlap between the business and the family, which oftentimes causes non-transparent economic practices. Some of these practices include compensations for family employees whose remuneration policies and procedures hardly ever comply with market conditions.

EXAMPLE:

An example of a domestic family business is the artisan companies. Indeed, these types of family businesses are more commonly passed down through the generations from parents to their offspring and tend to be rather small. The most characterizing aspect of artisan companies is the full involvement of the owner in the productive process, mainly together with the production team itself. Therefore, the owner of such types of businesses exemplifies the owner-entrepreneur model. Their competitive model is that of niche markets, whereas their competitive dimension is local. More specifically, since artisan companies are rooted in the territory, the skills of both the founding owners and their employees are closely intertwined with the local values, as well knowledge, of the territorial community. A good example of an artisan company is Isaia a men's, tailoring company founded by Enrico Isaia in 1957. Today, it still represents one of the most renown artisanal tailoring companies. What gives this company an edge over other similar businesses is the hand-craft and custom-made tailoring, which is deeply rooted in the local artisanal knowledge and tradition. Its major strengths have been its ability to promptly change and adapt to the new market trends and its customer-centered approach, which has been made possible thanks to the establishment of a trustworthy relationship between the owner-entrepreneur and his/her customers

Traditional Family Business

The traditional family business is based on a very controlled ownership model. This means that the ownership of the business is concentrated in the hands of one person or very few people. In these types of businesses, the family directly partakes in the managerial processes. The business, which ranges from small - to medium - sized companies, is typically handed down from the founder to the subsequent generations.

Its actual growth is influenced by the behavior of the entrepreneur-owner, or by the authoritarian owner, depending on his/ her entrepreneur-owners skills. Unlike the entrepreneur-owners of domestic family business, the entrepreneur managers of traditional family businesses are more inclined to delegate other family shareholders 2, thereby rendering their behavioral patterns less extreme. Interestingly, the entrepreneur/owner's self-realization, desire for independence, and motivation for success are intertwined with the motivations for success, accomplishment, and strong willingness to participate in the growth and development of the family business of the shareholders, if present.

It is indeed in these types of businesses that the roles of ownership and control most often overlap. In particular, this overlap leads to the establishment of governing bodies completely controlled by the family members, who, regardless of their formal roles, hold crucial positions in governance practices 3. In fact, in these firms, it is possible to find governing bodies such as Family Board, Family Assembly, and Family Agreements. Furthermore, it is also possible that preliminary decisions may be discussed at unofficial meetings – known as Family Council – which summon almost all family members. In such cases, the Family Assembly is called upon to ratify the decisions previously discussed and approved by the Family Council.

The Board of Directors is mainly composed of family members. They therefore determine all the dynamics and the relations between the firm and the business. In the event of unresolved conflicts between family members, external collaborators may be hired to mitigate the unresolved conflicts. Their other roles include offering family members experience-based advice and expertise not present within the family circle. This is often the case, for instance, when the family business is run by a manager lacking skills in specific areas and therefore needing qualified advice and assistance from external collaborators.

In short, the Board of Directors plays a pivotal role in balancing the power of the entrepreneur-owner by keeping under check any form of authoritarian leadership. In the event that this were to happen, family members resort to the support of external components of the Board of Directors so as to tamp down the leadership and the power of the entrepreneur owner. In practice, just as it happens in large businesses, independent administrators play intermediary roles between minor and major shareholders.

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As opposed to domestic family businesses, in traditional family businesses the Board of directors and the other governing bodies comprise both family and non-family members. This difference clearly shows the gradual acceptance of the traditional family business to open to external administrative and managerial competencies. In general, such interlocutors are banks, which hold the necessary resources for growth, and/or nonfamily collaborators, who possess the necessary managerial and professional skills.

Nevertheless, given the strongly centralized control, traditional family businesses do not leave much room for a more democratic form of decisionmaking process, even when the ownership system is extended to nonfamily members. In effect, the reason why family-run businesses decide to resort to external nonfamily members is to obtain investment.

Once this objective has been reached, the family often regains its shares. An example of such phenomenon is the types of agreements between financial institutions and family businesses. In these cases, a bank may agree to finance the traditional family business in exchange for quota shares and board appointments.

Subsequently, once the family has paid back the loan, it buys back its shares and restores its board of directors to its original configuration.

Concerning nonfamily collaborators, it often happens that when a company is run by a single owner, a trust-based collaboration ensues between him/her and his/her collaborator. As single collaborators move from administrative positions to much higher and challenging ones, they begin to be perceived as true family members, thereby enjoying the confidence of the entire property.

Actually, nonfamily collaborators play a rather vague professional role within the traditional family business. A case in point is when the ownermanager, being unable to delegate his/her powers, prefers to entrust his/her powers in the hands of a trustee who will act as his/her alter ego.

Traditional family businesses, which operate both at the local and international levels, have generally a medium competitive intensity. Interestingly, diversification is not their market strategy, as their competitive strength hinges on their specialized manufacturing.

During the growing and evolving stages of the business, families may not have sufficient financial resources to follow through with their projects and may therefore have to open their share capital to new shareholders. Undoubtedly, this poses additional issues for the entrepreneur founder, or family partners, to maintain the control of the company. Therefore, the family resorts to legal forms to reduce the risk of hostile takeovers (e.g. cooperative associations or limited partnership), including agreements on voting rights in family assemblies, and the use of statutory provisions that limit the selling of shares or guarantee preemptive rights.

EXAMPLE:

An example of a traditional family business is Marinella, a renowned necktie family firm whose origins date back to 1914 – the year in which the founder Eugenio Marinella inaugurated his first historic store in Piazza Vittoria (Naples, Italy). The firm, which started out as a traditional domestic family business, has long been competing internationally despite having always been faithful to a strategy of concentrated marketing and to a wholly-run family business.

Marinella is a classic example of a successful family-run business that has proudly preserved, over the century, proprietorship and management in one single person, starting from the founder up to its current successor. Such characteristic clearly reflects its entrepreneurial, rather than managerial, nature and its ability to orient its business toward the emotional profiles of consumer goods – the key strength of this family business. Another major feature is Marinella's ability to merge tradition with innovation. Indeed, overtime, the structure of the firm's management body has now partially expanded to include external entities especially in logistic areas, a hallmark of the firm's will to continue to develop and grow.

Enlarged family business

As the name suggests, the extended family business is characterized by an extended proprietorship model, i.e., the ownership of the capital is divided between more than 5-6 family members, including nonfamily members, if present. Whereas the size of the organizational structure is in between a traditional and an open business, the actual physical size ranges between medium and medium-large sized firms. Most of these businesses are either of second generation if they derive from more than one family, or of third generation if they derive from a single family. As opposed to open firms, the organizational structure is less complex for a number of reasons including shortened hierarchies, a well- balanced assignment of responsibilities even among members at the intermediate organizational levels, flexible coordination, and, finally, a cohesive and fully embraced business culture. Extended family businesses are akin to open businesses in that they too operate on a wide market, even at international levels, and have an organizational system made of more articulate government bodies and coordination mechanisms. Despite these similarities with open firms, extended family-run businesses do preserve some aspects of traditional family businesses, among which the importance of the family's control over governing activities. The peculiar organizational structure determines how the owner will exercise his/her decision-making power. For example, in some cases, the family exercises both ownership and control; in other cases owners dilute their ownership among different individuals while continuing to hold the highest percentage of shares.

In another model, the business is run by both family members and outside professional managers. This model seems to operate at its best when the organizational structure is characterized by a net separation of competences. In these cases, the family members deal with all the technical competences related to the core business, whereas the hired managers deal with the technical, managerial, and marketing issues. The advantage of such hybrid system is that it creates a balanced relationship between the entrepreneurial culture and the managerial culture. In effect, the creative-intuitive behavior of entrepreneurs works in tandem with the more rational and planned behavior of managers, a strategic synergy that ensures the success of the firm.

Overall, under these circumstances, the extended family business undergoes a managerialization process while continuing to maintain its decision-making power, most of the times held by the founder and his/her successors. The governing bodies are composed of a much higher number of family members, compared to traditional firms. This gives rise to a differentiation of family roles: some have a proprietorship role, others cover governing roles, and others manage to cover both ownership and control. However, this type of ownership and control may cause generational drift and cool off of family shareholders.

Generational drift of family ownership refers to the gradual increase in the number of family members involved in the business. To keep intergenerational conflicts under check, the family implements the so-called Family Agreements.

The purpose of these agreements is indeed to regulate ownership succession and/or the transfer of share capital to only one or more heirs. Cool off of family shareholders refers to a substantial dampening of emotional ties or affinities among the governing family members as the business is passed down from one generation to the next. The negative result of such phenomenon is the attenuation of business identity. However, besides the higher number of family members and, particularly of nonfamily members involved in ownership, various other aspects render extended family businesses different from the more traditional ones.
For instance, the Board of directors is much more structurally articulate and complex and always includes collaborators outside of the family circle. Therefore, the overall governing body is generally more complex owing to the presence of professional managers and independent administrators. Similarly, the board of statutory auditors is in itself another novelty as it is made up of independent collaborators/consultants, who are generally appointed by the minorities. The overall outcome of these dimensions is the formalization of organizational structures, i.e., the creation of an articulate business structure capable of integrating and of aligning governance with the business strategies. The decision- making process that external managers are asked to undertake is aimed at

obtaining the consensus of all the major shareholders (family owners) and of other investors (bank systems).

Luxottica is an example of an enlarged family-run business. Indeed, while a strong family coalition headed by its founder and owner (Del Vecchio) still controls key aspects of the business, professional managers (Andrea Guerra and others) also play a major role in the decision-making process. In particular, Luxottica is a typical example of how some extended family businesses try to overcome the difficulties of having to combine ownership and control with family succession without affecting the overall performance of the business. An interesting aspect of Luxottica is the structure of its share capital. In particular, Delfin s.r.l. (a holding company created to facilitate succession while preserving the family business structure) holds Luxottica's outstanding stock. Its capital is subdivided into equal shares of 16.38% between Del Vecchio's children. Other nonfamily members also own substantial amounts of the company's share capital, including Armani, and Deutsche Bank. Therefore, it is clear that Delfin's main role is to control all the company's assets so as to protect the family from conflicts of interests when planning succession. By virtue of this holding, managing core issues concerning the company business can be dealt with in a more fluid manner while, at the same time, safeguarding the ownership and control rights of children in case of death or inability of major family representatives to run the business. Regarding the company's managerialization process, it is worth noticing that Andrea Guerra, the company's former CEO, has been unanimously appraised for his superb managerial skills For example, in the 10 years that he served as CEO, he was able to raise the company's annual revenues from € 3 to 7 billion by stipulating contract agreements with a major company like Google (Google Glass) and by buying back licenses from company's of the highest caliber as Giorgio Armani, Prada, D&G, and Ralph Lauren. Despite these major successes, the company's ownership configuration could be a potential source of conflict between ownership and management. One possible explanation is that the control of the capital by the family members is such that when the fiduciary relationship between the ownership (Del Vecchio) and the manager is undermined, the owner can pull the reins of the governance without consulting the other majority shareholders.

Open Family Business

In the open family business, which generally includes medium- to large sized companies, the family preserves the control of the company but hands over the ownership to a non-descendant. The Board of Directors and the governing bodies comprise both family and nonfamily members. In particular, the involvement of nonfamily members allows the family members to sustain higher growth rates than those financeable with their own share increase. From an ownership perspective, this type of family business is characterized by a "non anonymous" ownership, very often belonging to the family circle, that persists even when it is extended. Consequently, the forms of control exercised by the economic actors are adapted against the increasing complexity of the organizational structure. In particular, extending the share capital to nonfamily partners can bring about conflicts between family and nonfamily partners. One potential consequence is the family's partial loss of independent decision-making power. Indeed, under such circumstances, the family may decide to abandon such managerial model and adopt one that would guarantee major transparency, as required by the new saving shareholders. The following three examples will better explain this process:

- To abandon policies that would engender tensions and conflicts between family members and business (e.g., employment and remuneration policies that would privilege family members only;
- To form governing bodies in which nonfamily members would have equal representation;
- To adopt transparent and efficient procedures that would enable nonfamily members to be constantly informed on the company's financial outcomes.

Therefore, in order not to lose the control over governance, the family ownership is handed over to external entities, including foreign entities or trust. This explains why open family businesses, to better deal with growth, resort to group-based organizational structures. In this way, they can keep ownership separate from management, as it happens in large corporations in which such separation occurs through managerialization. Accordingly, in some open family businesses, one finds forms of family control in which ownership rights are strongly held by the family thanks to control holdings. Indeed, these holdings control numerous industrial and commercial subsidiaries and handle all business fiscal operations, thereby facilitating the mechanisms of succession Zattoni, 2006).

This peculiar form of governance allows open family businesses to grow without having to undergo a complete managerialization, as it commonly happens in large

Anglo-Saxon corporations. Therefore, the handing over of power from individuals to corporate groups, typical of public companies, translates into a dominant coalition that is fully controlled by the family. Under such circumstances, governance faces a very challenging negotiation process not only between ownership and management, but also within the highly complex family and nonfamily ownership systems. The latter is made up of multiple nonfamily shareholders most of whom are driven by speculative interests to increase share prices, or rather, by achieving a higher retribution of profits through allocation of residual rights.

The negative perspective of this type of organizational structure is that tensions and conflicts often arise between the controlling family coalition and the nonfamily shareholders, most of whom are anonymous and minority shareholders. This is why it is paramount for open family businesses to regulate ownership rights between family and nonfamily members by means of efficient contract agreements. Simply put, in cases where the ownership structure is highly fragmented (Berle and Means), the speculative interests and profitoriented objectives will lead to a managerial organizational structure. By contrast, in cases where family ownership is preserved, speculation will be overrun by the family's strong desire to ensure the long-term survival of the company.

Fiat, a former holding company which subsequently became a corporation, clearly exemplifies the open family business structure. In the early 1990s, it required a strong increase in share capital. Thus, the family yielded part of its control to a voting trustee, to which Mediobanca, Generali, Deutsche Bank, and Alcatel belong.

Nonetheless, the company managed to remain in control thanks to the Giovanni Agnelli and Co. S.a.p.a.z. This group, in fact, holds a totalitarian control over the IFI (the financial holding of the corporation), through the issue of voting shares with a limited voting right of 47% of the share capital. By doing so, the Giovanni Agnelli and Co. S.a.p.a.z. by holding 53% of the IFI share capital (which, again, despite its 100% of ordinary shares, 47% of them have limited voting rights) manages to control this financial holding. The same thing happens with the IFI – which, despite holding 63% of IFIL ordinary shares, has a high percentage of shares with limited voting rights, a factor that automatically decreases the amount of shareholding and thus of control benefits – and between IFIL and FIAT. In conclusion, shares having limited voting rights allow the leader of the group, Giovanni Agnelli and Co. S.a.p.a.z., to preserve the total control of the company, granting IFI and IFIL only a minimal number of share capital. Thus, influx of external capital flow into the company allowed FIAT to fulfill the requests of nonfamily shareholders and to adopt legal codes and business communication rules equal for all shareholders. Furthermore, a major managerialization process has taken place, as exemplified by the Marchionni's leadership. Nonetheless, as of today, such leadership remains restricted and is under the influence and control of the family coalition.

ENTREPRENEUR EXPERIENCE:

An experienced entrepreneur is the one who had mistakes during his professional journey, thus making him accurate in his decisions. Such founders know how to act in certain cases and what to do during an emergency. Moreover, having experience may provide great insights into the operational side of the business, allowing people around the entrepreneur to learn from them. In addition, the organization will know what and whom it needs by having an experienced leader. Their previous work will suggest to him some signals that can be recognized to determine the needs of the business structure.

The established and well-developed network of an entrepreneur is one of the essential aspects of executing the business. This is because the network will determine what kind of people will work in the business structure, its partners, and investors. By having great connections, the business may rely on the founder's network when entering the market as they will support them for the sake of collaboration. Moreover, if the entrepreneur has strong networking, it means that they also have a good reputation and image among similar businessmen, thus attracting more partners and investors.

In combination with experience, networking may increase the relevance and popularity of the business structure. Through this, the company may have a valuable promotion, increasing awareness about the business.

Start-ups with Experienced Founders More Likely to Succeed

As mentioned there's no straightforward definition for startup success. A couple indicators, however, are generally accepted. First, raising money shows that a company has customers and is growing.

According to data collected from CrunchBase, by these metrics, the more experience a founder has, the better his or her startup tends to perform. The table below shows the average number of funding rounds and company exit rates by founder experience. Because VCs tend to focus on the big win rather than many small successes, the table also includes "large exits"—acquisitions of at least $100 million or IPOs.

The table above shows experience by founder, not by company. Though this has some obvious problems—companies with multiple founders will be counted multiple times, it implicitly attributes company outcomes to a single founder rather than a founding team—looking at experience by company is no better. Doing so would require assigning a single experience level (and as will be discussed later, single ages and measures of previous success) to founding teams, which is particularly problematic when comparing different size teams. Nonetheless, to make sure this doesn't severely alter any conclusions, the table below compares outcomes by company experience, where the company's experience is assumed to be equal to that of its most experienced founder. As the table shows, the results are little changed.

Therefore, for founder and founding teams, experience is correlated with success.

Nature or Nurture (or just Age)?

Entrepreneurs' second and third efforts tend to more successful than their first companies. Is this the case because of what they learned from previous companies, or because those who want to start multiple companies have innate skills that make them successful?

These arguments aren't necessarily mutually exclusive—serial entrepreneurs could be strong founders initially and become even stronger as they gain experience. To take an extreme example, Medium's favorable start is likely attributable to both what founder Ev Williams learned after starting Blogger and Twitter and some natural characteristics in Williams that helped drive the success at all three companies.

We are not, however, all Ev Williams. As the chart below shows, the more companies a founder has started, the worse his or her initial companies perform, as measured by fundraising success. Moreover, despite these early failures, serial entrepreneurs' later companies are more successful than companies started by one-time founders.

This indicates several things. First, serial entrepreneurs don't all start as successful founders. Notably, people who found successful companies are unlikely to be as willing to start over as people looking to move on from failure, so this conclusion may not be as strong as it first appears. Nevertheless, while early successes likely weed out a number of founders who may have otherwise gone on to be serial entrepreneurs, this result still indicates that a large number of people who are willing to start multiple companies initially fail.

Second, serial entrepreneurs appear to benefit from their experience because founders' second, third, or fourth companies were more successful than one-time founders' first companies. This is important: If the odds of success didn't change with each successive company, a founder's fourth company would be expected to perform roughly as well as a one-time founder's first company. (It would, however, be expected to be higher than a four-time founder's first company, since those who don't fail initially would be less likely to start more companies.)

These two results both suggest that learned experience, and not innate ability, drives the success of serial entrepreneurs. In other words, many serial entrepreneurs have to learn how to succeed.

The Effect of Age

There's another potential explanation for experience's apparent positive effect: founder age. Some, like Lee, have noted that older founders tend to be more successful. If that's the case, experience—which is almost certainly strongly correlated with age—may be a red herring. If we control for age, does founding experience still matter?

Within age groups, experience still matters, though the results are a bit mixed. For founders under 30, experience actually has a slight negative impact. For founders between 30 and 49, experience appears to have very little effect on fundraising, but a significant effect on exit rates. Experience has the greatest impact on founders over 50: Those with prior experience are roughly twice as successful as those without.

As the charts above show, the relationship between age and company success is somewhat surprising. Older founders tend to be more successful at raising money—as expected—but companies started by younger founders exit more frequently. Though a detailed study of founder age is well beyond the scope of this post, it's possible that younger founders would both be more willing to sell quickly and be seen as more enticing acquisition targets. It's also possible that younger founders pursue riskier ideas that produce more extreme outcomes (receiving no funding on one end and getting acquired on the other).

Overall, these results probably aren't strong enough to draw any concrete conclusions about founder age. It seems plausible that the success of experienced founders could partially be explained by their age, but it almost certainly can't explain the entire relationship.

Similarly, the debate over learned skills and innate ability is more complex than is typically presented. Based on the data available, however, the evidence generally seems to tilt in favor of those arguing for experience over youth, and learned skills over innate ones. If nothing else, this should cast doubt on any claims that the entrepreneurial spirit—demonstrated by a willingness to start multiple companies—is by itself valuable in startup founders.

Data

The data above was extracted from the CrunchBase API in December. (Data on individual founders, which was necessary for this analysis, is not available through the bulk export.) Data was analyzed using PostgreSQL and presented with Excel. The scripts, SQL queries, and Excel charts are available in this GitHub folder. The entire dataset is too large to share in GitHub, but I would be happy to provide it to anyone interested.

The data presented above is limited to companies that list founding dates and founders who list their founding relationship with each company. When considering company outcomes, the analysis is also limited to companies that were founded between 2005 and the middle of 2013. Importantly, founders who started companies before 2005 are still considered experienced founders, but those companies were ignored in any analysis about funding and exits.

This creates a number of potential biases. First, CrunchBase data is user-curated, so companies with founding dates are likely to be more successful than those without them (just as very famous people are likely to have more complete Wikipedia pages than less-known celebrities). Moreover, the analysis of founder age depends on birthdays being available and creates the same bias among founders.

There may more subtle problems as well. For instance, founders looking to start another company may delete failures or exaggerate successes on their CrunchBase profile. Similarly, successful founders could have their biographical information backfilled, while unsuccessful founders' information goes unchanged. Because of these and other issues, when interpreting the conclusions above, it's important to note that CrunchBase data, though as broad as any source available, is not without errors and biases.

https://endeavor.org/stories/unicorn-founder-pathways/

How Does Experience Matter for Entrepreneurs?

Success stories like these seem to suggest that experience is not a requirement to making it big as an entrepreneur. In reality, about 90 percent of new start-ups fail in the U.S., and only a handful of companies can make it to the long run. A top reason for this low success rate? Many budding entrepreneurs are highly creative but they fail to study their market sufficiently (a business skill), and as a result launched highly innovative products that nobody really needed. It is against this backdrop that a recent research study has found experience allows entrepreneurs to better balance their creative and business roles to avoid potential pitfalls on the road to entrepreneurial success.

The research examines how previous entrepreneurial experience could influence entrepreneurs when they have to juggle multiple roles when starting up their businesses. It found that entrepreneurs with no prior experience tend to concentrate too much on one role, such as being the product developer and lose sight of other important things. On the other hand, experienced entrepreneurs tend to do a more balanced job.

"Being an entrepreneur is a balancing act. Although entrepreneurs should seek to produce products which are both unique and useful as well as being commercially viable, doing so can be difficult. For example, an entrepreneur may channel their inner inventor to create highly unique products, but that's no good if they don't consider market demand. It is essential for entrepreneurs to achieve both goals simultaneously to succeed," says Hong Ying-yi, Choh-Ming Li Professor of Management and Principal Investigator of the Culture Lab at The Chinese University of Hong Kong (CUHK) Business School.

Missing the Forest for the Trees

Her study "Missing the Forest for the Trees: Prior Entrepreneurial Experience, Role Identity, and Entrepreneurial Creativity" was co-conducted with Prof. Siran Zhan at the University of New South Wales College and Prof. Marilyn Ang Uy at Nanyang Technological University. Some existing research literature on entrepreneurship focus on the journey or personal qualities of successful entrepreneurs, while others studied the mindset and behaviours of these entrepreneurs. Prof. Hong and her co-authors combined the two factors and tackled the topic from a "person-by-situation" interaction approach.

This approach assumes entrepreneurs take on different roles, such as that of an inventor or businessperson, and these are triggered by different situations. For example, an entrepreneur would play the role of a salesman during a pitch meeting, but the same person would wear the inventor hat when dealing with product design in the lab. When the entrepreneur plays the role of a salesperson, their attention would be more focused on the profitability of the product and less on the product design, and vice versa. When too much attention is given to the tasks related to one role, entrepreneurs might overlook other equally important aspects, creating the so-called "missing the forest for the trees" effect.

"Experienced entrepreneurs tend to be capable of processing a greater amount of information in a given instance and see the big picture, which novices tend to neglect."

Prof. Hong Ying-yi

"We expect experienced entrepreneurs to have developed a more holistic knowledge structure in which their inventor and businessperson roles are integrated. In contrast, novice entrepreneurs who lack prior entrepreneurial experience may see their two role identities as separate and disjointed," Prof. Hong comments. "Thus, experienced entrepreneurs tend to be capable of processing a greater amount of information in a given instance and see the big picture, which novices tend to neglect."

To test their theory, the researchers recruited 108 entrepreneurs who were in the process of starting a new venture to participate in an experiment. Among the participants, 40 were experienced entrepreneurs who had started businesses before. The participants were first asked to recall and write about their experience as an inventor or a businessperson. They were then told to submit ideas for a product or service to sell to university students. Their ideas were then evaluated in terms of how novel or commercially viable they were by experts with substantial experience in entrepreneurship.

Mark Zuckerberg launched Facebook from his dorm room at Harvard. Such success stories seem to suggest that experience is not a requirement to making it big as an entrepreneur.

The study found that entrepreneurs with less experience tend to produce fewer ideas that were deemed novel when asked to assume the role of a businessperson, whereas experienced entrepreneurs were able to maintain their ability to generate creative ideas even when they were in salesman mode. On the other hand, inexperienced entrepreneurs produced fewer ideas that were deemed by experts to be commercially viable when they assume the role of an inventor while experienced entrepreneurs did not display any reduction in performance.

The effect is even more pronounced when the entrepreneur is forced by circumstances to take up a specific role. For example, an entrepreneur under pressure to raise funds for their project must fulfil the role of a businessperson and put their inventor self aside. Prof. Hong says such a tension-ridden situation would likely to result in reducing creativity, especially among inexperienced entrepreneurs. The study results confirmed this conjecture, with the business ideas of experienced entrepreneurs being 12.7 percent more creative and 7.7 percent more profitable than inexperienced entrepreneurs when they were placed in that situation.

Interestingly, experienced entrepreneurs were 9.4 percent less innovative than inexperienced entrepreneurs when there was no tension between the two roles. The study explained that new entrepreneurs might be better at learning at being an inventor and thus were able to produce more innovative ideas. However, overall experienced entrepreneurs were able to perform more consistently regardless of the situation.

How Does Experience Help?

So why does being able to integrate the disparate creative and business roles into their entrepreneurial identity prevent experienced entrepreneurs from falling into blind spots? Prof. Hong and her co-authors sought to explain this from a cognitive perspective. The brain can form networks of associated ideas through learning and experience. For example, the word "fire engine" is likely to be associated with the colour "red" and the image of "vehicle" in our minds because we have learned it in the past.

The Secrets to Being a Successful Intrapreneur

They reason that experienced entrepreneurs would in the past have encountered numerous situations which required skills from both their creative and business sides. These situations would have stimulated them to reconcile their different demands and as a result they become better able to distribute their attention to the related tasks evenly. In doing so, experienced entrepreneurs develop a close association between their creative and business mindsets, such that the activation of one role would trigger the activation of the other. Therefore, an experienced entrepreneur can be an inventor and a salesperson at the same time in different situations.

Commenting on practical implications, Prof. Hong suggests inexperienced entrepreneurs to team up with business partners who have prior entrepreneurial experience or consider getting an experienced mentor. "An experienced entrepreneur or mentor can maintain the 'big picture' for the team and help the novice entrepreneur avoid the inherent blind spot," says Prof. Hong.

Family Business in India: A Historical Perspective (with example)

Family business in India had been in practice since long, of course, with its changing nature and structure over the period. India enjoys a rich and glorious history of family-owned business. The origin of family business in India is traced back to the bazaar system in the ancient times.

Initially, family business in India started in the form of trading and money lending involving the hustle and bustle of the bazaar. It was also confined to certain communities, notably the Jains and Marwari's especially in the northern India. Its industry form is relatively of recent origin, going back largely to the British rule and the First World War. Here is one such instance to it. Cawasji Davar set up the first cotton mill, or say, the first manufacturing enterprise in Bombay (now Mumbai) in 1854.

Consequent upon this, some trading communities started textile mills in Mumbai and Ahmedabad during the last half of the 19th Century. The trading communities emerged as Aggarwals and Guptas in the North, the Chettiars in the South, the Parsees, Gujarati Jains and Banias, Muslim Khojas and Memons in the West, and Marwari's all over India. Nowadays, Aggarwals are mostly referred to as Marwari's. Here is an interesting legend of how Aggarwal families emerged as most dominating and successful in business in India.

The Agrawals:

The Agrawals claim descent from the legendary king Agrasena of Agroha. According to the legend, Agroha was a prosperous city and hundred thousand traders lived in the city during its heydays. An insolvent community person as well as an immigrant wishing to settle in the city would be given a rupee and a brick by each inhabitant of the city.

Thus, the person would have hundred thousand bricks to build a house and hundred thousand rupees to start a new business. Gradually, the city of Agroha declined and finally gutted in a huge fire. The residents of Agroha, i.e. the Agrawals, moved out of Agroha and spread to other parts of India. In his book, 'Agarwalon ki utpatti,' Bhartendu Harishchandra categorized Agrawals into four branches: Marwari's, Deswal, Purabiya, and Pachihiye. Nowadays, Agrawal families are mostly referred to as 'Marwaris.'

Jamshedji Tata started his varied business enterprises like cotton mill in Nagpur, the Taj Hotel in Mumbai, his famous steel plant in Jamshedpur, and several real-estate developments. These enterprises, in turn, prompted other people to join the business foray. A number of families, such as Birla's, Bangurs, Khaitans and Goenkas started their business in Kolkata and developed the city as a centre for commerce.

Initially family businessmen were engaged in small-size businesses requiring small investments managed by themselves only. But, once they entered into manufacturing sector, they felt the need for more and heavy investments not manageable by themselves.

At the same time, they also knew that once they allow someone to join business, their control over management of the business will weaken which they, however, did not want. In such a case, family businesses inducted their family members or relatives or friends in the business by allotting them blocks of shares while making sure that the majority control and, in turn, the management of the business remained with the promoting family itself.

This is how corporate management was born embedded by a combination of joint stock principle and family control over business. Because stock markets were yet to gain sufficient momentum, on the one hand, and the joint family system was also intact, on the other, business families were holding control over their business empires built up through the ingenious device, popularly known as the 'managing agency system.'

The managing agency system continued till 1970 as an instrument of maintaining family control over business enterprise. As such, all critical decisions about the business were taken by the promoting families, euphemistically termed managing agents.

This system of corporate management got so rooted in due course of time that hardly any industrial firm remained out of its orbit. In other words, this indicates that all businesses were controlled and managed by a few families in the country. R. K. Hazari, a well-known industrial economist, had concluded after an exclusive analysis that most of the prominent industrial firms on the contours of Indian business during the 1950s, were in the hands of just 18 Indian families and two British houses. However, the period of 1950s experienced certain changes with some developments shaking and disturbing the business environment, in general, and family business, in particular.

The consequence was the earlier tranquil situation that the family business was enjoying in the country got greatly disturbed especially by four major developments as mentioned below:

1. With a resolution to accelerate the pace of economic development during the post-Independence period to solve the problem of unemployment and poverty stalking the land, the Government invited private sector to partake of new opportunities available for business and industrial development, of course, amidst a myriad of restrictions imposed on the freedom of enterprise.
2. The Governments, both at Central and State levels, set up various financial institutions to provide finance to private sector enterprises in the country.
3. The joint family system, once the bedrock of the Indian social structure in India, started experiencing severe strains and threats and, in turn, increasingly loosing, its place in the social structure. For such a sorry state of situation, thanks to inter alia growing

urbanization and ever-increasing westernization in the country.

4. The right of possession of private property and its inheritance has been one of the major factors in encouraging family business in India.

In lump sum, these changes, in turn, caused changes in family business in the country. With increase in the magnanimous size of infrastructural projects in the country, business families were no longer capable enough to mobilize the required resources including finance from their own resources.

As a result, financial control of business started gradually shifting from promoting families to financial institutions. Also the business families started splitting and cracking. To quote, the Dalmias were the first prominent business house in the country to break up after freedom.

The pace of splitting family businesses started accelerating in the country beginning with 1970 and since then, it has been increasingly growing. Business history is replete with increasing number of families splitting in the country over the period.

Birla's, Modis, Sarabhais, Bangurs, Singhanias, Mafatlals, Shrirams, Thapars, Walchands, Goenkas and the most recently, the Ambanis are the illustrious family businesses in our country who have experienced split in their businesses.

Nonetheless, it is worth mentioning that inspite of various changes like loosing financial control over business and growing splits in businesses, the family control over management of business still remains impaired in the hands of promoting families.

This is indicated by the fact that the management of as many as 461 out of 500 most valuable companies is still under family control in our country. One of the significant changes in family business in India is induction of professionals to manage the affairs of business. Tata's, Birla's, Reliance, Wipro, and Murugappa Group are some of the illustrative family businesses employing professional managers to look after the management issues of their businesses.

With increase in size of business has also led to increase in split in family businesses in the country over the period. Goenka family and Ambani family are such examples of split in family business in our times.

That the environment of family business in India has significantly changed over the period is indicated as follows:

CHALLENGES OF FAMILY BUSINESSES IN INDIA

In India, many businesses that are now public companies were once family businesses. These family businesses have grown tremendously with the passage of time.

However, things are always not rosy. While family business gets many advantages, they face certain challenges also. Let us discuss these challenges below:

1) Innovation for a competitive advantage: The business environment today is very competitive. To survive and grow in this competitive environment it becomes very important to innovate and give unique value proposition to the customers.

2) To innovate, the business goals have to be broadened and new strategies are to be formulated. This may mean that businesses may have to leave the age-

old style of functioning.

3) But family businesses may remain confined to their age-old practices and not invest in research and development.

2) Limited Talent: In family business owners and managers are by and large the family members. Members of the family may not necessarily be talented and capable of taking the company's legacy forward.

Attracting right talent from outside the family is crucial and retaining them is even more important.

3) Lack of Succession Planning: There is lack of efficient succession planning, mentoring and developing the next generation of successors and leaders. Family businesses have to give proper attention to this issue.

4) Technology Needs: With the changing environment and rapid technological developments, the business need to adapt to the new technological advancements or bring in new, if need be.

This may mean that they may have to part with the older business models which have been passed on to the present generation.

5. Sibling Rivalry: Sibling Rivalry is something that needs no explanations. All the heirs of the family get share in the business.

Some may do well and flourish further, some may not. This often creates rivalry and pulling down each other is started even at the cost of organisational resources.

This rivalry, if remains unsolved, may lead to split in the family business.

6) Internal Conflict: Interest of the family members of family business is varied.

This may disturb business harmony.

Handling this internal conflict is very difficult. If it is not handled properly, this may lead to failure of the business.

7). Biased Decision-Making: There is always a possibility that decisions in the family business may be biased for non-family members and employees of the business.

The family members may try to impress upon their own ideas on the other members.

8) Too Much Emotional Attachment with Business: It is always said that one should always be passionate about the business but not be emotional as it may interfere with the tough decisions which might have to be taken for the growth of business

9) Unclear Roles and Responsibilities: There is often a lack of proper documentation which defines the roles and responsibilities of the members of the family in family business organisation.

This may lead to chaos and mismanagement.

10) Lack of Professionalism: Professional business cultures are the result of formal processes, which include setting clear goals and enforcing rules, as well as hiring and promoting employees based on their potential to contribute.

However, in many family businesses, the informal structure and culture may cause confusion among roles, lead to lack of talent, and make it impossible for values, ethics, and philosophies to be defined.

11) Limited Finance: Family businesses have limited financing options since they cannot raise large amounts of capital on their own, and external financing options

may not be attractive to them as outside debt may lead to significant influence over the company.

For family businesses, determining where and how to get the capital and resources needed to grow can be a challenge.

UNIT 3

Introduction, Leadership Challenges in Family Business, Evolving Strategies and leadership Role, Leader Legacy, Approaches to Family Leadership, Structure of Family Leadership, Responsibilities of Leadership Job, Difference between Family and Corporate Leadership, Family Democracy vs Meritocracy, Obtaining Honest Feedback, Defining and Measuring Success, Leadership Skills for 21st Century, Case Studies

Difference between Family and Corporate Leadership:

https://familyenterprisefoundation.org/videohome/growing-leadership/differentiate-between-the-family-leader-and-the-business-leader/

Leadership Challenges in Family Business:

Family-owned enterprises, like most companies, face an increasingly complex business environment.

Fulfilling customer needs,

Changing technology,

Complying with regulatory requirements, and

Conducting day-to-day operations can involve many people and a myriad of activities—as well as present an array of opportunities and risks.

Leading family-owned companies recognize that seizing opportunities and meeting challenges take more than **entrepreneurial drive, intuition, and even business experience.**

Among the requirements is a family strategy that considers a host of factors, including family goals, career development, communication, representation, and ownership issues.

An essential companion to the strategy, a family governance structure, provides a **framework and guidelines** to manage these complexities and **enable value creation and family harmony while reducing conflict** and business interruption. Alignment of strategy and governance with family members' goals can help the business navigate the complexities of balancing **personal and business needs** (figure 1).

In a 2018 Deloitte Dbriefs webcast poll, only 10 percent of respondents indicated their company has a fully integrated family strategy.

Figure 1. Family governance and leadership

Creation of family strategy, encompassed under a family governance model and aligned to the business strategy.

The stakes are high, the risks are real Development of a strategy and governance framework typically supports a long view of family wealth preservation and growth. However, experience shows such a perspective is often lacking.

According to the Family Business Institute, failure rates for thirdand fourth-generation family-owned companies can be as high as 80 to 90 percent.2

Various factors can contribute to such collapses. Family members may have divergent, even irreconcilable views or goals. Absence of communication can allow for emotion to fester and inflame.

Disagreements can arise over involvement with outside parties.

Unwillingness to look beyond the family can indeed be troublesome.

Nearly 9 out of 10 participants in a 2018 global survey of family-run businesses conducted by the Deloitte Family Business Center agreed that business ecosystems enable organizations to innovate beyond their individual capabilities.

Yet more than half of respondents said they had rarely or never partnered with other organizations on innovation projects during the past three years.

One reason for this reluctance can be a lack of direction within the family unit itself. In instances where partnering does occur, family members can be overly protective of business niches, competencies, and technologies, which can cause issues with the other partner and decrease the effectiveness of the partnership.

This issue of communication is further supported by results from the 2018 global survey: Only 35 percent thought the company's business strategy was aligned to the values of the shareholders.

Less than one-third of the family members agreed with the company's future business development plans. Less than 26 percent had a formal succession plan.

Families may revisit or create a strategy and governance plan in the wake of an event such as an elder's passing or a scion's coming of age.

However, waiting to act until a generational transition or some other business disruption occurs can leave the family, business operations, and employees exposed to problems created by a lack of family-member involvement in the alignment of the family and the business.

The value of strategy and governance The success or failure of a family business affects both multiple generations of the family and the business ecosystem in which they coperate.

Against that backdrop, there are good reasons to start strategy and governance planning sooner rather than later.

As the business grows, it often becomes more complex to manage.

Multigenerational leadership and growing layers of emotional investment in the company can increase jockeying and discord.

Continued expansion of family ownership to both those active and not active in the business can increase the possibility of misalignment of business and family goals.

Strategy provides the foundation on which to build a unified point of view on what the family represents and aspires to be.

A sound strategy helps the family focus on family-related issues and their impact on the business in order to drive enhanced wealth creation for the family and addresses the family ownership issues.

In the end, family ownership continues to build upon the family legacy, promoted both in the family and business, such that family ownership becomes the source of pride for both.

Strategy and governance together can handle the unique challenges of managing the family and the business and guiding them in an integrated manner that is accretive to both.

Once in place, a family strategy and governance framework will require updates to address changing conditions, such as new family members entering the business, just as a good business planning process requires periodic updates. It will also be important to address ongoing career development and planning, communication with new family members and spouses, and methods of securing liquidity as appropriate.

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Continued expansion of family ownership to both those active and not active in the business can increase the possibility of misalignment of business and family goals.
A customized, multigenerational approach A leadership pipeline is critical to the long-term success and legacy of a family business.
Treating the business as a fiduciary responsibility is a key to creating a robust pipeline.
Because family members have different goals, skills, and needs, a customized, proactive approach can help smooth the transition among multigenerational leaders.
First- and second-generation leaders are typically entrenched in the business.
Leaders nearing retirement or contemplating pursuit of other ventures will want to set the stage for the younger generations.
In these cases, a key is for both cohorts to have defined roles and reasonable expectations.
Family businesses can nurture the aspiring leaders creatively by placing them in newly formed business units or giving them roles involving innovation.
These approaches allow them to learn from the ground up without disruption to established operations.
Third- and fourth-generation family members can have divergent interests.
Some may want to pursue access to capital to diversify the existing business.
Such ambitions can open up new opportunities, but they also require careful oversight from family elders.
In other cases, heirs may be very interested in the business but lack the capabilities or experience to take over.
Other heirs may simply want the financial benefits.
In all scenarios, multigenerational leadership requires attention to the long-term goals of the business, individual roles and responsibilities, and the personal goals of family members.
A balance of talent development and family harmony

Family leaders want to prepare the next generation for success while creating a supportive culture for others in the organization.

The good news is that family businesses, especially those that are privately held, can compete strongly for talent.

Private companies tend to offer more flexible work schedules, diverse job descriptions, and a nurturing environment for entrepreneurial types to innovate and grow.

At the same time, family-owned private businesses can be emotional roller coasters for non-family employees.

Non-relatives can find themselves in the middle of a family squabble.

In some cases, they may be treated too much like family, with boundaries uncomfortably blurred. Or non-family members may see limited opportunities to grow within a family structure—a dynamic that can appear if they see family members start to promote themselves.

Similar issues can emerge if family members are promoted too early.

The harmony of the family can ultimately affect the harmony of the employee base and the company's bottom line.

A solid talent strategy considers the need for personnel moves, whether involving family members or others, to trickle down positively to non-family members.

In addition, family leaders can explore how to plan for the business to self-perpetuate.

One key consideration is the talent development process, including decisions on whether to advance family or nonfamily members.

Blending key family and non-family members in the leadership ranks can strengthen the organization and help shape its approach to the future.

For this to occur, family members need a clear understanding of the business strategy and their own individual goals.

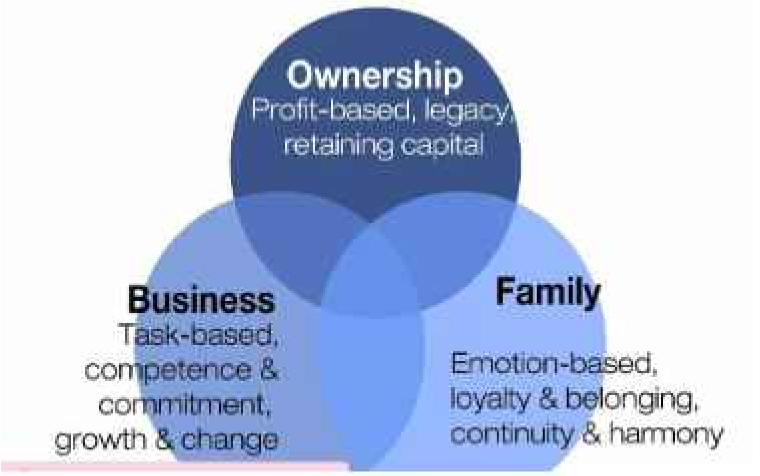
Before nonfamily members are brought into the fold, especially at a leadership level, it is imperative to operate like a true business instead of a family that happens to run a business.

Figure 2. Family and business life cycle

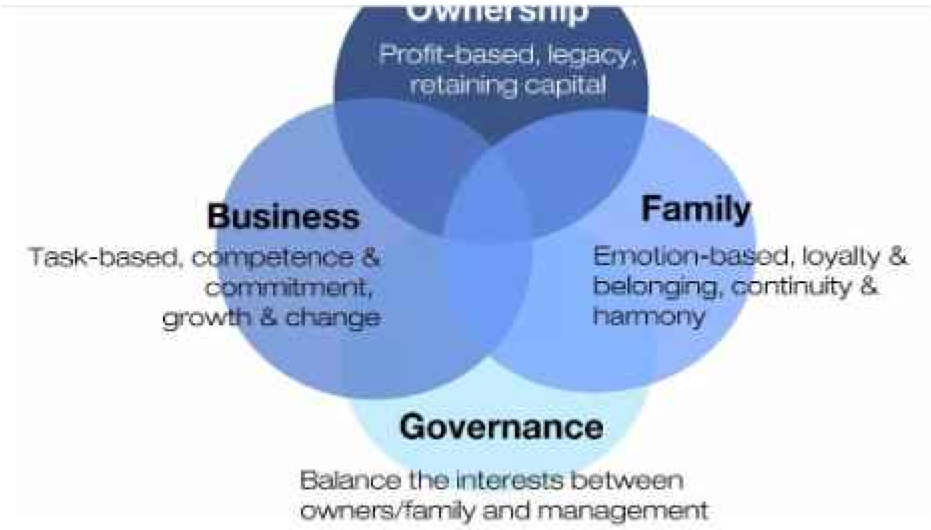
Where are you along the generational life cycle?

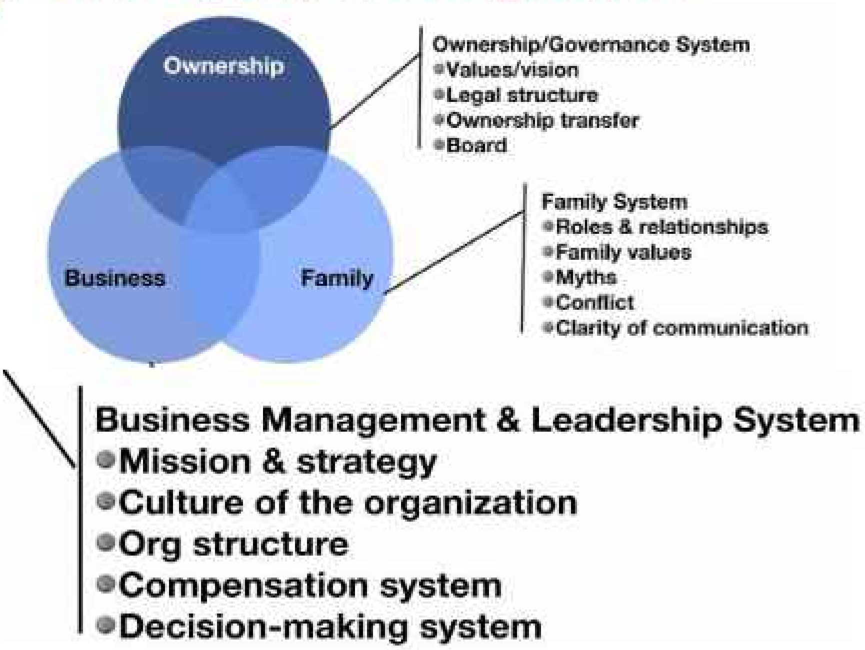
Consider some of these family elements:

- Career opportunities
- Family lineal rights
- Active shareholders
- Salary
- Wealth creation
- Rubber stamp board
- Transparency
- Career development
- Spousal rights
- Passive shareholders
- Family needs
- Liquidity
- Board governance/family council
- Family communication

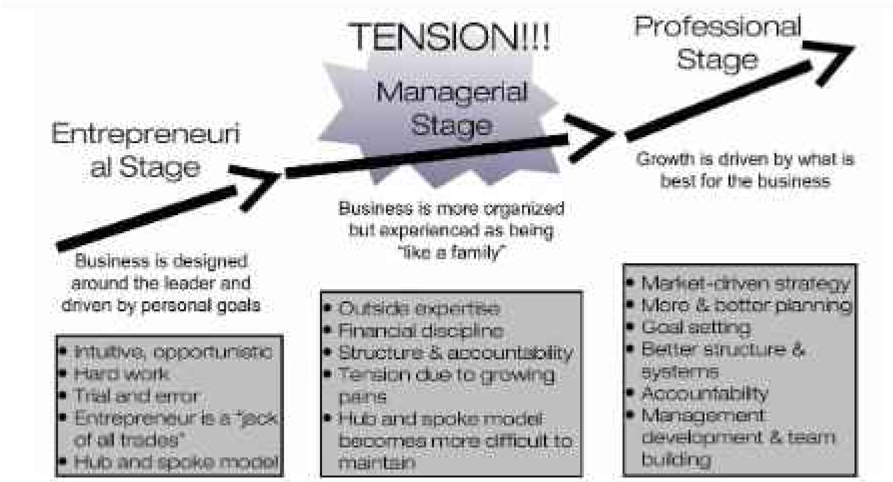


4 CIRCLE MODEL





STAGES OF GROWTH



1. Motivating others

The ability to motivate others is all part of inspiring people to be the best they can be. So how can you better motivate others?

· Ensure people know how their role contributes to the company's vision. That their work matters, basically.

· Be clear on what you need people to do, why, and when. But, importantly, give people the autonomy to accomplish those tasks *their way*.

· Show your appreciation and celebrate success.

2. Fostering potential

Great leaders look for potential, not performance. Here are three ways to foster potential:

· Don't fall into the trap of getting people to think and act like you. Encourage them to think and act like *them*.

3. Inspiring trust

What makes a leader trustworthy? The following behaviors are a good start:

Being ethical. This means being honest and transparent, keeping promises, and generally making sure you don't say one thing and then do another.

Making your values clear and, of course, living those values.

Standing up for what you believe in.

4. Taking on and giving up responsibility

Good leaders take on responsibility, but they also know when to let go of responsibility and delegate to others. When doing this, try to:

Play to the strengths of those around you and allocate responsibility accordingly.

Ensure people have the knowledge, resources, and tools they need to succeed.

Decide how you'll monitor progress without micromanaging. For example, you can agree on how the person will report back to you and how often – as well as the best way for them to raise any questions.

5. Thinking strategically

Strategic thinking requires leaders to take a wider view, so they can solve business problems and make a long-term plan for the future. To enhance your strategic thinking skills:

Remember the difference between *urgent* and *important*. Urgent fire-fighting tasks can suck up a lot of your time and energy, leaving very little bandwidth for those things that are important from a big-picture perspective but not urgent. Constantly remind yourself of your priorities, and manage your time accordingly.

Use critical thinking to gather data and find solutions to your most pressing strategic questions. For example, "Where will our growth come from in three or five years' time?"

Don't rely on assumptions or gut instincts when answering such questions.

6. Setting goals and expectations for everyone

Setting goals is a great way to drive performance. But have you considered a more dynamic way of setting goals?

Instead of the traditional, top-down approach (where leadership sets strategic goals, then managers set goals for teams and individuals), you might like to consider the Objectives and Key Results (OKRs) approach.

With OKRs, leadership sets some strategic OKRs for the business, then each team and individual designs their own OKRs that contribute to achieving the company's strategic OKRs.

OKRs should be simple and agile. Forget annual goal-setting; OKRs are typically set on a monthly or quarterly basis.

7. Giving (and receiving) feedback

Good leaders are able to give and receive feedback, both positive and negative (or, as I prefer to call it, constructive). When it comes to giving people constructive feedback:

Don't put it off. You don't want to overwhelm someone with a loooong list of everything they're getting wrong. Instead, have a process in place for regular catchups, where you can chat through progress and give feedback.

Don't dilute constructive feedback with praise. While it's important to regularly give people praise, I wouldn't do it at the same time as constructive feedback. When you sandwich negative comments with a positive comment on either side, there's a risk the person may only hear the good stuff.

Be specific, not emotional. Just treat it as a straightforward conversation, using specific, concrete examples instead of opinions or emotions.

8. Team building

A good leader is a bit like a football manager in that they have to pick strong players who perform different roles and then shape those players into a cohesive unit. As part of this:

Remember, each person will bring their own unique skills and experiences, be motivated by different things, have different working styles, and so on. Embrace this rather than trying to get everyone to behave the same way.

Model the behaviors you want to see: connecting as human beings, showing an interest, listening to each other, treating people with respect and dignity, and supporting one another.

Give feedback and reward a job well done.

9. Positivity

If you show up with a negative "this won't work, that thing sucks, why do we bother" kind of attitude, it'll soon spread throughout your team. Here's how to lead from a place of positivity:

Think carefully about the language you use, verbally and in writing. Use words with positive connotations – turning a "problem" into an "opportunity" being a prime example.

Celebrate successes, big and small. Highlighting the little wins frequently can be just as impactful as sporadically celebrating the big wins.

Resist the urge to complain in front of your team. As Tom Hanks says to his band of soldiers in *Saving Private Ryan*, "Gripes go up, not down. Always up."

10. Authenticity

For me, being an authentic leader is a key part of building trust. So as well as being ethical (see earlier), you'll want to:

Practice self-awareness. A good leader is aware of their weaknesses as well as their strengths.

Be open about those weaknesses rather than trying to hide them.

Bring your whole self to work, as opposed to having one persona for work and one outside of work.

21st Century has seen a major rise in the gig economy which has led many businesses to adopt flatter, more flexible organizational structures. With COVID-19 disrupting the office structure, now is the perfect time for businesses to focus on finding good leadership. In addition to these new challenges, a younger generation is beginning to work alongside millennials.

These factors have HR personnel thinking about the skills talent leadership will need in the 21st Century. The idea of work has changed and will continue to change and while the change in work happens, the leadership skills needed within that change have changed as well. Here are the most important leadership skills you should look for:

1. Empathy

The ability to understand what others feel plays a significant role in the personal and professional success of any leader. It is important for leaders to be human and understand people's feelings rather than simply analyzing them through calculations. Leaders need to be able to put themselves in someone else's shoes to understand their point of view and perspective. Leaders need to be able to put themselves in someone else's shoes to understand their point of view and perspective as being empathetic helps to build relationships and avoid conflicts.

2. Emotional intelligence

Emotional intelligence (EI) is the ability to identify, understand and manage emotions. EI has become an important trait because leaders today are usually managing varied emotions daily, not just those within themselves but also those in other employees too. Leaders should have the skills to identify what these emotions are without allowing any negative ones to affect judgment or decisions.

3. Confidence

Courage and confidence remain the foundation of leadership and service. Leaders need to be confident in themselves and have strong convictions in the company's mission and be able to withstand criticism from both internal and external sources. Self-confident leaders inspire and empower team members while building trust, enthusiasm, and innovation. Higher levels of confidence are the binding elements of effective leadership at all times and places.

4. Responsibility

Good leaders not only take on responsibility, but they also know when to let go of responsibility and delegate to others. Leaders need to know how to play to the strengths of those around them and allocate responsibility accordingly. People with leadership skills ensure their team has the knowledge, resources, and tools they need to succeed. It is also important to decide how you'll monitor progress without micromanaging.

5. Communication skills

Leaders need to be able to communicate their thoughts and feelings with others. Communication should never stop whether it is in a team meeting, through email, or by phone call. Good communication is a key skill that any leader needs today because they are interacting not just with their staff but also with their customers and clients on a day-to-day basis. Communication skills include being articulate enough so others can understand what someone is trying to say without confusion as well as having good listening skills to respond respectfully when necessary.

6. Inspiring

Leaders need to encourage and inspire their team members. They should have the ability to help maintain the team morale and hope in difficult times will help them prosper. A leader's actions and personal stories can inspire others to work smarter, take better care of themselves, see their collective goal in a new light, and so much more. Leaders should also inspire trust by being honest, transparent, and ethical, keeping promises, and generally making sure they don't say one thing and then do another.

7. Feedback

Good leaders can give and receive feedback, both positive and constructive. Leaders shouldn't put off giving and receiving feedback and should do it regularly otherwise it can overwhelm both employees and leaders. Leaders often have a process in place for regular catchups, where they can chat through progress and give feedback. Leaders also don't dilute constructive feedback with praise. While it's important to regularly give people praise, you shouldn't do it at the same time as constructive feedback.

Exceptional leadership is key to the success of any business and all enterprises need to have a great executive search team. However, not all businesses have the proper team or resources to hire top leadership candidates. RPO companies can help you recruit the perfect person to help you grow your business and teams.

The Principle Group, India's number one RPO firm, provides unparalleled recruitment services to businesses worldwide. The organisation will invest time and resources in developing trust and relationships with you. As a result, they'll assist you in developing a successful talent acquisition operation that produces strong results over time

Your legacy is not about image it is about effect

It is about you becoming a role model for others

Before you start to think about your legacy statement, a few hints and tips:

- Not as easy as it looks!
- Focus on behaviours!
- This is an aspirational statement
- Be challenging and Stretching
- Be as clear and specific as you can but don't seek perfection!

Guidelines for difficult conversations or feedback

Some Do's

- Be certain that you know what you really want out of the conversation
- Consider how you will manage your own emotions – before you begin the exchange
- Identify the parts of the discussion that are safe to talk about and will not produce 'fight or flight'
- Be specific
- Give immediate and direct feedback
- Accept responsibility for your perception and emotion – use 'I' statements
- Check to make sure you are understood
- Give the recipient time to react/reflect
- Play the ball not the player – it's about behaviour and actions not personality

Some Don'ts

- Don't evaluate or judge - describe
- Don't end without drawing out the implications and action plans.
- Don't feel obliges to fill up silences.
- Don't exhibit behaviours that may be perceived as boredom!

APPROACHES TO FAMILY LEADERSHIP

Leadership is not a matter of passive status or of the mere possession of some combination of traits.

Rather leadership appears to be a working relationship among members of a group, in which the leader acquires status through active participation and demonstration of his or her capacity to carry cooperative tasks to completion.

Significant aspects of this capacity for organizing and expediting cooperative efforts appear to be intelligence, alertness to the needs and motives of others, and insight into situation, further reinforced by such habits as responsibility, initiative, persistence, and self-confidence. (p. 77)

This description of leadership connotes an active process, one in which the leader works with members of a group so that through cooperative efforts, they are collectively able to accomplish greater heights, such as the accomplishment of common group goals.

Furthermore, this description incorporates the notion that effective leadership requires traits that may be developed by an individual, but require hard work and persistent effort.

Leadership is more clearly understood when distinguished from headship, a cluster of traits often confused with leadership.

Gibb (1969) differentiated between headship and leadership as follows:

I. Headship is a position granted by the system, rather than the collective recognition of the group members, which recognition arises from personal contributions toward the well-being of the group.

2. Under the management of headship, group goals are based on the interests and needs of the ones at the top, therefore, the goals are not determined by the group members and may be a poor representation of the desires of the group as a whole.

3. When headship is in force, there is an absence of a collective and hared effort toward the goal.

4. Headship is characterized by a wide gap in which there is very little interaction between the ones on top and the rest of the group. This gap has a purpose-to coerce the group into accomplishing the goals generated by those at the top.

5. The authority carried by those using headship is maintained out of fear of punishment. Thus, those who submit to this authority cannot correctly be called followers.

After reviewing these characteristics, one is able to identify many similarities between headship and Baumrind's (!989) notion of authoritarian parenting. Compared to the more effective parenting style called authoritative parenting, an authoritarian style is much more restrictive and is governed by absolute standards that are fully enforced. If needed, power assertive or punitive measures are taken to insure compliance to standards.

In addition, authoritarian parents tend to be less affectionate, warm, and responsive to the needs of children and show less encouragement toward children's sense of independence and autonomy.

Similarly, the characteristics of headship describe a type of dominance and control over others that is clearly not in harmony with Bass's (1990) description of leadership, whereby leaders engage with others and acquire recognition as a leader by facilitating progress toward mutual goals understanding of transactional and transformational leadership.

By 1960, transactional leadership had become the dominant leadership paradigm in organizational settings, emerging from earlier research on leadership traits and situations affecting leadership (Bass, 1990).

This paradigm was used as a theoretical framework to study exchanges or transactions between leaders and followers; hence, the term transactional leadership was used to describe this type of leadership.

Leaders exchanged rewards and benefits with followers in return for the fulfillment of agreed upon conditions.

For example, promised services may be exchanged for votes, status may be given in exchange for commitment and service, and money or benefits may be exchanged for completed assignments.

Although this paradigm was useful in furthering the understanding of effective Leadership, it did not account for leadership practices or attributes of the most effective leaders (Bass,1990).

In other words, there was something beyond mere exchanges or transactions between leaders and followers that described those who were most effective in their leadership.

Based on the limitations of a transactional model, our understanding of effective leadership was enhanced when Bums presented transformational leadership as a new paradigm, a paradigm accounting for leadership practices of the most effective leaders (Bass, 1990).

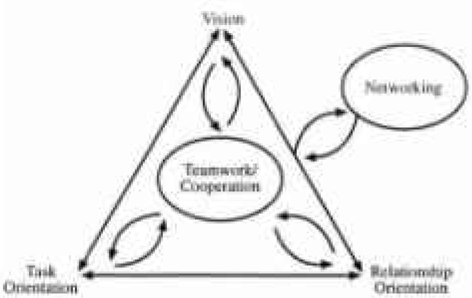


Figure 1. Dimensions of family leadership.

One of the four characteristics setting transformational leadership apart from transactional leadership is the development of close working relationships with individuals (individualized consideration) (Bass & Avolio, 1994, 1997).

The leader takes the initiative to learn about the desires, needs, and interests of followers on an individual basis.

By taking a personal interest in each individual, the leader is able to delegate responsibility and create opportunities that meet needs for personal growth and development.

Furthermore, through individualized interactions, a culture or climate is developed that fosters trust, open communication, and cooperation, and the individual is linked with the goals and mission of the organization, thus furthering individual growth and the mission of the organization.

The need to take personal interest in individuals was also highlighted by Kouzes and Posner (1995). Within any organization, work and the hassles of life can become tiring, frustrating, and discouraging; people are tempted to give up or quit.

Expressions of appreciation, words of encouragement and genuine acts of kindness go a long way to buoy one's spirits and instill encouragement.

From their research, Kouzes and Posner found that as a fundamental practice, effective leaders were concerned about the welfare of others and sought ways to encourage and build others up.

Transformational leadership:

Transformational leadership occurs when a leader with a mission, or a vision, shares this vision with associates, providing a base from which associates begin to acquire a transformative, or qualitative change in perspectives or outlook.

Through appeals to higher needs and ambitions, transformational leaders become agents where by associates work toward a higher potential and develop motivation and a willingness to make personal sacrifices for the benefit of the group.

A defining characteristic of a transformational leader is one who serves as a mentor to associates and through individualized interactions and the provision of opportunities that foster growth, develops associates who also become transformational leaders.

Transformational leadership is characterized by the following five factors:

Idealized Attributes: Leaders with idealized attributes are among the highest caliber of leaders and are very influential among their associates. These leaders hold credibility and are admired among their associates for their sense of mission and attributes such as integrity, authenticity, and high standards.

Such leaders are willing to make sacrifices for the benefit of others and they help associates achieve their full potential by setting challenging goals. The defining characteristic of an idealized leader is that they are highly looked up to and their associates seek to identify with them.

2. Idealized Behaviors: Idealized behaviors refer to the extent to which leaders engage in behaviors that encourage their associates to look up to and seek to identify with them.

3. Inspirational Motivation: Inspirational leaders motivate and inspire others by increasing awareness and understanding of mutually desired goals through the use of symbols and emotional appeals.

These leaders are able to express a sense of purpose and meaning, and they have an ability to help others visualize possibilities.

4. Intellectual Stimulation: Transformational leaders intellectually stimulate associates by encouraging them to question their values, beliefs, and assumptions in order to "think about old problems in new ways. " As a result of such leadership, associates develop a greater awareness and understanding of how to deal with problems efficiently, independent of the leader.

5. Individualized Consideration: Transformational leaders foster individual growth in associates by providing individualized opportunities to grow and by serving as mentors. Through one-on-one interactions with leaders, associates are treated as unique individuals and attempts are made by the leader to elevate the needs of each associate.

Transactional leadership:

Transformational leadership is built upon necessary components of transactional leadership. Through transactional leadership, leaders clarify how the needs and desires of associates will be fulfilled as the associates work toward meeting objectives.

As the leader consistently honors agreements, traits needed for transformational leadership develop, such as trust and dependability. Along with distributing rewards (which serve the purpose of motivating and fostering initiative in associates), active transactional leaders work to prevent problems from occurring.

In this way, transactional leadership plays a necessary role in effective leadership. However, if all a leader does is monitor mistakes, growth of individuals and the organization can be stifled. Three factors are used to define transactional leadership: contingent reward and management-by-exception (active and passive).

6. Contingent Reward: Rewards are administered to associates contingent upon the achievement of agreed-upon conditions. In essence, a reinforcing transaction takes place between the leader and associates.

The leader specifies objectives to be accomplished and enters into an agreement with associates whereby associates are rewarded for fulfilling their part of the agreement.

Transactional leaders are more effective when associates' needs are identified and linked with rewards.

7. Management-by-Exception (Active): The leader actively monitors the performance of associates and is quick to call attention to mistakes or problems needing correction.

Under the leadership of a leader who only monitors problems, associates tend to follow conventional ways of doing things and avoid taking risks, thus, decreasing the chances of making mistakes. This type of leadership tends to discourage high levels of performance; associates merely meet traditional standards and avoid innovative ideas.

8. Management-by-Exception (Passive): Rather than actively monitoring problems, the leader waits until problems occur before taking action. Problems are often ignored until they become serious.

Nonleadership. Negative outcomes are associated with this leaderless style.

9. Laissez-faire: Laissez-faire is an absence of leadership. Under this style, there is a pattern of inactivity-the "leader" is uninvolved, delays making decisions, and avoids important issues.

Furthermore, expectations for associates are absent and the needs of associates are unsatisfied.

The Family Profile

I. Family Concordance: assesses the family's level of affection/love/support, ability to communicate and cope with problems, willingness to accept expressions of individuality, level of commitment to one another, and atmosphere.

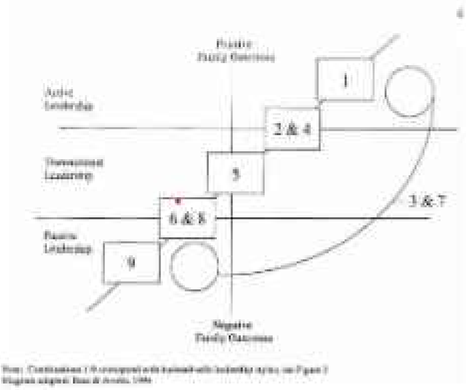
2. Family Discordance: reflects characteristics that tend to create difficulties within families, such as competition for power or attention, impulsivity, and conflict.

3. Marital Strength: refers to the level of support and cohesiveness within the marital union.

4. Active Involvement: reflects the family's "togetherness" (time spent together) and the openness/closeness of the family's external boundaries (e.g. , extent to which members engage in activities external to the family).

5. Religiosity: measures the family's level of commitment or involvement in religious affairs.

6. Parental Leadership: indicates whether or not leadership within the family is dominated by the husband or wife, or whether leadership is more egalitarian



UNIT IV

Leadership and Religion in Family Business, Succession in Family Business through Authentic Leadership, Family Entrepreneurial Leadership Transition to the Second Generation, Challenges of Family Leadership, Familial Values & Professionalization, Structure and next generation Leader's preparation

Challenges of Family Leadership-repetition of unit 3

https://www.degruyter.com/document/doi/10.1515/9783110711349-009/html?lang=en

Family Entrepreneurial Leadership Transition to the Second Generation

Out of the 100 largest companies listed in India in terms of market cap, more than 50 per cent are family managed.

Indian family-managed companies have a distinct organisational culture.

Organisational culture shapes and re-shapes people management, influenced by several factors—stage of evolution of the organisation, environmental/economic challenges and owner family culture.

The way the owner family conducts itself embodies family governance.

Family governance influences corporate governance.

Human resource management (HRM) is an essential element of corporate governance.

Nature of HRM in family-managed companies is significantly influenced by the way the owner family drives it.

Some of the large Indian family-owned companies are consistently high on market cap because they are able to attract and retain the best talent.

They can do this consistently because the best talent gets attracted to the best HR practices in an organisation.

There is increased awareness of this among Indian owner families and they are now adopting world-class people practices to attract the best talent from the market.

Soon we shall have many more Indian family-owned companies indistinguishable from western family-owned companies in terms of people practices.

Characteristics of family businesses in one country are somewhat different from the characteristics of family businesses in other countries.

For example, certain characteristics of Japanese family-managed companies (some of the oldest in the world) are different from those of East African family-managed companies (many of Indian origin).

Further, the characteristics of the latter are somewhat different from family-managed organisations in India.

The ambit of this article is confined to Indian family-managed

companies **Turf Turmoil**

In family-managed organisations, the top professionals reporting to and/or working closely with family business leaders who are active in the business, contend with the 'turf' seemingly shared with the family business leaders. For those professionals who are not experienced in working in this position, there is likely to be situations of misunderstanding and miscommunication. This does not get addressed by the best-documented job description and goal sheet.

Professionals as well as the concerned family business leader learn through the real experience of working together to reduce the shared turf. It happens by getting to know each other and understand each other's concerns. If the non-family top executive thinks that he has to run his own agenda seemingly for the good of the organisation, he/she would tend to make a fatal mistake. Regular consultation with a family business leader is essential at the initial stage of forming the relationship. After that, performance becomes the highest priority. Consistently strong performance builds trust. After that, the common turf shrinks gradually.

This area requires the utmost attention of the head of HR, who must monitor and handhold the induction of such top executives. For this to happen, the head of HR must have a deep understanding of owner family culture, know the concerned family business leader well and also know the behavioural characteristics of the top executive. The head of HR should be setting expectations of the top executive and the executive should have head of HR to seek advice and guidance. He has nowhere else to go!

Reality on the Ground

Talent Acquisition

The involvement of family business leaders in the hiring of senior executives is quite high. In the interview panel, the focus of non-family executives is on professional accomplishments and behavioural competencies. On the other hand, the family business leaders are curious about the candidate's family background, nature of upbringing, personal values and loyalty. The candidate is likely to face polite but pointed queries on issues which may be personal to him/her. The family business leader also goes by intuition or gut feeling. Through this process, the family business leader may apply his own personal preferences (could even be biased) which may not be fully aligned to the criteria applied by non-family executives in the interview panel. However, it is seen that the process of integrating the views of the non-family executives and family business leaders in the interview panel bears positive outcome as long as non-family executives and family business leaders come to a decision through healthy discussion. Otherwise, there can be a chance of dissatisfaction on either side.

It is to be noted that the family business leader determines the composition of the interview panel where only tried, tested and trusted top executives are nominated. So it is a silent endorsement of the confidence earned by such a top executive.

If a person is liked by the panel, then the family-managed company is likely to pull all stops to get the candidate on board. Often pre-joining process has a greater personal touch than would be the case in a non-family-managed company.

This is generally confined to the top management related to the phenomenon of two distinct classes of employees described in the section 'Stage of Evolution of an Organisation'.

Learning and Development

In the family-managed businesses, the emphasis is on experiential learning. People are expected to learn on the job. To some extent, this is a reflection of how family business leaders themselves learn the ropes.

There is a significant emphasis on aligning the employee to the company culture.

Learning and development may not follow the conventional straight line for high performing executives. Such a person may be given challenging roles one after the other, and through the 'Pygmalion' process, ends up being a star performer.

On the other hand, this may limit the democratisation of talent in the organisation, where another capable person is denied the opportunity of being thrown into challenging assignments.

Over a period of time, we may see the emergence of a few stars who develop close professional and personal loyalty to the business family. Family business leaders develop a dependence on these few non-family leaders.

The downside of this is that some senior, genuinely talented executives would quietly exit the company.

Performance Management

The top professionals are evaluated based on the usual business goals. In addition, in family-managed companies, they are also evaluated on degree of loyalty, personal sacrifices (work-life balance) and fire-fighting ability. On the whole, the outcome is seen from the perspective of both effort and result and not just result alone. Therefore, in some cases, if the executive has demonstrated tremendous hard work but not accomplished the intended result, he is still likely to be rewarded. So there is an element of emotion in performance evaluation.

In case there is a requirement to provide objective feedback for improvement, the family business leader fights shy of such difficult one on one moments. However, if the top executive reports to a family executive, then a soft option is generally taken which means a longer remedial measure. For example, in a non-family company, the top executive non-performer would be exited with a proper compensation in a short period of time. In a family-managed company, such a non-performer may be allowed to continue in the company without any portfolio until the time he gets another job opportunity.

Though organisation values are held very important by family business leaders, we have seen two different kinds of response to behaviour found consistently out of line. In one case, the family business leader would ignore reports of behavioural aberration of a top executive as long as the executive delivers on business results. This happens more when the company is going through stalled growth or decline (refer to the section 'Stage of Evolution of an Organisation'). In another case, the family business leader would instruct tough action without hesitation which is likely to happen in the steady growth phase.

Lately, we are observing that soft treatment of below-par performance is increasingly being done away with in family-managed companies due to increase in business uncertainties, cost pressures and board assertiveness.

Compensation and Benefits

In large mature family-managed companies, well-designed compensation and benefits structures are in place. Being a specialised subject, most of these companies leave it to professional HR managers to design and implement this.

However, business family members keep a close watch on total employee cost.

Both non-family-managed organisations and family-managed organisations have a wide variation of salaries between top executives and others.

In non-family-managed organisations, the determination of compensation and benefits (C & B) is policy-driven with very few exceptions from the policy. In family-managed organisations, the determination of C & B for top executives is somewhat policy-driven and also driven by the owner's discretion. Owner's discretion is determined by things like preventing the person to join competitor, loyalty, the person being on a critical project, the person being privy to sensitive information, the person may have made a strong personal request for salary hike and so on.

Such subjectivity in the determination of C & B is limited to a very few exceptional cases in the organisation. However, this owner discretion may tend to spread to a larger population. In such a situation, at the cost of happiness for a few, disquiet and dissatisfaction spreads, leading to lowered morale and performance standards of those excluded.

Succession Planning

As alluded to earlier, there is a good amount of subjectivity and emotion in play when it comes to learning and development, performance management and compensation and benefits. As a result of this, the propagation of talent development may get constrained to a few executives. This weakens talent pipeline as the organisation wants to grow. The shortage of superior talent becomes a critical constraint for many family-managed companies to scale up.

This also creates a small number of top professionals who tend to become indispensable. The business family gets constrained in letting them retire. The top layer in the company becomes a glass ceiling for high performing next level who would become dissatisfied and disengaged employees. This would further weaken the succession pipeline.

Several Indian family-managed businesses who have achieved rapid to steady growth have successfully broken away from this vicious cycle and therefore been able to scale up their business.

Holding on to star performers and taking good care of them in terms of high C & B provides advance assurance to family business leaders. On the other hand, this itself weakens the succession planning talent pipeline making the stars indispensable leading to a vicious cycle.

The star performers are not made accountable for coaching and mentoring, and creating and grooming successors. The stars then develop the skill to perpetuate the system to their own advantage.

In several large Indian family-managed organisations, the family business leaders have stepped back to allow HR professionals to run succession planning which would mean: (a) healthy talent refresh at the top layer and (b) family business leader getting directly involved in coaching and mentoring, and creating and grooming professional leaders.

Employee Engagement

Indian family-managed companies tend to emphasise on company values and culture. There is also an emphasis on social work. Employees are expected to invest in social work and also imbibe the values of the company.

Family-managed businesses believe that emotional connection with employees is essential. Such an emotional connection can be established through the alignment to company values and also participation in corporate social responsibility.

Family members of employees are also considered part of the organisation in a family-managed company. This gets manifested in extending the invitation to family members of employees in annual day celebrations, gifts being sent to the homes of employees on special occasions.

The top executives are engaged by the owner family through personal connection. In many cases, business family members are closely involved in the personal issues of the top executives. For example, they go out of their way to help in case of children's wedding, medical emergency of a family member, school and college admission of children, personal loan and so on. This results in the strong emotional connection of the top executive with the owner business family.

Work-Life Balance

This is a big issue of discussion in an organisation with extended work hours, high stress and challenges in the market (see Figure 8).

The start-up phase or the phase of rapid growth or stalled phase or decline—in these phases, the family business leader's life and work are inseparable—Situation 1. For a family business leader, it is work-life integration, that he/she would strive for! On the other hand, the non-family member's expectations of work-life balance are likely to be quite different—Situation 2. Such a phenomenon is often seen during the founder's/first generation of the business ownership time period.

In the steady growth phase, the family business leader's awareness of life beyond work becomes pronounced. However, it is seen that during the founder's time/first generation of the business ownership time period, the reluctance to separate work and life is a struggle for the owner family.

Transition A happens rarely for a family business leader in the first generation of business families. Transition B happens when some business adversity strikes the organisation.

Source: The author.

Figure 8. Overlap of Work Life and Personal Life in Different Situations OPEN IN VIEWER

For HR head to expect five-day week in an Indian family-managed business run by the founder or first generation of family business leaders becomes a challenge because the family business leader is unable to appreciate the requirement of family separate from the requirement of work. For a family business leader, there is little life other than work. He works virtually 24 × 7 and expects everyone in the organisation to follow this pattern.

Another interesting aspect of family business leader is that he is likely to help/intervene in the non-family member's personal problems and is often quite generous—medical problem, son's wedding, daughter's college admission and so on. This being the case, the family business leader finds it difficult to comprehend the separation between workspace and personal space in the life of a non-family executive.

The non-family leadership comes under the highest level of expectations in terms of personal life getting shrunk. It is likely to affect their personal relationships, it is likely that they would be drawn into long hours of work even on Sundays, it is likely that they would miss important family functions and even family time, they would miss going on a family vacation. Those non-family executives who demonstrate such 'personal sacrifice' on a sustained basis are likely to be appreciated and valued by the owner family. They are generally few—those in top management roles or those executives supporting the family business leader directly.

On the other hand, the larger set of employees find it difficult to understand work-life integration and are not willing to let work intrude into their personal life on a sustained basis. This creates dissatisfaction among employees.

Such overlap of work and life is particularly disadvantageous for women and so gender diversity is difficult to attain in senior-level positions in family managed businesses.

It also dissuades top-notch talent to join such an organisation.

There are now many Indian family-managed organisations who have recognised this issue and supportive of more employee-friendly culture. There are also Indian entrepreneur-driven start-ups who are sensitive about this and allow flexibility among their non-family executives.

Future HR Issues in Family Business

There are some major changes taking place rapidly in Indian family-managed businesses.

First, family governance is no more an unknown concept. Many owner families are actively curious and want to learn. Awareness has increased. Now there are many experts of varying degrees of knowledge and experience, who can advise organisations about the importance of family governance. This increased awareness of family governance is expected to have favourable impact on corporate governance.

Second, business family executives are interacting with a large number of external people in India and abroad—consulting firms, individual management gurus, participating in global conferences, travelling widely, being part of social media—YouTube, Facebook, LinkedIn, Instagram, Twitter and much more. This is making them exposed to a huge amount of learning and different kinds of thoughts.

Third, conventional and social media, activist shareholders, whistle-blowers, stricter regulatory oversight are compelling all companies including Indian family-managed companies to pay greater attention to corporate governance. Organisational reputation and personal reputation of owner family members are closely tied together. Owner families are highly sensitive about their own reputation in the market and in society. All these are tailwinds for professionalising a family-managed organisation.

Fourth, there is war for talent. There are many people available in the market but very few of them are truly valuable. If HR policies are not addressing the expectations of high-quality talent, a family-managed organisation is likely to settle for mediocre or low-quality talent.

Some of the large Indian family-owned companies are consistently high on market cap because they are able to attract and retain the best talent. They can do this consistently because the best talent gets attracted to the best HR practices in an organisation. Adopting yesterday's HR policies will attract those who have a limited choice.

Competitive battles cannot be won with mediocre talent. There is increased awareness of this among Indian owner families and they are now adopting world-class people practices to attract the best talent from the market.

Soon we shall have many more Indian family-owned companies indistinguishable from western family-owned companies with the added advantage of rich Indian spiritual traditions.

Review of Research on Family Business and Religion:

A common thread of altruistic love and regard for the interests of others joins work-place spirituality and religious values within family businesses (Fry, 2003).

In this review of thefirst 13 years of family business studies featuring religious values, we include 12qualitative studies, five quantitative studies, and four conceptual articles.

Scholarshave largely turned to qualitative methods, often employing single case studies(Barbera et al., 2020; Dana, 2007; Dieleman & Koning, 2020; Litz, 2013; Sorenson,

Dana (2007) produced a groundbreaking ethnographic study on the religiousvalues of the Amish people in Lancaster County, Pennsylvania, U.S., and their ef-fect on their family businesses.

The Amish are a Protestant Christian sect that holds the values of asceticism, frugality, thrift, hard work, humility, and a desire for separation from mainstream society.

Because of their strongly held religious values, theAmish reject modernization and technological developments, such as electricityand automobiles.

However, because of their tremendous Protestant work ethic(Weber, 1904, 1958), Amish family farms are very productive, and their family busi-nesses profitable.

Thus, religious values provided the basis for family business val-ues and family business success.Following Dana (2007), most studies in this review reported that religious val-ues supplied the moral principles of the family business.

In a qualitative study of two Islamic family businesses in Turkey, Kavas et al. (2020) found that religious val-ues provided a dominant meaning system in conducting business activities.

In aqualitative comparison of religious groups, Fathallah et al. (2020) found that Chris-tian family firms relied more on family logic. In contrast, Muslim family firms drew more on religious logic in forming ethical beliefs.

In further qualitative studies, Paterson et al. (2013) and Sorenson (2013) re-ported that Christian religious values held by family leaders formed the basis for family business values and that these values led to family cohesion (Barbera et al.,2020).

Wong et al. (2018) reported the case of a British Christian family firm thatengaged in international trade for over 150 years, crediting its success to the contin-ued evangelical faith of the family throughout the generations of ownership. In the case of a Malaysian family firm, Dieleman and Koning (2020) found that successorsmay instill new religious values that were not held by the founder. Here, thefounder, Yeoh Tiong Lay, was not religious and subscribed to Confucian culturalvalues, but the son, Francis Yeoh, credited the tremendous success of the companyto the blessings of God and viewed Jesus Christ as his advisor.

Several articles noted positive associations of religious values with philan-thropy, corporate social responsibility (CSR), and positive outcomes for familyfirms.

In a Malaysian study, Yusof et al. (2014) found that family businesses thatmaintain virtuous Islamic religious values will be correctly perceived in their CSR initiatives as neither selfish nor purely strategic. In a study of 14 Indian Hindu fam-ily firms, Bhatnagar et al. (2020) reported two fundamental spiritual beliefs of dharma (duty towards society) and karma (right to action without expectation of re-wards) instill a duty-bound giving culture.

Carradus et al. (2020) traced the develop-ment of organizational stewardship to the Christian religious values of U.S. familybusiness leaders.

In this review, there was one notable exception to the supply of religious valuesto the moral principles of the family business.

In one study, family values opposed150John James Cater, Veland Ramadani, Leo-Paul Dana religious values. Illustrating the power of religious values, Litz (2013) provides anengaging and poignant story of the Christian conversion of Michael Franzese of the Colombo Family of organized crime.

In this situation, if we accept the reportedfacts, Michael translated the nominal Christian values of the family into a deep con-viction symbolized by believer's baptism, which resulted in his exit from the familybusiness.

In two studies based in China, involving Buddhist, Taoist,Christian, and Muslim family firms, religious values have been associated with pos-itive external engagement in political activity (Jiang et al., 2015) and positive inter-nal benefits, such as lower leverage (Du, 2017). In two studies based on U.S. familyfirms, religious values also produced positive effects.

When family firm CEOs ex-pressed religious values, financial markets reacted positively to the family business'charitable initiatives (Maung et al., 2020). Then, religious values were found to pos-itively affect long-term goal orientation for family firms (Pieper et al., 2020). Finally,in a Swiss study, the behavior of stakeholders was most honest towards familymanagers, who were also presented as religious (von Bieberstein et al., 2020).

Discua Cruz (2013) explored the principles of Christianity and their application to family firms. The author described Biblical values regarding responsibility towards the family, conflict resolution, and the significance of succession, which is a constant theme from Genesis to Jesus Christ in scripture. Over-all, Discua Cruz (2013) laid a foundation for Christian leadership in family firms.Ramadani et al. (2015) describe the influence of Islam on business ownership and management, drawing on the tenets of the Qur'an.

The five pillars of Islam (The Creed, Prayer, Charity, Fasting, and Pilgrimage) articulate how Muslim business people should behave, not only in the marketplace but in all aspects of their lives.

Over all, Islam encourages entrepreneurship and business activity.

There were con-ceptual two articles in this review that do not specify a particular religion. However, these authors assert that religious values will positively affect firm performance(Fang et al., 2013) and that religious values may lead to strategic renewal through conflict resolution and proper resource allocation (Abdelgawad & Zahra, 2020)

Turkey: The role of religion in Islamic family business

Religion has significantly influenced societies throughout history and across the globe. Family firms—particularly those operating in strongly religious regions—are more likely to be subject to the influence of religion. However, little is known about the mechanisms by which religion affects business activities in family firms.

The authors study how religion impacts business activities through a qualitative study of two Anatolian-based family firms in Turkey. The authors find that religion provides a dominant meaning system that plays a key role in constituting business activities through three mechanisms:

(1) family imports religious practices as business practices;

(2) family adheres to religious values as a rationale for business actions; and

(3) family religious values define business taboos by avoiding the evil eye.

These mechanisms highlight how religion becomes a source of well-understood business practices, how religion defines the nature of rationality that guides business activities, and how religious taboos can delimit the range of potential business activities, respectively.

Mustafa Kavas, Paula Jarzabkowski & Amit Nigam. 2020. Islamic Family Business: The Constitutive Role of Religion in Business.

Journal of Business Ethics, 163(4), 689-700.

India: Spirituality and corporate philanthropy in family firms

Family firm philanthropy (FFP) is the donation of resources to support societal betterment in ways meaningful for the controlling family. Family business literature suggests that socioemotional goals of achieving family prominence, harmony, and continuity drive FFP.

However, these drivers fail to explain spiritually motivated philanthropic behaviours like anonymous giving by business families. 14 case studies of Indian Hindu business families with a combined FFP exceeding 2 billion INR in 2016-17 reveal spirituality or the moral dimension as an additional important driver of corporate behaviours like FFP.

Two fundamental spiritual beliefs of dharma (duty towards society) and karma (right to action without expectation of rewards) instill a duty-bound giving culture in Hindus. However, the strength of each belief varies in controlling families revealing four configurations of philanthropists labelled as Devout, Committed, Devoid, and Coerced in this study.

Devouts, the biggest givers, are spiritually motivated, controlled by at least third-generation family members with executive power and professional support. Committed philanthropists are motivated by societal development rather than spirituality. While devoids hold spiritual beliefs, they neglect to devote appropriate resources or develop professional structures to support FFP. Coerced, the smallest givers, focus on business growth, lack family champions or supporting professional structures, and face turbulent family or business domains.

Navneet Bhatnagar, Pramodita Sharma & Kavil Ramachandran. 2020. Spirituality and Corporate Philanthropy in Indian Family Firms: An Exploratory Study.

Journal of Business Ethics, 163(4), 715-728.

Lebanon: How religion shapes family business ethical behaviours

Based on case studies of religious Muslim and Christian family firms operating in a religiously diverse country, the authors explain the multiplicity of family, business, religion, and community logics in the family firm. In particular, the authors give attention to the religion logic and how it interacts with other logics when family firms are considering ethical issues.

The authors show that religion has a rule-based approach in Muslim family firms and a principle-based approach in Christian family firms. The authors also draw attention to the fluidity characteristic of the religion logic, through which family firms interpret the role of religion among other logics in influencing ethical decisions.

This study advances institutional logics literature in highlighting the plurality between and within logics in family firms, and contributes to the growing recognition of the influence of religious beliefs on the ethical behaviours of family firms.

Ramzi Fathallah, Yusuf Sidani & Sandra Khalil. 2020. How Religion Shapes Family Business Ethical Behaviors: An Institutional Logics Perspective.

Journal of Business Ethics, 163(4), 647-659.

General: Religious identity and strategic renewal in family firms

We examine the role of religious identity in promoting strategic renewal in privately held founder family firms. Religious identity in these firms refers to their collective sense of being that reflects their founders' and owner family members' espoused religious values and beliefs, thereby distinguishing themselves from others in what is central, distinct, and enduring about their organisation.

The authors propose that such a religious identity determines family firms' spiritual capital, which influences strategic renewal activities such as conflict resolution and resource allocation. Specifically, the authors argue that spiritual capital can be a double-edged sword when family firms pursue strategic renewal.

The authors discuss the implications of their work for future research.

Sondos G. Abdelgawad & Shaker A. Zahra. 2020. Family Firms' Religious Identity and Strategic Renewal.

Journal of Business Ethics, 163(4), 775-787.

China: Religion and succession in family firms

Family business succession is a vital issue in corporate finance and management. Drawing from corporate governance perspective in finance and socio-emotional wealth approach in management, this paper reveals the interesting relationship between religion and family business succession intention.

Using nationwide family firm survey data, we find that family firm founders' religiosity is conducive to their succession intention. Family firm founders' religiosity and family firm's socioemotional wealth interactively strengthen management succession intention, but not ownership succession intention.

We also find that Eastern religious beliefs, especially Buddhism, strengthen the religiosity-succession relation in Chinese family firms.

Shen, Na and Su, Jun. 2017. Religion and succession intention - Evidence from Chinese family firms.

Journal of Corporate Finance, 45(Aug.), 150-161.

Familial Values & Professionalization:

A healthy corporate culture is a critical factor in the success of an organization.

A positive company culture can increase employee engagement, boost productivity, reduce turnover, and improve overall business performance. A healthy corporate culture not only provides employees with a positive work environment, but it can also have a significant impact on a company's overall success.

Creating a vibrant company atmosphere is indeed challenging and requires effort and dedication from everyone involved, from leadership to employees. A healthy corporate culture must be built on a strong foundation of shared values, beliefs, and practices that align with the company's mission and goals.

Several things can go wrong at work if there are no defined family values. Workplace stress, a negative business culture, and more serious issues like harassment can emerge. In fact, a Deloitte survey revealed that 77% of respondents said they were experiencing burnout at their current employment. Also, according to the National Safety Council, overexertion is the second most frequent reason for occupational injuries and illnesses.

So, culture at work is important. Everything depends on how management decides to treat its employees, for better or worse.

Family values are moral principles that direct your motivations and decisions, much like personal values do. They can apply to a single person, a family, or a whole community. They present a cohesive front when used inside a family or workplace. These values also aid in separating right from wrong, directing important choices, and resolving issues. Without them, a family would not agree on certain issues, which could lead to unfulfilled expectations, disappointment, conflict, and misunderstanding.

The kind of person you aspire to be is also built on family values. What impression do you want to make? What matters most to you? How would you like to be recalled? Applying family values to your home, workplace, and personal life helps you develop a set of morals that will guide you as you progress and make new decisions.

Some examples of family values include honesty, respect, trust, humility, compassion, kindness, connection, empathy, perseverance, adaptability, and accountability.

Why Are Family Values Beneficial for Business?

Although combining work and family can be awkward, there are several advantages to doing so. The top ways that family values help businesses include:

They direct your choices: Moral principles are like a road map. Review your map (your values) for guidance whenever you're unsure of a choice.

Provide a direction: Depending on how difficult or complicated a decision may be, the options and answers may seem unclear. Making the right choices may be a little clearer if you have family values.

Set and clarify your priorities: Your priorities should be based on your family's values. You may discover and rank behaviours that support your family's values by knowing what is important.

Develop emotional intelligence: Within a family unit, situations that call for empathy, understanding, humility, and compassion occur every day. They create a greater level of emotional intelligence. An organization's culture may greatly benefit from this.

Lead by example: When you lead by example while upholding family values, others will follow suit. The trickle-down effect on a company's bottom line (and general sentiment) can be enormous by exemplifying the right attitudes, responses, and priorities in accordance with established ideals.

Incorporating Family Values into a Corporate Culture

Vision is a distinct mental image of what might be, driven by the feeling that it ought to be.

It takes time to incorporate family values into an established corporate culture. It needs deliberate intention and a daily plan. It all comes down to starting small and growing up gradually. We're all evolving and learning as people. Use patience, let people make mistakes and learn from them, lead them with compassion, and never forget to appreciate the victories.

For instance, if your team needs to improve its ability to empathise with others, schedule a new daily meeting. Start by teaching everyone how to actively listen, ask intelligent questions, refrain from passing judgement, and take time to think about and analyse their feelings. Assign tasks and give others the freedom to fulfil them from beginning to end if you want your team to appreciate responsibility more.

Family values ultimately embody the core values and priorities of a business. Lean on these ideals to discover how to develop a vision and mission statement for the firm, which lacks a clear vision and mission. The company's overall success or failure will depend on which family values it incorporates.

Final Thoughts

Leadership is similar to parenting. Moreover, it is your responsibility to set a good example for others, encourage team members to develop, and cultivate character. As a result, a new generation of leaders emerges. Bringing family values into the workplace encourages and strengthens this crucial bond. So treat your employees in the same manner as you would have them handle your most valuable clients.

In summary, family values can help create a healthy corporate culture by fostering an environment of trust, respect, open communication, accountability, and purpose. When companies prioritize these values, they can create a positive and supportive work culture that benefits both employees and the organization as a whole.

Indian Family Value System

Values can be defined as certain attitudes and beliefs that a person follows in his conduct.

Those standards as per which an individual judges his own actions, whether he is right or wrong can be called as values.

Value system comprises of all those beliefs and viewpoints that the parents pass on their next generation, they further pass it on to their offspring and so, the legacy goes on and on. Now let us come to the 'Indian Family Value System' - what is it and how does it influence individuals. In the Indian culture, there are certain rules and regulations that each and every child is taught right from his childhood.

Examples of Indian family values are - a young person should always touch the feet of his elders; he should never speak in a high or rude tone to those who are older to him; he should always give respect to elders and refer to them as 'aap'; he should not consume alcohol and tobacco or smoke cigarettes; he should respect women; he should always speak truth and try to engage in non-violent behavior; and so on. Most of the values that the parents impart to their children in India, as a part of the family value system, are similar in nature.

However, there may be some variations too, depending upon different families. For instance, in some houses, girls are not allowed top wear skirts after they reach certain age, while in others, they can wear anything, as long as it is decent and not body-revealing. Even these variations are quite trivial, as the basic essence behind them remains, more or les, the same. Most of the values that the Indian parents believe in imparting to their children do not appeal to the outside world. But then, it is these beliefs that make India the wonderful country that it is today.

Some other values that are part of India's cultural heritage are:

- Living peacefully and respecting each other's rights.
- Never ever compromising on integrity for the purpose of prosperity.
- Maintain strong bonds with the family members as well as relatives.
- Being hospitable to everyone who comes to your home, irrespective of his caste, creed, financial position or status.
- Treating guest as God i.e. 'Atithi Devo Bhava'.
- Remembering and bowing to God first thing in the morning.
- Indulging in yoga and meditation.
- Always taking the advice of elders in case of any important decision.

Ideas to Prepare Next-Generation Leaders

1. Invest in Multifaceted Development Programs

The best way to nurture promising people is to invest in their growth. Relevant, engaging learning experiences not only motivate high-potentials but engage other leaders in your organization, as well.

One way I've done this is by creating year-long, multifaceted emerging leader programs — including mentorships, community service, shadowing, and formal learning opportunities. These next-generation leaders are gaining the knowledge they need for the next step in their careers while also learning the business at a deeper level.

Upon completion, graduates are well-rounded professionals with an elevated strategic view of our company and our industry. Along the way, they have created meaningful connections with their peers, mentors, and other leaders. This approach shows top-level talent you care about their development and demonstrates how important this is in sustaining a vibrant culture.

Kerby Pickens, Leadership Development Manager, MNTN

2. Involve Team Members in Decision-Making

One of the most rewarding and constructive aspects of my job is working with my team members and inviting them to weigh in on important structural decisions that are necessary for our organization's success. This way, they can consider first-hand all the factors that go into this kind of decision.

When you identify strong talent, it is important to ask them, "How would you solve that?" and then work with them to show the value in both their approach and yours. It creates balance in decision-making, where you listen to other opinions but also have confidence in your approach.

Matt Harrison, Vice President of Global Operations, Next Net Media

3. Offer an "Emerging Leaders" Program

When I was creating leadership development for the Sephora Inside JCPenney division of JCPenney, we quickly recognized that internal team members were rarely promoted to the "Beauty Manager" position. Even though they had internal business knowledge, they lacked the kind of leadership experience necessary to step into the role, and this was affecting engagement and retention.

In response, we created an "Emerging Leaders" program designed for Senior Product Consultants and Operations Consultants — typically the best-qualified roles to take on Beauty Manager responsibilities.

The program comprised specific self-paced virtual training classes, a self-study workbook, and prescribed on-the-job experiences designed to expose participants to many work situations they would face once promoted.

Although program completion didn't guarantee promotion, it helped individuals become more competitive as candidates. As a result, we saw a definite lift in internal promotions!

Courtney Ramsey, Leadership Development Consultant, Courtney Ramsey Speaks, LLC

4. Initiate a "Leadership Incubator"

At dasFlow, we've created a "leadership incubator" program to cultivate next-generation leaders. It's not just about lectures — we give rising stars actual projects through "innovation pods."

These teams tackle and resolve real business challenges. One standout pod found ways to cut waste and reduce costs by 10%. Its leader now helms our Sustainability Division.

The key? Provide hands-on experience and real-world challenges. It turns potential into leadership, fast.

Nicolas Krauss, Founder and CEO, dasFlow Custom Athleisure Apparel

5. Establish Collaborative Leadership Circles

I've found Leadership Circles to be a valuable development platform. This offers emerging leaders a unique opportunity to gain insights from the lived experiences of more senior professionals in an environment where everyone is encouraged to share lessons learned.

By openly discussing challenges and setbacks, circle members can collectively troubleshoot common leadership puzzles to find better solutions. In addition, the circle serves as a supportive network where leaders can navigate career issues, receive guidance, and develop strategies for growth.

Through exposure to diverse perspectives and experiences, emerging leaders can build their confidence, refine their ideas, and gain valuable knowledge to enhance their professional journeys. Investing in these circles is a catalyst for continuous learning and development, enabling leaders to thrive in their roles and contribute to the company's overall success.

Heidi Hauver, Consulting Chief People Officer

6. Build a Robust Employee Resource Group Network

We've built a robust Employee Resource Group (ERG) program so next-generation leaders can establish strong community relationships and grow with the help of peer support. Groups like Womxn of Checkr (WOC) provide a space for diverse and traditionally underrepresented groups to support, empower, and encourage each other.

Of course, ERGs don't replace the support of management, but they're a powerful aspect of the leadership development mosaic.

Robert Kaskel, Chief People Officer, Checkr

7. Launch a Proactive Program for High-Potential Talent

In 2016, our organization became aware of higher turnover risk among promising young talent, and we wanted to avoid being left stranded without successors when senior leaders moved on.

So we proactively launched a program focused on those who both desired and had the potential to grow in our company. But we added a twist. Traditional talent programs rely on managers to select participants. Instead, our participants had to apply and go through a multi-phase recruitment process.

Those who were selected joined a two-year learning journey that provided multiple opportunities to better understand our company and gain critical business acumen. Each individual received coaching and regular career reviews with our HR team, to prepare them for a leadership position, immediately or later on in their career.

Lavinia Mehedintu, Co-Founder and Learning Architect, Offbeat L&D

8. Empower Leaders With a 90-Day Challenge

In our organization, nurturing next-generation leaders is a top priority. This is why we invest in initiatives like the "90-Day Leadership Challenge," a program designed to empower participants with the skills and confidence they need to excel.

This program is built on a structured approach, combining real-world project challenges and mentorship with skills workshops that help participants develop a high-performance mindset, emotional intelligence, leadership presence, and interpersonal skills. We regularly assess the program's impact by evaluating participants' career progression, productivity, and feedback. This helps us fine-tune key elements to meet evolving needs.

Looking ahead, we're excited to expand this initiative, collaborate with more organizations, and explore new ways to foster leadership talent within our organization and beyond.

Allison Dunn, CEO, Head Business and Executive Coach, Deliberate Directions

9. Implement Bi-Directional Mentoring Programs

This is a mission I truly enjoy because it enables next-generation leaders to create a much better world through the power of technology and visionary orientation. I believe newcomers are highly attuned to purpose, mission, and legacy. Tapping into that special level of sensitivity can be highly effective.

One model I've developed for several companies focuses on training future leaders by establishing bi-directional mentoring programs. Start by clearly communicating your vision and direction. Then pair individuals who are most enthusiastic about that future with your organization's most admired leaders.

Existing leaders will learn from their junior counterparts and connect with their expectations, aspirations, and technologies. At the same time, junior participants will acquire enduring qualities from those they admire and wish to emulate. It's a genuine win for all.

Cristina Imre, Top Voice on LinkedIn, Executive Coach, and Business Strategist, Quantum Wins

10. Promote Continuous Learning with an In-House Library

One of the easiest ways to nurture next-generation leaders is to help them understand the value of continuous learning. Many organizations think of this as seminars, training classes, and so forth.

But one of the most effective tools for us is a learning library we created for use within our organization. This is about literally creating a library at your main office or satellite locations. Stock the shelves with books that have bolstered your career and are appropriate for growing others' careers. Then give next-generation leaders free access to these resources, so they can easily check out any book, any time.

As a bonus, you can create study areas, where people can informally meet and dive deep into a book. In addition, you can offer book clubs so people can connect over a particular book and discuss its meaning, relevance, and related lessons learned.

Joseph Lalonde, Leadership Coach and Author, Reel Leadership

11. Use Virtual Reality in Leadership Development

Virtual reality (VR) is revolutionizing how we develop future leaders. By enabling individuals to step into their colleagues' shoes, VR plays a pivotal role in amplifying empathy and reducing exclusion, which fosters a more inclusive work culture.

This immersive technology lets leaders experience different perspectives in a safe environment. This promotes a deeper understanding of the diverse experiences and challenges their team members face.

As leaders navigate these realistic virtual situations, it also pushes them outside their comfort zones, encouraging them to take risks and think innovatively.

This "walk a mile" VR approach not only enhances emotional intelligence but also cultivates courage and fosters innovation — essential traits for effective 21st-century leadership. As a result, VR is emerging as a powerful tool in shaping empathetic, courageous, and innovative leaders capable of driving positive workplace change.

Ways to prepare the next generation of leaders:

- Identify potential leaders

Use criteria like performance reviews, 360-degree feedback, and personality to assess and select potential leaders.

- Mentoring

Experienced leaders can share their knowledge with new or emerging leaders. Mentoring programs should be tailored to address the specific needs of the business.

- Develop essential leadership skills

Provide opportunities for growth, create a culture of learning, and foster collaboration and teamwork.

- Provide feedback and accountability

Involve team members in decision-making and offer an "Emerging Leaders" Program.

- Build a strong governance structure

Establish policies, get the lead generation ready, and talk about money.

- Assess the skills, talents, and desires of children

Give them as many opportunities as possible to learn about the business today, and how to ensure its successful future.

Other ways to develop future leaders include:

- Investing in multifaceted development programs
- Initiating a "Leadership Incubator"
- Establishing collaborative leadership circles
- Building a robust employee resource group network
- Cultivating a leadership mindset
- Providing opportunities for growth
- Creating a supportive culture
- Encouraging diversity and inclusion
- Measuring progress and impact

UNIT 5

Introduction, Strategies for Building Team, Starting Points. The growing trend toward teams and partnership, Steps to creating a team atmosphere, Sibling Partnerships-Tasks and pitfalls in a sibling partnership, Pros and cons of sibling partnerships, Cousin Consortiums-Building a working relationship among cousins, Husbands and Wives, Common threads of successful spouse teams, Beating the stresses of mom-and-pop partnerships, Case Studies.

Strategies for Building Team

Strategy is just one factor that impacts the overall success of a team.

Good leaders start with a plan in mind, then reevaluate as the strategy and the best course of action reveal themselves.

Great Leaders Don't Need a Great Plan. . .

. . . but successful leaders need a plan.

The first element of building a great team is putting a plan and strategy together about how you are going to build your team.

Find the Right People. . . Target "A" Players. Whether you're in a leadership role now or you soon will be, it's important to have your eyes peeled to be aware of key players you'd like to have on your team. Having good situational awareness is key to becoming a great leader. Get to know people. Build relationships. Real "A" players will be good centres of influence. Remember, like attracts like, so it's important for you to spend time establishing relationships with influential people, like yourself, before you begin building your team.

Find the Right Cause & Develop Your Shared Purpose. Every great team has a burning imperative, driving it forward and providing a sense of shared purpose. Starting with the right, like-minded, people and infusing your team-building strategies with shared purpose is not at odds with the team's personality or overall character.

Position Your Team For Success & Put the Right People In the Right Places. This third team-building strategy can only come to fruition as long as you've accounted for the first two elements. Putting the right people in the right places might sound a little trivial, but the truth is, most people have the wrong people in the wrong place.

By modeling the team-building strategies necessary for success, the entire process becomes transformative both for the leaders and the led.

Focusing on finding a common ground that connects the people on your team, gives a strong strategic foothold and builds a stronger foundation that allows people to work together more effectively.

PDCA Complete is an organizational task management system with built-in continuous improvement tools. Includes projects, meetings, audits and more.

Built by Quality Assurance Solutions.

Simplicity As a Team Building Strategy

As a leader it's your job to influence others to do theirs. . .

. . . that's really what leadership is. One person's ability to influence other people's thoughts and actions.

The most effective way to influence others is through communicating powerful ideas in simple direct language.

Language then becomes the tool which allows you to express your ideas and influence others to buy into the "shared purpose" of the team. Modeling the way you speak then becomes the most powerful of the strategies that you can use.

Clear language provides clarity, people can derive meaning from clarity, and meaning encourages belief. This is how you can begin building a learning organization.

Peter Senge goes into great detail about why you want to build a learning organization. Communication is the crux of all team building strategies, and key to developing an effective team.

People want to be part of something bigger than themselves. It stands to reason that as long as alignment is accounted for, the smarter team you build the more effectively you will see results of your labors.

10 Proven Team-Building Strategies

- 1) Define the team's purpose. The team's purpose is the reason for the team's existence. ...
- 2) Set clear goals. ...
- 3) Encourage open communication. ...
- 4) Promote collaboration. ...
- 5) Encourage creativity. ...
- 6) Empower team members. ...
- 7) Facilitate problem-solving. ...
- 8) Encourage risk-taking.

What is a team without a goal? A bunch of people. There are many team building methods available to you and your team.

The Methods

of Team Building

But what one works best for your business?

As a leader I know you're strapped for time, so digging through a bunch of old management books and theories doesn't sound like productive work.

Team Building Methods Steps

These steps help you get your team headed in the right direction. When following these you flesh out the primary purpose of your team and prioritize the objective you want and need to accomplish. Hence you create your Team Charter.

This defines the "who" "what" "when" and "why" of your team. It is Create a rough draft of this team charter before you reveal it to your team, then your team collaboratively establishes the "how."

1. Develop the team's mission in two sentences (less if you can). Why does it exist? What is the primary purpose?

2. Establish some SMART goals for the team. SMART means obtaining verifiable, objective data to frame each team member's responsibility. And how each person fits into the overall team strategy.

3. Describe the project and activities the team undertakes. Specifically look at the clear objectives, priorities, strategies, and analysis.

4. Expected Time Obligation. Be clear about what you expect from your team as far as how much time they need to devote to the team. Explain the necessity for the time.

5. Describe the looks of the ultimate outcome. Are you developing products or information? How does this team project fit into the overall business?

PDCA Complete is an organizational task management system with built-in continuous improvement tools. Includes projects, meetings, audits and more.

Built by Quality Assurance Solutions.

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6. Introduce the team members and identify their roles and responsibilities.

7. Define the key measures to track the team's progress.

8. Identify your own role and responsibilities as the team leader. What can your team expect from you?

9. Make the rules of the team very clear, and cut and dry.

10. Make your expectations clear about what you expect from people regarding their commitment to establishing cooperative and communicative relationships on the team.

The growing trend toward teams and partnership:

As organizations continue to grow, trends show a greater focus on work team development. Rather than each employee working individually, companies are now striving to create a cohesive, unified work environment.

This team-oriented culture no longer encourages the 'every man for himself' or 'dog-eat-dog' mentality of whoever can climb to the top first, wins. A team is composed of a group of people working together to accomplish a common goal, rather than individual interests.

Each team member becomes a valuable asset to the group and helps other team members improve. Instead of creating competition, companies are focusing on building a supportive network of people with skills to collaborate.

Even top-down traditional work cultures are currently developing more agile outcomes through project teams. These are often cross-functional small teams of employees who work to resolve complex problems or lay down the framework or systems for innovation.

How are they working toward this admirable goal? Here are several rising trends in work team development.

Work Team Development: Training through gamification.

As technology permeates almost every aspect of people's lives, it makes sense that businesses are turning to gamification as a reward system for their teams. How does it work?

An online training experience incentivizes learners through the option of earning points, badges, and leaderboards. Actively participating means you can score more points for your team while you learn skills that benefit both the employee and the work team in the long run. Training through gamification not only makes learning fun, but it also motivates teams to excel.

For example, one way Chief Operations Officers are receiving a double bang for their buck is offering soft skill and success practice training through annual micro-training programs that improve company communication and group process skills. These are skills such as conflict resolution, decision-making, problem solving, critical thinking, emotional intelligence and planning.

The COO's pair their training tracts with extended new employee onboarding through a five to six year certification track. The outcome is trained employees who have built solid workforce relationships with the skills and attitudes that strengthen the company while building community.

Their strategy identifies new tiers of leaders who eventually run project teams or are elevated into supervisory positions. These employees are trained in leadership, communication and work skills before assuming leadership positions. The practice makes constructive team behavior sustainable and results in less turnover and a more engaged work environment. It also fills the funnel of trained employees to assume critical project roles.

Gamification makes it fun. Managers can track learning progress and apply what employees are learning in important department initiatives.

Work Team Development: Booking outdoor time and activities.

Many studies show that outdoor activities, or time spent together, increase teamwork and communication between team members. Looking to create a team environment? Consider booking an outdoor excursion, like hiking or a Bar-B-Que that employee families can attend.

If it's a rainy day, however, there are still many options available. Many companies now ask teams to work together at charity events or participate in escape room exercises.

An escape room exercise places your team in a room with a problem to solve. It fosters fun-filled cooperation. The team must work together quickly and effectively in order to solve the problem and get out of the room before time runs out.

Work Team Development: Inspiring conversation.

Leaders are making greater attempts at facilitating interpersonal relationships between coworkers. Companies have found that when employees talk to each other face-to-face, rather than over technology, their creativity and relationship building improves.

In addition, studies show that working on interpersonal relationships at work increases performance by 20%. Through inspiring conversation, individuals learn to check their mindset before engaging in conversations with their coworkers.

Does your team truly believe that what their team members bring to conversations is worth thinking about and understanding? Inspiring conversations between coworkers fosters an attitude of kindness and thoughtfulness while building more understanding among employees.

Work Team Development: Easily accessible digital and mobile content.

It is sometimes believed that after college, learning stops. It is no longer necessary to take classes, fill in homework, or show up for seminars.

However, as more and more information become digitized, the opposite becomes true. Thanks to technology, more content is available online and more companies are taking advantage of this.

By making content easily accessible and personalized for individual employees, work teams can fine-tune their group dynamics.

As mentioned above in the gamification strategy, employees can learn new skills through digital, on-demand, micro learning lessons, and through short, weekly training. As they master new soft and hard skills that support a work environment that resonates with trust, interdependence, genuineness, empathy, risk resolution and success practices (time management, goal setting, conflict resolution, etc.), they positively impact their work team and departments.

Work Team Development: Teaching soft-skills.

Maybe you don't think soft skills are nearly as important as technical skills. Maybe you do.

However, it's time to give more credit to mastering soft skills within your work team. A study conducted by the Stanford Research Institute and the Carnegie Mellon Foundation discovered that 75% of job success depends on soft skills, while only 25% depends on technical skills.

Training your employees in soft skills is necessary in order for your business to be successful. Not only do team members communicate more effectively, their problem solving and critical thinking skills become more developed, too.

Giving your work team the opportunity to take soft skill training courses not only benefits them, but you will also see a marked improvement in teamwork and efficiency. This helps your organization grow with fewer turnover costs associated with unhappy and disengaged employees. Yes, you can track whether soft skill training produces cost savings or productivity improvements in your bottom line.

Work Team Development: Retraining current workers.

As automation eliminates more jobs, companies are beginning to focus on helping their work teams close the skills gap. Ironically, companies are also struggling to find workers who are qualified candidates to fill job positions. They recognize that employees who do work for them lack relevant skills meaning that operations outpaced employee capacity.

With this in mind, many employers are investing more time into training and developing their established work teams. Through focusing on interior growth and retraining of employees, companies see their efforts pay off with increased productivity, cost savings and innovation.

Conclusion.

Trends in work team development show a greater focus on agile project management for top down organizations. This means that there is a greater need for relevant group process skills. More attention is also being paid to measurable team development outcomes that improve the bottom line.

The Power of Collaboration: Enhancing Business Growth in Today's Market

In today's fast-paced and ever-evolving business landscape, collaboration has become an invaluable tool for driving growth and success. With the power to bring together diverse minds, skills, and perspectives, collaboration has the ability to unlock new opportunities, foster innovation, and propel businesses to new heights. Gone are the days of siloed departments and isolated decision-making; now, it's all about harnessing the collective intelligence and creativity of teams to solve complex problems and seize emerging opportunities. In this era of digital transformation and globalization, collaboration has become the secret sauce that fuels business growth. From cross-functional teams working towards a common goal to strategic partnerships and alliances, businesses that embrace collaboration are better positioned to adapt, innovate, and thrive in today's market. In this article, we will explore the power of collaboration and how it can be harnessed to enhance business growth and drive success in today's fast-paced and competitive environment.

Benefits of Collaboration for Business Growth

Collaboration brings a plethora of benefits to businesses looking to grow and succeed in today's market. Firstly, collaboration fosters innovation. When individuals from diverse backgrounds and expertise come together, their unique insights and perspectives can spark creativity and lead to breakthrough ideas. By encouraging collaboration, businesses can tap into the collective knowledge and creativity of their teams, resulting in innovative solutions to complex problems. Furthermore, collaboration enables businesses to stay agile and adapt to changing market conditions. In a rapidly evolving business landscape, companies that can quickly respond and adapt are more likely to thrive. Collaboration allows for the sharing of information, resources, and skills, enabling businesses to respond swiftly to market trends and seize emerging opportunities. Lastly, collaboration promotes learning and development. When individuals work together, they have the opportunity to learn from each other, share best practices, and develop new skills. This continuous learning fosters personal and professional growth, which in turn contributes to the overall growth and success of the business.

Effective collaboration requires careful planning and implementation. Here are some strategies to ensure collaboration is successful in driving business growth. Firstly, establish clear goals and objectives. It is essential to have a shared understanding of what the collaboration aims to achieve. By clearly defining goals, teams can align their efforts towards a common purpose, maximizing the effectiveness of collaboration. Secondly, foster open communication and trust. Collaboration thrives in an environment where team members feel comfortable sharing their ideas, opinions, and concerns. Encourage open dialogue, active listening, and respect for different perspectives. Building trust among team members is crucial for effective collaboration as it allows for honest and constructive discussions. Thirdly, leverage technology and tools. In today's digital age, there are numerous collaboration tools available that facilitate communication, document sharing, and project management. Utilizing these tools can streamline collaboration processes, enhance efficiency, and improve productivity. Lastly, celebrate achievements and recognize contributions. Acknowledging and rewarding the efforts and achievements of individuals and teams involved in collaboration promotes a positive and supportive culture, encouraging future collaboration endeavors.

Challenges and How to Overcome Them in Collaboration

While collaboration offers numerous benefits, it also comes with its fair share of challenges. One common challenge is the lack of alignment and coordination between team members. When individuals from different departments or teams come together, they may have different priorities, perspectives, and ways of working. This lack of alignment can hinder collaboration and impede progress towards shared goals. To overcome this challenge, it is crucial to establish clear roles, responsibilities, and expectations from the outset. By setting clear guidelines and ensuring everyone is on the same page, collaboration can proceed smoothly. Another challenge is the potential for conflicts and disagreements to arise during collaboration. Differing opinions and ideas can lead to tension, which, if not addressed, can negatively impact collaboration efforts. To address this challenge, it is important to establish a culture of open communication and respect. Encourage team members to voice their concerns and opinions while maintaining a focus on finding common ground and working towards shared objectives. Implementing conflict resolution strategies and facilitating constructive discussions can help overcome conflicts and maintain collaboration momentum.

Additionally, geographic and cultural barriers can pose challenges to collaboration, particularly in globalized business environments. Time zone differences, language barriers, and cultural norms can affect communication and coordination between team members. To overcome these challenges, businesses can leverage technology to facilitate virtual collaboration, such as video conferencing, instant messaging, and collaborative document sharing platforms. Providing cultural awareness training and promoting cross-cultural understanding can also help bridge the gap between team members from different backgrounds. Lastly, a common challenge in collaboration is the potential for knowledge hoarding or lack of information sharing. In some instances, individuals may be hesitant to share their knowledge or resources due to a fear of losing their competitive advantage or relevance within the organization. To overcome this challenge, it is important to foster a culture of knowledge sharing and emphasize the collective success over individual achievements. Encourage individuals to share their expertise and experiences, and recognize the value of collective intelligence in driving business growth.

Collaborative Partnerships and Networking Opportunities

In addition to internal collaboration within an organization, collaborative partnerships and networking opportunities can also play a significant role in enhancing business growth. Collaborative partnerships involve two or more organizations coming together to achieve a common goal, often sharing resources, expertise, and risks. These partnerships can range from joint ventures and strategic alliances to supplier relationships and customer collaborations. Collaborative partnerships allow businesses to leverage each other's strengths, expand their reach, and tap into new markets or customer segments. By pooling resources and expertise, businesses can achieve economies of scale, reduce costs, and accelerate growth. Furthermore, collaborative partnerships can lead to knowledge transfer and learning, as organizations can benefit from each other's experiences and best practices. A successful collaborative partnership requires open communication, trust, and a shared vision for growth.

Ways to create a team atmosphere:

- Set goals: Setting goals can motivate employees to work together.
- Define roles: Clearly define everyone's roles and responsibilities.
- Establish rules: Establish ground rules for teamwork and discuss them at the end of each meeting.
- Encourage collaboration: Encourage employees to work together on projects and recognize their contributions.
- Build trust: Trust is essential for building effective teams. When team members feel safe, they feel comfortable to open up, and uncover their skills.
- Use team-building activities: Team-building activities can help create a better working atmosphere and promote teamwork.
- Communicate: Communicate frequently and honestly.
- celebrate wins: Celebrate people's wins.
- Be open to feedback: Be open to giving and receiving feedback.

- Avoid micromanaging: Avoid micromanaging.
- Encourage teamwork: Make teamwork a part of the company culture.

Sibling partnership:

A sibling partnership in a family business occurs when the children of the founder or owner take over ownership and control of the business. Siblings often work together in a family business because they want to continue the family name and have a common bond based on the family's past.

However, sibling rivalry can be destructive when siblings are heavily involved in the family business and are competitive with one another. According to behavioral research, sibling rivalry has two origins: emotional and strategic. In extreme cases, sibling rivalry can lead to the collapse of any succession prospects and even the dissolution of the family firm.

Here are some tips for making a sibling partnership work:

- Set expectations: Set expectations ahead of time and in writing.
- Communicate: Communicate frequently and disclose fully.
- Make decisions as partners: Choose to play to your strengths.
- Value each other: Value each other's roles, responsibilities, authority, strengths, and weaknesses.
- Set boundaries: Set clear and acceptable boundaries.
- Work toward recognition and respect: This protects you and your siblings from damaging judgments and actions that affect the business and family ties.

Developing the Sibling Partnership

Successful transition to sibling generation leadership requires preparation and effort by all stakeholders of the family business. The complexity of the sibling stage in a family business typically requires adjustments in management, business governance, and the family's decision making. Ideally, the senior generation works with the next generation to plan for these changes. Too often, however, generations clash rather than collaborate. Founders may not realize the difference between the owners' role and management's role because they have been doing both, and they may not always understand how differently their children will have to deal with decision making. In addition, many founders resist letting go of authority and will struggle with change of any kind. As a result, sibling team building often falls to the siblings themselves.

Shared Purpose and Limited Autonomy

Establishing a well-functioning sibling team requires siblings to commit to a shared purpose, actively seeking common ground. Defining this shared purpose is work the siblings can do together, whether their parents are supportive and actively involved in the transition process or not, and this is a great way for the siblings to begin to take some initiative. It is important for siblings to clarify their shared purpose by answering the following questions:

- Why do we want to be in business together?
- What does business ownership mean to each of us?
- What are our values, our vision, and our goals related to our business and its success?

Finding the answers and sharing them allows siblings to find their voice and purpose and sets the stage for many other decisions they need to make.

The success of the sibling generation depends on the team's ability to focus on something larger than the concerns of each sibling, such as the good of the business or the family or their mission. This implies some loss of autonomy because decisions need to be made in collaboration with others, bearing in mind the priorities, preferences, and concerns of a range of stakeholders. If some or all of the siblings are hoping one day to get to "make all the decisions like Dad does," they will be disappointed. In order to be successful, a sibling partnership must be a collaboration of partners, not a test of wills. Like any meaningful partnership (e.g., marriage), the sibling partnership can only be successful if there is some give-and-take; the siblings must be ready to give up some of their individual freedom if the partnership is to work. As one of our clients stated in the course of a discussion about his ambition related to business leadership in his family: "What role I end up playing is far less important than how successful we manage to be as a team."

We also find having a larger goal enables many a family to work through conflicts and rivalries and get beyond self-interest and ego. When a sibling team having difficulties focuses primarily on its conflicts, problems may seem intractable.

Those who seek common ground take the time to understand why they're together doing what they do. First, they celebrate and appreciate their common blessings. They focus on their shared values, vision, and goals that serve as the foundation on which they build. Buttressed by what they share, they refuse to allow conflicts to tear them apart. Only after affirming their shared commitments do they attend to their differences and say, "Let's work on those."

In addition to articulating a shared purpose, sibling teams grow in effectiveness as all members grow in the ability to:

- Respect others and demonstrate that respect,
- Know themselves and the boundaries between themselves and others,
- Clarify and take responsibility for their own feelings (As one member of a team said when he was disappointed with a particular decision, "It is not everybody's job to cater to how I feel and make me feel better. It is my job to deal with my own feelings."),
- Understand everyone's goals and help find ways to attain them,
- Accept and tolerate each other's differences and avoid being judgmental of each other's lifestyle or choice of spouse,
- Empathize with, but don't assume knowledge of others' views, and
- Learn to listen to each other's perspectives.

Finally, we find it helps to think in terms of being one family. "Look," said one of three sisters struggling to develop an effective ownership team, "let's always remember four things: we love each other; we are all doing our best; we don't want to hurt each other; and we will be a whole lot stronger together than any of us can be separately." As another business owner put it, he and his sisters agree to agree. They feel that in the long run unity is more important than any particular decision. This applies to all business and family issues that will confront the siblings over the years. If the sibling generation establishes and lives the norm of one family, a strong foundation will be set for generations to come.

Values & Vision

Families typically are bound together through shared history, traditions, and values. For families with a deep legacy of faith, these common values may be easier to identify than for families with a more secular orientation. While secular families may not be as likely as religious ones to have clear labels for their shared values, they do have beliefs of fundamental significance that guide their decision making and priorities. Taking the time to identify and reflect on these shared values helps siblings in a partnership build on their shared purpose and clarify the priorities of their partnership. This sets the context for many other decisions.

Values are the bedrock of family and business culture. They deeply influence decisions and priorities. For example, while both integrity and innovation are good values that can anchor a business, a business based on the core value of integrity might make different choices than one guided by core value of innovation. What is important is that the siblings agree on values and have a common vision for the future direction of the enterprise. The siblings must articulate how their shared values impact their vision for family collaboration in the business and in any other joint endeavors or priorities they hope to pursue.

Establishing Mission and Goals

While shared purpose, priorities, and a vision are important to answer the big fundamental questions mentioned above, siblings must also think tactically about how they hope to make their vision a reality. What are the specific goals and objectives toward which they will work together?

Initially, the siblings may only be able to set goals for their partnership, such as developing the policies they will use for decision making in the future. Another example of a goal they could establish on their own might be to organize a family retreat as a way to realize their core value of sustaining family unity. Once the sibling team is in a position of authority, the siblings may also get involved with goals for the business. For example, if the family members are oriented to growth of the enterprise, they may decide together whether that is better pursued through acquisition or through organic growth. While each family will have its own mission and goals for the business, what successful sibling partnerships have in common are processes for making such decisions. We encourage siblings to have regular meetings to discuss future roles, policies, and goals and to work on communication skills as a team to reduce and resolve conflicts and maximize long-term effectiveness.

Managing the Insider-Outsider Dilemma

Among other important challenges sibling teams must address how they will manage the dilemma of insiders versus outsiders. In some cases, all siblings in the second generation work in the family business, but often siblings do not choose to work in the business they will one day co-own. For example, one of your siblings may be passionate about teaching or aspire to a career in the military or simply is not business minded. Ideally, the family members working in the business are passionate about their work and want to contribute all they can to the success of the family business. No one wants business partners who are working in the business primarily because they have no other choice or feel obligated to do so.

In some cases ownership is restricted to siblings working in the business. Increasingly, however, siblings who do not work in the company own shares through gifting or inheritance. An appropriate balance must be struck between owners in the business and those not in the business. The need to find this balance underscores the importance of clarifying the distinctions between ownership and management decisions. The process requires a good understanding and respect for boundaries and demands strong communication skills. Sibling owners who do not work in the business must understand that they cannot tell management how to do its job, but it is vitally important that the siblings who work in the business realize they are accountable to all owners. All owners should work together to develop a common vision, goals, and understanding of the rewards of both employment and ownership. Specific actions sibling teams should pursue include the following:

- Communicate with and educate all owners about the business.
- Make sure all owners are involved in key ownership decisions, particularly those related to strategy, succession, and major financial issues.
- Share power; siblings leading the business should encourage others to be in charge of family meetings, philanthropy, recording the family history, or other areas of responsibility.
- Adopt an attitude of "we're all in it together" instead of thinking of yourselves as different branches of a family. Consider yourselves a tribe.
- Promote, support, and champion siblings not working in the business just as you do those ones working in the company.
- Involve everyone in drafting policies like the ones discussed above.

As you and your siblings work through clarifying your shared purpose and expectations for the family enterprise going forward, bear in mind these discussions will effectively launch your partnership. For many siblings, this is the first time they sit around a table as equals and discuss their hopes and fears for the future. Invest the time and energy needed as you will get valuable experience in learning to listen to one another, develop processes for getting to agreement, and making important shared decisions for the future of your family and business.

The following are four strategies successful sibling partners practice daily:

1. Curious Communication

Ask questions such as "What are our values, vision, and ambitions regarding our company's success?" and "What are our roles within the company?" These questions, and other questions allowing you to dig deeper into what your sibling is thinking, will allow you both to find your voice and purpose while laying the groundwork for many other decisions you must make. In addition, having a more significant meaning of uniting around makes it possible for many families to focus on achieving the goal versus quibbling over minor issues.

2. Create Ground Rules

Create a "safe environment" that will set you up for success when you know you may be discussing something with a different opinion or where feelings can be triggered. For example, schedule a meeting, so no one is blindsided. Avoid family gatherings, parties, or late-night discussions when both parties may be tired.

Spend time reflecting on pinpointing how you feel and behave when you feel attacked or want to attack. Often, "always" and "never" are telltale signs the discussion has gone off track. When you notice the feelings or behavior pattern, respectfully step away or ask a clarifying question to bring the discussion back to the centre.

3. Acknowledge Strengths and Weaknesses

Identify your strengths and where you can add the most value to the company and stay in your lane. A business is more productive when both parties play to their strengths and set aside their egos for the business's mission and the power of their partnership. No one individual can do everything; you went into business together for a reason.

Valuing each other's roles, responsibilities, authority, strengths, and weaknesses are where setting clear and acceptable boundaries is vital. Working toward recognition and respect protects you and your siblings from damaging judgments and actions that affect the business and family ties.

4. Respect

To be respected, one must first respect others. Working in the same business with any family member means respecting other professional opinions and personal experiences outside the workplace. There is a lot of gray area in mixing family with business. For example, a family member may not agree with an approach to raising a family or managing personal expenses, but that doesn't necessarily mean it is wrong - it may just be different.

Pros and cons of sibling partnerships

The advantages of partnering with a sibling are obvious:

- The threshold of trust is already established. You share a family, which means your history and ongoing interests are enmeshed, and you've already spent decades observing each other in a variety of situations that give you enough data to judge character and integrity.

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- There are no secrets or surprises. Unlike a colleague or even a friend, your sibling knows the quirks that you've had since you were too young to hide them and has had time not only to accept them but also to learn how to work around them. And you probably already worked out the different communication styles at the dinner table or in the rec room.

But is that enough? The risks of partnering with a sibling are substantial and hard to overcome. Consider the following factors and remember that failing to acknowledge the issues upfront can render an important personal relationship particularly vulnerable to the stresses of a business environment.

Family dynamics are uglier when they manifest outside of the family. Whatever roles and habits were present in your childhood are likely to return once you are in high-pressure situations together. When the older sibling expects to be able to boss the younger sibling, it can lead to serious resentment and a suitcase full of emotional issues dating back to birth. Or if the rivalry that defined your childhood threatens your ability to collaborate, it can destroy your operations or disrupt your ability to meet clients' needs.

Pressure is more intense when family is involved. Whether you're trying to resolve a conflict or have to make a tough call that affects your partner negatively, it's harder to do knowing you'll have to live with the consequences in your personal life.

Separating personal and business will be even harder than ever. Unless you ban business talk at family functions or follow strict protocols for communicating negative emotions in a business setting, the lines will be blurred and it will complicate your life and make it more work-focused.

Formalities tend to take a back seat. It can feel weird to put things in writing when it's your blood relation, so the operating agreement and documentation for roles, responsibilities and compensation are more likely to be left undone.

It's harder to leave. If the partnership doesn't work out or if the business is heading in a different direction, it can be more difficult to walk away because you can't just cut ties—or you can, but it will have so many more repercussions.

So what can you do if your sibling is the best candidate for partnership? There are five concrete steps you can take to mitigate conflict and avoid a family feud:

1. Don't take anything for granted. Take the extra time to talk through scenarios and consequences before you make a decision. Check in often to make sure the lines of communication are open.

2. Be proactive. Ask the hard questions about feelings, especially when there are signs that unrest or dissatisfaction is brewing. Go the extra mile when you can. Plan ahead to avoid contentious conversations around the holidays when you'll see each other more outside of work.

3. Establish boundaries for family lore. Decide in advance whether it's okay to talk about family drama, history or rumors with employees and colleagues and even if you don't ban them, consider carefully what each story says about you as company leaders so you don't compromise either person's authority or credibility.

4. Make it official. Hire lawyers, draft agreements, establish and follow operational protocols. Treat each other like colleagues when you are on the job. It may feel unnatural at first, but over time and as conflict arises, it will help to have some boundaries built in to protect your professionalism.

5. Plan for the end. Make a game plan for how to handle your business affairs if someone decides to leave. It's a real possibility even if business is great (think health issues, family needs, other opportunities) and knowing what the process will be takes away some of the anxiety for both of you and normalizes the situation because you've talked about and planned for it just like any other scenario.

Cousin consortium

A cousin consortium is a term used in family businesses when ownership passes to a group of cousins. This is usually in the third generation of the business, but can also happen in the second generation.

In a cousin consortium, the family is usually larger, more diverse, and the business is larger and more complex. Typically, few family members are employed in the business at this stage. Several non-family members join the business and some cousins hold simply a board role.

In a cousin consortium, each stockholder must be educated and involved in the decision-making process in order to maintain harmony and avoid conflict. In the cousin generation, there are more family members than director slots. In many instances, the family has moved to strengthen the board by adding talented, independent directors.

Family Business from the Cousins' Perspective

Cousins and the world in which they grow up are vastly different from siblings and the world that shaped them. These changing conditions have a profound impact on family dynamics and on how cousins can most effectively own and run a business together.

Consider the following:

Siblings have more shared experiences than cousins do. Siblings generally grow up together in the same household and share the same set of parents. Cousins aren't subject to the kind of intimacy that brothers and sisters share. The cousins grow up in separate households and have different sets of parents.

Brothers and sisters are likely to experience that intense phenomenon known as "sibling rivalry." Patterns of behavior developed at an early age can haunt their adult relationships. As one man in business with his older brother complained, "I'm 40 and my brother is 44, but there are times when suddenly I'm 10 again and he's 14." Nevertheless, strong feelings of kinship exist between siblings and they look out for one another.

While there's less rivalry among cousins, there is also less of a sense that "we have to take care of each other." But cousins have the opportunity to enjoy friendships with each other that are unencumbered by the shared and often "loaded" childhood experiences of siblings.

While siblings may stay geographically close, work in the business together, and share similar values, cousins become more diverse. Many leave home and settle into other communities. Values and points of view diverge, influenced by the spouses that the siblings brought into the family and ultimately by the cousin's own spouses. Some cousins may join the business, but most typically make different career choices. Not everyone in the cousin group feels the passionate commitment for the business that nearly everyone in the family had in the founder and sibling stages. Some cousins may not even wish to be owners of the family business.

Diversity and loosening family ties in the cousin generation pose two major challenges: How to build shareholders' voluntary commitment to the family enterprise? and How to hold the family together?

Changing Conditions in the Business

The changes that take place in the family as it moves from siblings to cousins result in changes in the family's business as well. Here are some key examples:

- In the sibling stage, most or all of the family members work in the business. But in the cousin generation, proportionately fewer family members are likely to be employed in the business. Many of the cousins may not have the skills needed by the business or may simply wish to pursue careers in other fields.

- Family members usually hold the top family business leadership positions in the sibling generation. In the cousin stage, there's a higher probability that non-family executives will rise to CEO, chairman, or other key posts.

- In the sibling generation, all or nearly all the family members serve on the board of directors. In the cousin generation, however, there are more family members than director slots and in many instances, the family has moved to strengthen the board by adding talented, independent directors.

- The family enterprise most likely began as one business. By the time the cousins arrive on the scene, it may well have evolved into a complicated portfolio of subsidiaries and independent businesses with interlocking ownership—different corporations or partnerships owned by various configurations of the family.

- Equal treatment of family members is often a key to success in the sibling stage. Siblings may inherit equal shares of the business, have equal pay, and have an equal voice in decisions. By the cousin stage, treating everyone the same is typically no longer realistic or viable. Compensation is more likely to be based on market rates and merit. Additionally, some cousins may inherit larger ownership positions than others. While equality may help siblings to avoid conflict, forcing equality on cousins who bring different skills and talents to the family business can lead to the very conflict that equality was suppose to avoid.

Moving to a "Cousin Collaboration"

All of the differences described above have implications for how the family is organized and for how the business is managed in the third stage. A Sibling Partnership was the center of the family organization and of business leadership and ownership in the sibling generation. Now that the family and the business are both larger and more complicated, the family must move toward a different form of teamwork and leadership. We call it the "Cousin Collaboration."

We like the word "collaboration" because it has such a positive connotation. The very definition of "collaborate" is "to work together." The key to a Cousin Collaboration is that it is voluntary. Each of the individuals involved is making a conscious commitment to work together with the others toward certain agreed-upon goals.

In a true Cousin Collaboration, the cousins come together because it's something they want to do. They aren't coerced by their parents to do it, and while they may be influenced by their history and the legacy that the business represents, they don't feel bound by their history and that legacy. They also know they have the freedom to opt out. By this time, the family has probably given deliberate attention to liquidity issues and drawn up guidelines whereby family members can sell shares.

A goal of the Cousin Collaboration is to make remaining an owner so satisfying that opting out is rare. Maintaining the commitment of shareholders is important because doing so helps to hold the family together and to retain financial and leadership resources for the business. It represents the next generation of the healthy family/healthy business paradigm necessary for family business success.

4 Traits Common to Successful Teams, Marriages and Boards

A leadership team, a married couple, and a board of directors are so very different! But they actually have a lot in common since each has a strong potential for conflict and yet cannot accomplish its mission without effectively working together. Here are 4 traits that contribute to success in each of these unique relationships.

1. Higher ratio of positive conversations than negative

People who successfully work together over the long term consistently have more positive interactions than negative ones by a ratio of 5:1. It's not that they never disagree or have conflict, but rather it's all about the ratio. Research has consistently shown that building strong relationships at work and at home is more about having the right ratio of interactions than it is about having no negative interactions. While most of us don't carry an interaction tracker in our pocket that technically monitors this, leaders would be wise to monitor it with intentional self-awareness.

2. Agreed upon expectations and priorities

Austrian Holocaust survivor, neurologist, and psychiatrist Viktor Frankl once said, “What man actually needs is not a tensionless state but rather the striving and struggling for some goal worthy of him. What he needs is not the discharge of tension at any cost, but the call of a potential meaning waiting to be fulfilled by him.”

When people work together towards a compelling vision, they can overcome and overlook a lot of other hindrances and limitations. For example, without agreement, couples can struggle regarding whose career will take precedence; leadership teams can struggle with what priorities to pursue; and boards sometimes wrestle with what their responsibilities are compared to a CEO. It’s extraordinarily hard to walk in the same direction unless you can agree on where you are going and how you are going to get there.

3. Psychological safety

Ever notice that some people are prone to provoking and feeding off of conflict? Others often feel a sense of uncertainty or even fear when engaging them – as if they need to be on guard for fear of being tricked or attacked. In a 2017 Harvard Business Review article, Dr. Laura Delizonna stressed the importance of psychological safety as it relates to high performing teams. If a person fears being punished for making a mistake, they will be less inclined to take risks and will spend an inordinate amount of time and energy protecting themselves rather than leading or serving others.

4. Abundance of flexibility and forgiveness

One difference between a single person and a team of two or more such as a board, marriage or leadership team is that when you have two or more people, you need to show flexibility and grant forgiveness in order to be successful. Why? Because you’ll never get everything you want. Each relationship requires compromise. And as I once read, if one of us is smarter than the rest of us, the rest of us aren’t needed. God created teams from the very beginning because he believed two are better than one. But as Dr. Daniel Goleman notes in his work on emotional intelligence, this is only true when the two or more people have a reasonable sense of harmony.

Mom-and-Pop is a popular informal phrase that refers to a small independent firm run by family members. These businesses are usually brick-and-mortar establishments. Family-owned retail outlets include grocery shops, bookshops, restaurants, cafes, bakeries, pharmacies, and automotive repair shops.

Building a working relationship with a spouse:

- Communicate effectively: Open communication is a key part of any relationship. It helps you understand each other's ideas and intentions.
- Be assertive: Assertive communication is a clear, honest way of expressing your point of view while respecting your partner's. Try using "I" statements instead of accusatory "you" statements.
- Keep work and home separate: Treat your work like any other job, regardless of your spouse's involvement in it.
- Develop a work-life balance: Avoid always speaking about work.
- Set boundaries: Create separate workspaces.

Other tips for building a healthy relationship include:

- Working on communication skills
- Adjust your expectations
- Create rituals
- Plan dates and surprises for each other
- Plan for roadblocks
- Give each other space
- Be active together
- Keep and follow through on commitments
- Listen empathetically
- Be present with your partner
- Ask questions to better understand them and your relationship with them
- Continually deepen your own self-

awareness **8 Actionable Tips for Couples Working**

Together

Many couples do well together because of their shared interests and complementary personalities. This can also lead to shared work goals and the drive to build a career in the same field. It's also common for couples to first meet at work since this is where you spend most of your time, so there is the chance that you'll find yourself working with your significant other. In this article, we provide some tips you can use to make sure your personal and professional lives continue to succeed.

1. Develop an appropriate work-life balance

Work-life balance is important even if you don't work with your significant other as it can contribute to greater job satisfaction, increased productivity and more focus on both personal and professional responsibilities. When you work with your significant other, a work-life balance can also help you dedicate time to your lives together outside of work and allow you to continue to succeed in the workplace in your respective roles. One way to establish a work-life balance is by taking paid time off together if possible.

2. Keep personal issues out of the workplace

It's natural to disagree as a couple, but it's crucial that these personal issues remain out of the workplace. Especially if you regularly interact with your significant other at work, like if your department and theirs collaborate often or if you both work on the same team, remain positive at work and continue to produce the same quality of work as you normally would. It's important to find ways you can continue to work together, so the team remains productive, projects finish on time and other coworkers and managers aren't affected by your current struggles as a couple.

3. Remain fair at work

It may come naturally to you to approach your significant other when you need to delegate work or ask for an opinion. However, consider how much it would benefit your workplace and your relationship as a couple to disperse the work fairly. You can show your coworkers that you value their work and experience and that you don't show favoritism, and you can also avoid overloading your significant other with work.

Also, you may find yourself in a situation where your significant other is responsible for pitching an idea or giving a presentation to you, along with their coworkers, for your approval or selection. Fairness is important here so your team knows you're judging their work in the same way as your significant other's. The act of fairness also benefits the organization because you're selecting the best person, project or pitch for the job you need.

4. Practice effective communication

It's likely that you communicate with your significant other in a way that differs from how you speak with the other people you work with. Explore how your communication with everyone, including your partner, can be effective, productive and free of misunderstandings. You can start by understanding each person's communication style and making sure that you match it in a way that also showcases your own. You can also make sure you're effectively communicating with your partner by speaking to them as you would any coworker, saving the personal conversations and nuances of your relationship for outside working hours.

5. Set boundaries

Boundaries are imperative for any couples working together because it gives you both the space to perform your work without the involvement of the other. Unless you are collaborating on a shared project, consider setting certain hours throughout the workday for non-work-related interactions, like during lunch and any small breaks your employer may encourage. These boundaries can help you both focus on your work and remain productive in the tasks you're responsible for. Plus, you may benefit from the time apart, allowing you to appreciate the time together after work even more.

6. Avoid always speaking about work

Even though you work together and it can be tempting to speak about work during non-work hours, remember to continue to enjoy conversations that are about your family, hobbies and interests. Speaking about topics other than those related to your employer can help you with adhering to the boundaries and priorities you've set while also keeping your relationship fun. Especially if you're going through a stressful time at work, avoiding work talk during your relationship time can prevent added frustrations in your personal life so you have the space and ability to enjoy your events and activities outside business hours.

7. Ask for work advice

Even though you may not want to talk about work all the time outside of working hours, consider taking the time to discuss work in certain circumstances. For example, you may be managing a situation at work that is new to you and you may be unsure about your next steps. If you speak with your partner about your situation, and thoughts surrounding it, they may be able to use their knowledge about the workplace and you as a person and provide you with valuable insight on how you can handle the position you're in.

However, your partner may have some bias because they want to see you do well, so before heeding their advice, consider if it's the best option for you. Think about their response and if it makes sense in the circumstances you're in, plus if you feel comfortable taking the steps they've proposed.

8. Create separate workspaces

It's becoming increasingly common for partners to work together from home, even if you work for separate companies. Working together in this way can be positive for several reasons, including your ability to work the same schedule, easily take breaks together and spend more time together because you no longer have to commute. However, if you're able, consider setting up two different workspaces so you can mimic the feel of an office environment, which can naturally contribute to more focus, motivation, productivity and creativity.

It may be tempting to converse with your partner when you're both working from the comfort of your own home, but maintaining the separation as an office environment would provide can also benefit your relationship because of a positive work-life balance.

Figuring Out Our Differences

Working with a spouse can be a huge blessing. There's freedom and flexibility, and it's often fun working together. Krista and I have really enjoyed being able to say yes to adventures that we wouldn't have been able to go on when we were working our 9-5s.

But it can also be challenging. Unlike a typical co-worker, your spouse probably feels completely comfortable challenging your ideas and telling you exactly how they feel. Or sometimes you might not communicate something because you assume your spouse will feel the same way you do.

You won't believe the number of times I've said to myself, "Of course she'll think this is a great idea. How could she not see this as a great idea!?"... only to find that she didn't think it was a great idea.

As we transitioned into working together, we quickly figured out that one of the only ways to make this work and still stay married was to understand each other and communicate appropriately.

The Personality Test

Last year we had the opportunity to go through a leadership development program, and one of the first things we did was take the 16Personalities personality test. There are so many to choose from, but we like this one because it incorporates the popular Myers-Brigg model (although another test we enjoyed taking was the StrengthsFinder test).

Krista is an ISTJ. ISTJs are quiet, serious, practical, down-to-earth, responsible and dependable. They're nicknamed "Inspectors" because they rely on logic and work steadily to complete their tasks. They're extremely organized, love routine, they need a clean work environment and a clean home (Ralph the Roomba is Krista's favorite gift of all time). Krista communicates what is on her mind and, mostly, controls her emotions. But she can sometimes unintentionally come across as harsh.

(As a fun side note, she hates that I'm sharing this because her personality type says she's more likely to be an accountant, a dentist, a surgeon, a librarian or a lawyer—yet she's a designer. But I think it's pretty cool.)

As an ENFJ, I tend to be more attuned and sensitive to how others are feeling. Accurately nicknamed "Teachers" (I used to be a high school teacher and coach), they are big believers in people, and enjoy guiding and rallying people together. They tend to be tolerant, reliable, and altruistic. But, they can become indecisive when having to make decisions that do not have a clearly desirable outcome.

It's easy to see based on our personalities why communication occasionally breaks down and we argue. If I have an idea, I often take Krista's interrogative tendency as an attack on the idea. Most of the time her questions aren't meant to tear down the idea; rather, it's just her way of logically processing it and working through its practicality.

Krista is able to organize her day into a to-do list, and tackle each item with little distraction. She rarely has days where she doesn't complete the items on her list. I am also organized and create a daily to-do list, but have a tendency to follow ideas "down the rabbit hole." It doesn't mean I don't complete what I need to do, it just means I sometimes take a little more time do so.

My tendency to get sidetracked while researching or writing used to be a point of frustration for Krista. But she eventually realized that it was simply how I processed things, and it often led to the creation of some our best ideas.

5 Tips for Working with Your Spouse: How We Make It Work

Understanding ourselves and each other has allowed us to implement systems in our day to make sure we work well together. Much of what we have learned has to do with communication, and I think our marriage has also benefited as a result.

Here are three things we implemented into our workdays:

1. WE WRITE NOTES TO EACH OTHER EVERYDAY (WE OVERCOMMUNICATE).

We didn't start doing this as a romantic activity. Writing forces more thoughtfulness than speaking. When we write, we have to articulate and thus reflect on how we feel. And it also gives the writer an opportunity to say something without any immediate judgment—there are no facial expressions expressing anger, joy, frustration, happiness as a note is being written. It's a safe place to think, process, and articulate.

Related: Why We Write Letters to Each Other Everyday

This has been a helpful activity for me because it helps me process whatever's going on. If I'm stressed, writing it down often helps me either organize it or makes me realize that it's something so silly I shouldn't worry about it. If I have a new idea, writing it forces me to think through it thoroughly before explaining it to Krista. And it also gives me an outlet to tell Krista how I'm feeling.

It's been beneficial for Krista because she gets some insight into what I'm thinking and feeling, which are often things I don't verbalize. Additionally, she has space to warm-up to and process new ideas instead of barraging them in a pile of questions.

Oh, and the first rule of note-writing, is that we don't talk about the notes before both parties have had a chance to write one.

Each note is a little different, some shorter and others longer, and many of them are lighthearted. But this activity has made the biggest positive impact on our marriage and work-relationship in recent memory.

This is something we did every day before we have kids. It has been more challenging to do this consistently post-kids, but it's still an activity I highly value.

Photo by Annamarie Akins Photography

2. OUR DAYS HAVE THE SAME RHYTHM.

We're big believers in creating a daily routine, and we try to follow the same routine every day. This doesn't mean we do everything together in the exact same way, but it does mean that our days have the same rhythm.

We both wake up early. I am up by 4 a.m. each morning to get some quiet time in before diving into some "deep work." Krista gets up around 5 a.m. each day and does the same. The kids get up at 7 a.m. and then we're back to work around 9 a.m. We both try to have our work-day wrapped up by the time the kids get home from school at 3 p.m.

Our most productive hours are in the morning so we are usually busy working on projects then. We take walks every few hours where we can discuss what we're working on and whatever else is happening.

We save meetings until the afternoon because we're generally a little less focused on projects and tasks by then. We'll both usually get workouts in some time either in the afternoon or evenings.

The later afternoons and evenings are spent with the kids. We try to spend as much time outside as possible—whether it's riding bikes or getting some gardening in. We go to bed early, and view that as the start of the next day (I'm a big believer in sleep!).

It's not so much about the routine itself as it is about the rhythm of the day. Out rhythm allows us to prepare for our day at the same time, get our most important work done at the same time, and relax at the same time.

3. WE MAKE ALL OUR DECISIONS TOGETHER.

When working with a spouse it can be easy to assume they'll be okay with something. Maybe it's committing to a project or event, or perhaps it's not checking in about a decision because "they'll get over it."

After lots of mess-ups (lots and lots of mess-ups), we made the commitment to one another that we'll make every decision that involves the two of us together—even if it only indirectly involves one of us. This simple change has led to better dialogue and less arguments.

(Admittedly, I was usually the one at fault here—see above of-course-she'll-think- this-is-a-good-idea comment.)

For what it's worth, this is something to which we continually have to recommit.

I think it's important to mention that we are still figuring out much of this as we go. It's not as if we sat down at the outset of working together, took a few personality tests, and then riding on rainbow of love completely understood each other from that moment on. We argue and fight. Sometimes we say things we don't mean. But we always try to learn from our mistakes and move on.

And while the personality tests can be helpful tools to help you better understand yourself and each other, don't use it to put yourself or your spouse in a box. The biggest improvements in our working relationship (and marriage), have come through intentionally reflecting on our relationship and communicating with each other.

4. WE GET CLEAR ON ROLES AND RESPONSIBILITIES.

It seems like it's easy for spouses to assume they know each other's roles and responsibilities. At least that's the trap we often fell into...

Putting our responsibilities on paper helped us define each other's area of focus and keep each other accountable. We've found that it gives each of us "ownership" over parts of the business and an understanding of how we can each make an impact in the business.

More than defining roles and responsibilities, however, it was important that we saw each other's roles as equally important. This can be a hurdle when one spouse is joining the other's business.

Some tips that have helped us get clear in this area include:

- Putting everything on a shared calendar. If it's a commitment, it goes on the calendar.

- Having open conversations about each other's strengths and weaknesses. Not always an easy conversation to have, but completing some sort of personality test together helps us each identify "blind spots" in a way that doesn't feel antagonistic.

- A weekly meeting: It can be easy to skip this since we sit next to each other all day, but we've found it's critical to have intentional time to connect.

These things evolve over time...

5. WE REVISIT OUR WORKING RELATIONSHIP EVERY QUARTER.

Businesses—and business relationships—evolve. We've found that it's important to put time on the calendar to check-in with each other to see how things are going. Each quarter we take some time to revisit our roles and responsibilities to make sure they still make sense.

This meeting often lasts a mere 15-minutes. But occasionally we find that a role or responsibility needs to be redefined or delegated to someone else.

While we try to check-in with each other on a more frequent basis, we've found that having time set aside on the calendar for this specific purpose has helped us better communicate how we're feeling about the business and our current responsibilities.

Common threads of successful spouse teams

A leadership team, a married couple, and a board of directors are so very different! But they actually have a lot in common since each has a strong potential for conflict and yet cannot accomplish its mission without effectively working together. Here are 4 traits that contribute to success in each of these unique relationships.

1. Higher ratio of positive conversations than negative

People who successfully work together over the long term consistently have more positive interactions than negative ones by a ratio of 5:1. It's not that they never disagree or have conflict, but rather it's all about the ratio. Research has consistently shown that building strong relationships at work and at home is more about having the right ratio of interactions than it is about having no negative interactions. While most of us don't carry an interaction tracker in our pocket that technically monitors this, leaders would be wise to monitor it with intentional self-awareness.

2. Agreed upon expectations and priorities

Austrian Holocaust survivor, neurologist, and psychiatrist Viktor Frankl once said, "What man actually needs is not a tensionless state but rather the striving and struggling for some goal worthy of him. What he needs is not the discharge of tension at any cost, but the call of a potential meaning waiting to be fulfilled by him."

When people work together towards a compelling vision, they can overcome and overlook a lot of other hindrances and limitations. For example, without agreement, couples can struggle regarding whose career will take precedence; leadership teams can struggle with what priorities to pursue; and boards sometimes wrestle with what their responsibilities are compared to a CEO. It's extraordinarily hard to walk in the same direction unless you can agree on where you are going and how you are going to get there.

3. Psychological safety

Ever notice that some people are prone to provoking and feeding off of conflict? Others often feel a sense of uncertainty or even fear when engaging them - as if they need to be on guard for fear of being tricked or attacked. In a 2017 Harvard Business Review article, Dr. Laura Delizonna stressed the importance of psychological safety as it relates to high performing teams. If a person fears being punished for making a mistake, they will be less inclined to take risks and will spend an inordinate amount of time and energy protecting themselves rather than leading or serving others.

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One difference between a single person and a team of two or more such as a board, marriage or leadership team is that when you have two or more people, you need to show flexibility and grant forgiveness in order to be successful. Why? Because you'll never get everything you want. Each relationship requires compromise. And as I once read, if one of us is smarter than the rest of us, the rest of us aren't needed. God created teams from the very beginning because he believed two are better than one. But as Dr. Daniel Goleman notes in his work on emotional intelligence, this is only true when the two or more people have a reasonable sense of harmony.

To understand what makes a relationship successful, researchers have trawled through countless factors, societal norms, and patterns for decades. Despite the myriad differences in human personality, several common denominators emerge that shape the broad outlines of a healthy relationship. From communication preferences to the importance of mutual respect, these commonalities offer insights into the dynamics of successful relationships.

1. Avoiding Text Fights

In the age of digital communication, one trend is becoming increasingly clear: successful couples do not fight over texts. Electronic communication often lacks the nuances and tones inherent in face-to-face conversation, leaving a lot of room for misinterpretation. Misunderstandings often escalate into conflicts that can be avoided by simple face-to-face or telephone conversations. Therefore, successful couples tend to avoid important discussions and possible disagreements in their text conversations.

2. Child-Free Choices

Although this is not a universal rule, some research has shown that couples who choose not to have children report higher levels of relationship satisfaction. Choosing to remain childless can provide couples with more opportunities to focus on each other and their mutual interests, fostering deeper connections and understanding.

3. Influence of Married Friends

Friends can greatly influence our personal lives, including our relationships. Couples surrounded by friends who stayed married tended to have more successful relationships. This may be due to the social strengthening of marriage or the positive impact of observing successful relationship dynamics.

4. Early Conflict, Later Resolution

It's not uncommon for couples to fight early in the relationship. This is often part of the process of setting boundaries and balancing expectations. Successful couples often report more conflict early-on in their relationship, which then subsides over time as understanding and compatibility increases.

5. Birth Order Influence

There is an interesting connection between birth order and the success of a relationship. Relationships consisting of a firstborn and a lastborn often prove successful because of complementary traits and behaviours that are influenced by birth order. Firstborns, who are often responsible and organized, complement the more free-spirited and adaptable lastborn.

6. Division of Household Labor

In successful relationships, couples often have clear ideas about who does what in the household. This does not mean that the tasks are always distributed equally, but that there is an amicable division of labour that works for both sides, eliminates potential conflicts and promotes harmony in the household.

7. Feminist Ideals

Successful relationships are not limited to a specific sexual orientation. They can be gay, straight or anything in between. However, they are often characterized by feminist principles, such as equal power distribution, mutual respect and shared decision-making. These values support the development of balanced, respectful and mutually satisfying relationships.

8. Perceived Attractiveness

In heterosexual relationships, a surprising finding is that relationships are often happier when the husband sees his wife as more attractive. This could be related to an increased sense of pride, reduced insecurity, and a strong sense of appreciation.

9. Best Friend Bond

Successful couples often refer to their partners as best friends. This friendship fosters a deeper emotional intimacy that is the foundation of any successful relationship. This strong emotional connection and mutual understanding make it easier to cope with life's ups and downs.

10. Shared Social Circles

Couples who share many friends tend to have more successful relationships. A shared social circle can enhance mutual understanding, shared experiences, and social connectivity, all of which contribute to relationship satisfaction and longevity.

11. Similar Spending Habits

Financial disagreements are among the biggest sources of conflict in relationships. Successful couples often have similar spending habits or a similar understanding of their financial decisions. This doesn't necessarily mean that both partners have identical views on money, but that they share a similar financial philosophy or have found a way to harmonize their different approaches to spending and saving.

12. Maintaining Physical Intimacy

Physical intimacy, including sex, is an essential part of romantic relationships. This creates a feeling of connection and closeness. Research has shown that couples who engage in sexual activity at least once a week tend to have more satisfying relationships with others. However, it's important to note that when it comes to sexual intimacy, quality is often more important than quantity.

13. Celebrating Each Other's Achievements

One of the most encouraging commonalities in successful relationships is the partners' tendency to celebrate each other's accomplishments. This act of shared joy strengthens the bond between partners and shows support, pride, and mutual respect. It's a way of saying, "your success is my success", and thus reinforces the idea of partnership and progress together.

Conclusion

While these commonalities offer valuable insight into the dynamics of successful relationships, it's important to remember that every relationship is unique. What works for one couple may not work for another couple, and successful relationships can come in many forms and configurations. The most important factor, regardless of these similarities, is that both parties in the relationship feel respected, loved, and valued.

Ultimately, it's about finding the balance and strategies that work best for you and your partner, encouraging open communication, and fostering bonds of love and friendship. By focusing on these common themes, couples can gain insights that will enrich their relationships and create a journey together that will stand the test of time.

Beating the stresses of mom-and-pop partnerships:

What is Mom-and-Pop?

The term mom-and-pop describes the small business entities that are independent or family-owned. It is in contrast to big-box stores, such as Walmart, Home Depot, Starbucks, and Pizza Hut. Mom-and-pop stores comprise a wide variety of businesses, including restaurants, groceries, repair shops, etc.

Under the investment concept, mom-and-pop can also be used to describe investors who are inexperienced and investing minimally in the equity market.

Summary

- Mom-and-pop stores refer to small business entities that are independent or family-owned.
- A mom-and-pop shop usually operates in a single location. It provides personalized products and services to the local community.
- Mom-and-pop shops gain competitive advantages through their personalized products, interactive service, and customers' concept of supporting the local economy.

Understanding Mom-and-Pop

Businesses Characteristics

Mom-and-pop shops are usually family-owned and controlled. With limited capital investment, they handle small business volumes and run with minimal numbers of employees. Typically, the shops are not franchised and only operate at single locations. Therefore, their customers are mostly from local communities. Their products and services are more personalized.

Mom-and-pop stores are generally in the structures of partnership, limited liability company, or an S corporation. By starting up a store as a limited liability company, the owner is not personally liable for the debts carried by the store.

The structure of an S corporation was firstly introduced to benefit the mom-and-pop store owners. By operating in such a structure, the owners face limited liability and can run the business with perpetual life as a corporation, but at the same time, they can also avoid double taxation as a corporation.

Opportunities

Big chain stores typically provide standardized products to their customers for better quality control. A customer can get the same Big Mac at the same price from any McDonald's store. On the other hand, mom-and-pop shops provide more personalized products and interactive services.

Nowadays, personalized products and services are becoming more appealing to customers. It helps mom-and-pop stores to compete with the big stores and win customer loyalty from the local community. Additionally, with the development of technology, especially the internet and social media, mom-and-pop stores are getting more exposure to people in a greater geographical area. Their potential customers are no longer limited to people in the local community.

Another opportunity for mom-and-pop shops is the concept of supporting local economic growth. Customers are more willing to buy local products to support their community, as well as promote local economic growth. Mom-and-pop business owners can leverage the concept by operating with positive externality, i.e., providing environmental-friendly products.

There are opportunities for the well-performing mom-and-pop shops to expand. Many large companies were initially established as mom-and-pop businesses.

Whole Foods is one example. It started as a small store only selling natural foods in Austin, Texas. Then, they expanded by merging with another natural foods store. It now operates about 500 stores in the U.S., U.K., and Canada.

Risks

Despite the opportunities discussed above, mom-and-pop stores face many disadvantages when competing with big-box retailers and franchise stores. Large in size, the larger business entities enjoy economies of scale, which can significantly lower their operating costs.

Therefore, the local small stores are essentially disadvantaged in pricing competition. Also, large companies can allocate substantial amounts of capital for investment. It allows them to spend more on advertising and innovation.

Mom-and-pop shops are very financially vulnerable. They face limited sources of financing and mostly rely on bank loans. When the economic condition is unfavorable, such small stores may run out of cash quickly and face liquidity problems with limited capital.

Compared to the large companies that operate in multiple geographical locations, mom-and-pop shops are more sensitive to the changes in local markets. If the market of a specific geographic area does not perform well, large businesses might be able to cover losses in one market with gains from other markets. In contrast, the mom-and-pop stores will be greatly hurt without risk diversification.

Mom-and-Pop Investors

The term mom-and-pop can also be used to describe less experienced investors. Mom-and-pop investors invest very small amounts of their money in the equity market. They do not expect large amounts of returns from their investments and also bear low risks.

Due to a lack of experience, mom-and-pop investors can be irrational and impulsive to the fluctuations of the stock market. Such behavior may adversely impact their returns of investment. To address the problem, investors can hire financial professionals, such as brokers, or invest in mutual funds, which are managed by experienced portfolio managers.