CHALLENGES AND PROBLEMS FACED BY FAMILY BUSINESSES IN INDIA

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ABSTRACT

A family business is a business in which majority of business is controlled and managed by family members. India is having rich and glorious history of family business. Tata, Birla, Murugappa, Dabur etc. family businesses are successfully surviving more than three generations. But still family businesses are facing major challenges like succession planning, sibling rivalry, imbalance between family and business issues. If new generation respects old generation and considers their experience and at the same time old generation should consider creativity of new generation, then family businesses will have more opportunities in Indian economy.

Keywords: Challenges, Family Businesses.

INTRODUCTION

A family owned business is any business in which a majority of the ownership or control lies within a family. Family is one of the oldest surviving social system (Goode1982) and family business is the oldest surviving economic system. Family businesses exist all over the world for centuries. 80% of the world business is controlled by families. Family businesses constitute the largest size in terms of ownership contribute significant to the gross national product (GNP), total industrial employment and total exports of the country. The world's oldest family business is a construction company named 'KongoGumini' of Japan founded in 578 AD and is currently managed by the 40thgeneration. Some of largest family business firms worldwide are:

WAL – Mart (USA) – Sam Walt man Family, Samsung Group (South Korea), Foxconn (Taiwan) and Tata Group (India) India enjoys a rich and glorious history of family business. Families like Tata , Birla , Goenka , Murugappa , Bajaj , Modis , Bangurs , Mafattals , Godrej , Wipro , Ambani are surviving since more than 3 generations successfully .

Long term commitment , family bonding, loyalty towards customers and employees, social identity, hands on training experience, risk taking capacity, fast decision making , respect for generations and family culture are some peculiar features of family businesses in India.

II. RESEARCH OBJECTIVES

1. To study challenges and problems faced by Family Businesses in India

2. To Suggest measures to overcome problems and challenges of Family businesses in India

III. RESEARCH METHODOLOGY

In order to achieve the basic research objectives the researcher has used secondary data. Secondary data is collected from various journals, magazines, books, research articles, governments' reports, websites, internet etc.

Challenges and problems faced by Indian Family Businesses

1) Lack of succession planning – Indian family businesses is facing major challenge of succession planning. Succession means change from one generation to another. It means change of leadership. It also involves set of emotional issues, accepting new responsibilities, change of leadership issues. It is a revolution in which the culture of the organization is restructured by the next generation, who brings with them new ideas about how business should be run, how to develop new working practices, new staff, new loyalties etc. So succession represents a major transition with the fortunes of the firm resting on how successfully it is to be negotiated. Many times due to lack of succession planning it breaks family business causing to uncertainty among staff, suppliers, customers and family.

2) Sibling Rivalry – One of the greatest challenge family businesses faces is sibling rivalry. This happens mainly because of sharing in the family business each members get. This happens particularly when the business starts flourishing and expanding over the period. Rivalry with each other often amounts to pull each other down at the cost of the organizational resources. It leads to feeling of unjust and undue favouritism.If rivalry is not resolved well in time, it may lead to split in the family businesses e. g. The sibling rivalry of Ambani Brothers destroyed their whole family business. According to Ravichandran (2009) family businesses are found to split up like amoeba as they grow and very few of them survive beyond three generations.

3) Women of the family joining the Family Businesses – Indian family businesses are still male dominated. Now a day the role of women in the business and employing women is largely accepted and encouraged in India. Whenever the issue of women in the family businesses is raised she has to balance between her duties at home and her duties at work. Now this huge source of talent should be properly tapped by the family businesses.

4) Attracting and Retaining Non Family Employees – Non family employees may also have difficulties in adjusting to the family business culture. They are used to work in structured corporate environment. In family businesses there are limited opportunities for growth and advancement because family employees occupy all leadership position within the business.

5) Internal Family Conflicts – Many times family businesses are facing internal conflicts due to varied interest of each family member, personal egos, personal rivalries that disturbs business harmony. The interest of a family member may not be aligned with the interest of the business or the interest of the entire family may not be balanced with the interest of their business.

6) No separations of Emotions and business – It is very difficult task to separate emotions from family business. If there is interference of emotions in business, sound business decisions won't be made and will disturb employees and customers as well. There should be right balance of emotions based on the dynamics of family business.

7) Biased Decision Making – In a family business majority decisions are taken which are biased and not fair to non-family employees. Higher pay scale is given to family employees based on family relationship rather than on their abilities and capabilities. Many times non family employees loose the motivation and interest to work with the family business.

8) Raising Capital–There are limited options for raising funds from outside sources to family businesses as compare to public limited companies. Due to limited resources of raising funds, survival and healthy growth of the business can be threatened.

9) Absence of training for family members: In many family-run firms, family members who join the company as new hires do not receive any special training. Due to inadequate training, family members who join the company are unaware of its objectives, development prospects, and the skill set needed to manage and maintain the company.

10) Insufficient ability – Entry in the family business is allowed to any family members, even though he is not qualified or lacks the skills and abilities to run the business.

11) Lack of communication – There is always poor and miscommunication between family members. This leads to the constant blending of personal and professional matters.There should be proper communication channel between family members who join the business and other family members.

12) Absence of written document – There is no any clear written document in many family businesses which will define the role and responsibilities of each family member, policies and business norms for family members. Issues like salaries, share of profit, dividend, compensation and retirement plan, exit policy from the business are always raised and creates conflict in the business due to lack of any written documents. In the end, it ruins the harmony in both the family and the workplace.

Strategies for overcoming obstacles and issues in family businesses

A) Family Constitution: A written statement of the family's principles and pre - agreed rules for how family members can participate and be recognized in the family business.

B) Developing a Succession Plan – Succession plan is one of the largest challenges faced by family businesses and in most cases the process of it is resisted. When the older generation denies the younger generation the space they need to develop properly, succession becomes a problem. It contains the succession process's objectives, timetable of transition stage, contingency plans in case of unforeseen happening. Ideally a family business should begin the process of succession planning a decade or more before in the event. Choosing a successor decision must be based on qualification regardless of family dynamics.

C) Family Gathering and Get Together – There are lot of opportunities for the family to have get together i.e. holidays, birthdays, anniversaries, special events, and weekends in the summer home, going for movie, sports events, celebration of festivals etc. These get-togethers aid in making sure that emotional needs are met within the family and that the workplace is not a place where these needs are satisfied. This promotes harmony and fortifies ties within the family.

D) Establishing an External Board of Advisors: In order to resolve disputes in the business, an unbiased mediator will be appointed by an independent third party to serve as an advisor.This maintains balance between family and business conflicts.

E) Training - Organization should have the facility of conducting special scheduled training programs when any family members enter in the organization. This training should provide specific information that related to organizational goals, expectations and obligations of the position in the organization.

F) Free and open communication – There should be always free and open communication among family members to discuss family and business issues. If there is strong communication, it will not disturb family and business environment. It will sustain a solid work-life balance between the home and the workplace.

G) Conventions: These provide a good platform for families of the next generation to become acquainted with the new and evolving challenges that families face.

H) Family Council: The family council maintains the family's coherence, unity, and continuity. The family council's goals are to support the family's social responsibilities, preserve the family's customs and culture, and assist the members in their personal and academic endeavors.

IV. FINAL VERDICT

Members of family businesses should understand that while there is no right or wrong generation, there are differences in abilities and cultural norms among them. Families will be able to collaborate peacefully with experts and across generations once they are aware of these developments and realize that all viewpoints, no matter how old, are important. The younger generation's participation must be accepted by the elder generation. The younger generation must come to value the advice of their parents and realize that effort is the only thing that can replace it. Family firms would therefore have a wide range of chances in the Indian economy provided they can handle these dynamics.

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