



## Family Business Challenges And Opportunities

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### ABSTRACT

*Family Business goes through various stages of growth and development over time. Many challenges are found once, the second and subsequent generations enter the business. Every business has its unique set of challenges and problems. The Family Business is in no other way different. Family-owned business like Tatas, Birlas, Ambanis, Godrej, Wipro, Essar, Bharti and Murugappa Groups are dominating the country's Corporate Sector however, still facing challenges such as appointment of successors, Talent-infusion, Governance and transparency in functioning etc. Just see the Reliance Group which has been split between the two Ambani brothers Mukesh and Anil ; the Tata Group too, had been searching since long for a successor to Chairman Rattan Tata. Using sound principles, family experience helps in determining family's vision for the life, one wants to live ; in developing a strategic plan to achieve that vision and using proven-planning, communications and team-building tools to make it a reality.*

**Keywords : Corporate Bastion, Family-Centric, Stepping Stones, Career Pursuits, Talent-Infusion,**

### Introduction

**B**lood runs thicker. Keeping within the tight-knit family Unit is a good way to get family business ahead. We may take here, the examples of the TATAS, the BIRLAS, the BAJAJ'S and the AMBANIS who are ruling corporate bastions and know it better that they have achieved it because they are the intelligent entrepreneurs. Indeed, India has a strong hold of successful establishments and its immemorable history. The dynastic Institution in business is nothing new to our country. Family business thrives here because we the Indians lend to be primarily family centre, and have a long historic tradition of profession being passed on from generation to generation Father & Son or, Mother to daughter.

By taking few examples, we may better understand that it is the family business suppose, a lady after doing fashion designing course joins the hand of her mother and sets up a garment business. She takes care of designing clothes while her mother looks after sourcing and execution of the project in Marketing. Her father and brother looks the day to day activities of the project where around 60 workers are on the job. Her own sister and cousin too are managing finance, accounts and other external activities of the business. So, it is called Family Business. We may take one more example of it suppose, a young man of 25 after qualifying the course of Chartered Accountant joins the hand of his father, already a practicing C.A. since 1990. And, his grandson at later stages comes into the same profession after him. So it will be third generation doing the same Family Business, while his grandpa is continuing the promising over-whelming profession of its own.

Undoubtedly, joining the established family-run-business by the closed blood relation is the old customary of our country because we Indians are used to be family-centric and have had a long historic tradition of professions being passed on

from one hand to another in a close blood relation. It becomes readily available most obvious career choice for the children born within the family. Notwithstanding, Tata Sons have recently announced that Cyrus P. Mistry, the 43 year old Managing Director of Shapoorji Pallonji Group will succeed Ratan Tata in December, 2012 which is an exception to it. The appointment of Cyrus Mistry has been termed as good and far-sighted choice of Mr. Ratan Tata.

A successful successor is that who has identified goals and vision for the business, and has ability to manage the show suitably. One who puts one's efforts to develop a good relation with employees, customers, suppliers financier and other regulatory bodies, is named as successful successor. Cyrus P. Mistry named as successor to Ratan Tata bears such quality and experience to run the big conglomerate \$ 83-Billion Tata-Empire successfully. Entrepreneurship refers to the process of doing new things or doing things differently in a new way. It can also be described as a creative and innovative response to the environment. It constitutes activities transforming them into the viable business reality.

Family businesses at Small Scale level are often affected adversely owing to poor management, higher fixed cost, marketing or, financial problems; sometimes due to certain factors which are beyond the individual reach like mechanical/financial breakdown, sudden decrease in demand and new government regulations, on the way. That is why there are many such occasions when an entrepreneur has to face failures, even though he/she tries his/her best to succeed. There are some factors which are beyond his/her control which deprives success. Henceforth, entrepreneur should accept failures as a part of game of the business and learn from such failures. Failures should become the stepping stones for his / her success rather than discouraging him/her in accepting new challenges. It is therefore, advised to get failures analysed critically and find the ways and means with a view not to be repeated in future.

Entrepreneurial world is mainly dominated by men. Women in family businesses enter into entrepreneurship but face a lot of problems, as compared to their counterparts particularly in small and medium business front.

Role of promotional agencies like National Alliance of Young Entrepreneurs (NAYE) and Industrial Development Bank of India (IDBI) is pioneering in promoting entrepreneurship among women. NAYE organizes Seminars/ Workshop / Training programs to give exposure to women entrepreneurs. IDBI has setup Mahila Udyog Nidhi (MUN) and Mahila Vikas Nidhi (MVN) sponsoring delegations and for participating in trade fairs. A major hurdle for trained women is the participation in family business as family routinely provide financial as well as emotional support for sons, not to daughters preferably. It is hereby advisable that women beneficiaries must be induced themselves to claim greater decision making authority in family business, whether these are run in their name or, not. All this may be achieved where woman is discriminated in family environment.

A great difficulty has been felt by women entrepreneurs in marketing. They often, depend on male of the family in this area, because marketing is meant mobility and confidence in dealing with external world. Women are usually faced, mobility problems, lack of self confidence and fear of success however, keep men in family for assistance. The needful managerial and technical skills are also found lacking which is a great barrier to the growth of women's business in India.

'PADRE NOBLE, HIJO RICO, NIETO POBRE' is a very famous popular saying in Mexico about Family Owned Businesses, means 'Father, the founder of the company, son rich, and grandson poor'. Obviously, the father works hard and establishes a business at his own, the son takes it over and enjoys with riches, makes it grow while in the third generation, the grandson inherits the business of family with empty bank accounts. No doubt, every business organization has a unique set of challenges and problems. The family business is no different. Family business go smoothly, gets growth and develop over the times but problems naturally arise when the next generation comes on to the throne, and takes over the business. In order to avoid the poor show or, poor house business, we may extend help to those who come in family business as subsequent successor with following challenges :-

01. Family Disputes, exist in most of the business family houses because of generation gap.
02. Favouritism, speaks when the person who deserves is not chosen for succession, because fever of favouritism prevails in family.
03. In-House Eruption of Emotions, results in gaps when separation/divorce cases come on the way.
04. Communication Gap, among the concerned persons in the family due to fear / anger is interpreted differently.
05. Lack of Succession Planning, gives rise to Family division in thoughts, and shatters.
06. Overly Rigid and Conservative Approach, of Old family members is found usually resisting with the changes willing by youngsters by lapse of time.
07. Improper and Imbalanced Compensation, due to the accidents or, mis-happening affects the family business adversely.
08. Incompetence, causes break in family business and is proved to be a serious threat to it.
09. Lack of Active Participation in day-to-day Family Business, causes irritation and disruption which leads not easy to sail.
10. Financial Frills, Sometimes become un-manageable, and result in family division.

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11. Marketing and Managerial Math, if not handled appropriately, it disrupts the business. Sometimes, the market trend is also not predictable. Business should be made adaptable to the modern changes and modern technology.

12. Long but Constant power cuts, have become frequent feature of the day which affects industry-micro small and medium very adversely. Diesel is the next alternative to the electrical power, it is also becoming costly day-by-day. Resultantly it increases the cost of production.

13. Heavy Taxation (Including Vat Etc.) is Being Faced in Punjab, by micro/small/medium businesses, shifting frequently from Punjab to the neighbouring states.

14. The Cruel Hands of Today's Recession Across the World, is badly affecting the Family Business in India too. Punjab is not untouched to it.

15. Tight Grip of the Government and RBI Norms, make the small Family businesses sick/closed. The small and medium businessmen becomes helpless and nervous.

16. Manipulative Policy of Pollution control Board, puts the business persons in dilemma how to continue the business and how to deal with the manipulative official(s) of pollution control board.

17. Lack of Trained Manpower, a Pause on Way to Development - More than 90% workers/manpower is not completely trained for the trade/business where it is required to touch global standards in terms of quality and competition is too tough. It is really a challenge to the small/medium business houses of today.

Today, India based companies have access to more efficient sources of capital and can attract exceptional talent while expanding business at large. These changes in mind, have determined a new set of challenges, especially for those micro or, mid-sized firms that are competing internationally. India is a country where small and medium sized enterprise (SME) sector has traditionally played, and continues to play an important role in the economy. Family Business too, rely on informal finance and a nexus of personal relationships as a part of their ordinary business administration. India, in practice performs poorly in terms of enforcement due to an insufficient number of courts, their lack of specialization in corporate and security law matters and lengthy litigation procedures.

In spite of adversities and key challenges to the Family Businesses, still there are some insights/opportunities, which can bring family together at one particular platform in-tact. Few opportunities, as follow, may be kept in mind always for the success of Family Businesses. :-

01. Family Matters be kept away from the Work Place, as work and family are two different spheres of life so, it is always laudable to keep the personal and professional roles apart.
02. Be Respectful and Friendly to each Family Member while moving in Professional Capacity ; when criticizing any one business terms one should be cool and balanced.
03. Mapping out a clear path for Clear Succession in Family, who will be the next successor of the whole business on specific grounds.
04. Not Forcing to anyone to carry on, the family business whosoever wants to carry it out, he/she should carry it out willingly and contributing it significantly progressively.
05. Adopting 'Equity' for all, because biased approach is never recommended, rather equal participation be permitted all to/other than family members, so that they may feel privileged.

## Conclusion

One should determine one's family's vision for the life, one wants to live, develop a strategic plan to achieve that vision and use the proven planning, communications and team-building-tools to make it a reality.