Family Business Management

Dr. Mohsina Hayat

Family Business Management

EMPYREAL PUBLISHING HOUSE
India | UAE | Nigeria | Uzbekistan | Montenegro

Family Business Management

By:

Dr. Mohsina Hayat
Guest Faculty, Centre of Management Studies
Jamia Millia Islamia (Central University), New Delhi

First Impression: 2020

Family Business Management

ISBN : 978-81-946375-5-4

Rs. 650/- ($18)

DISCLAIMER
Information contained in this edited book has been published by Empyreal Publishing House and has been obtained by the author from sources believed to be reliable and are correct to the best of his/her knowledge. The author are solely responsible for the contents of the articles compiled in this book. Responsibility of authenticity of the work or the concepts / views presented by the authors through this book shall lie with the authors. The publisher or editor does not take any responsibility for the same in any manner. Errors, if any, are purely unintentional and readers are requested to communicate such error to the Editor to avoid discrepancies in future.

Published by:
Empyreal Publishing House

Preface

The book is an endeavour to provide essential knowledge and broad understanding to the subject of Family business in the society. This books based on family business management syllabus, is divided into various chapter that required to understand the opportunities, hurdle and exultant journey face in the family business. The entire subject-matter of the book has been presented in simple, concise and coherent manner.

The contents of the book have been designed to appeal to the students of family business management and follow a pleasant, friendly approaches. Illustrate have been given to clarify and argument the core concepts of family business. For evaluating the learners understanding of the concept, case studies and questions are given at the end of each chapter.

It is optimism that the book will be beneficial for all those who are desirous to have an understanding of family business as a subject. The readers views and comments, for further improvement, both in content and coverage, shall be grateful acknowledge.
This book is due to the guidance of my learned research supervisor and cooperation of colleague authors and my family member. I knowledge my thanks to them.

Dr. Mohsina Hayat
(Editor of book)

Acknowledgements

As an editor of this, I take this opportunity to prompt our appreciation to the academicians who have been contributory in the successful completion of this edited book.

It gives me immense pleasure to acknowledge my sincere gratitude and thanks to our learned and genius academicians of different Universities and institute for whole-hearted support and cooperation, whose work have been stated to during editing this book.

I express my sincere gratitude to Empyreal Publication for encouraging us to write this book and bringing out this edition in an elegant form.

I acknowledge my thanks to my parents and family members whose trustworthy encouragement and persistent support have been a great source of inspiration in sustaining our interest in finishing the book.

I like knowledge that we (all academicians) would welcome suggestion, and constructive criticisms for further improvement of the book.

Dr. Mohsina Hayat

Table of Contents

ISBN: 978-81-946375-5-4

INTRODUCTION OF FAMILY BUSINESS MANAGEMENT

Dr. Mohsina Hayat
Guest Faculty, Centre of Management Studies, JMI, Delhi

OBJECTIVE OF STUDIES

Family Business is set of business made by elders, later on it pass to the successor of the family, in simple's family business is business for generations. In the following chapter learners are able to explore the meaning of family business along the significance, planning to face issues, strategies to get success in family business with help of case studies.

NATURE AND SCOPE OF FAMILY BUSINESS

Today, Family owned business are set up everywhere in all the countries. Family owned business refers where a person is the controlling shareholder, which consist 20% or highest percentage of voting rights in comparison to other shareholders rather than state corporation, management trust or mutual fund. E.g. Walmart (United States), Samsung Group (Korea), Foxconn (Taiwan) and Tata Group (India) are example of the world's largest family-run businesses.

According to the "Global Family Business Index" all over the world comprises the largest 500 family firms. Global Family Business Index have defines , a firm is a family firm when a family controls more than 50% of the voting rights in case of private firm. On the other side, a firm is classified as a family firm when the family holds at least 32% of the voting rights in case of publicly listed firm.

In the management team of family business, at least two or more members are drawn from the owning family. It can also have owners who are not family members. Sometimes, Family businesses may also be managed by individuals who are not members of the family. Though, family members are often involved in the operations of their family business in according to the capacity. But in smaller companies, usually one or more family members are the senior officers and managers. When family member can participate as owner or manager of the family business it will strengthen the company because family members are often loyal and dedicated to the family enterprise. Although family participation as owner or managers of a business can present unique problems because the dynamics of the family system and the dynamics of the business systems are often not in balance.

"Family entrepreneurship" or "family enterprise" is more indicative of a practice within a family or a portfolio of businesses or initiatives that a family may be involved in. This is a more holistic approach to understanding the many ways in which a family and business drive entrepreneurial activity and behaviour

The unique characteristics of **"family entrepreneurship"** would be:

1. Open communication and effective forums for incorporating varied perspectives
2. A diverse portfolio of social, political and community activities and functional business units.
3. Leveraged and extended networks
4. Thoughtful consideration and action towards leadership and ownership succession
5. A grasp of legacy balanced with an acceptance of change and disruption

It was once believed that one good idea could serve a business for three generations. Today, it is more likely that each generation needs to forward (at least) three innovations. Family businesses are a driving force in the world economy and this will continue to be so. Moving beyond the notion of "family business" towards "family entrepreneurship" allows for consideration of the many aspects that make these families and businesses so dynamic.

Difference between Family business and Non Family business

Family business and Non-family business are differentiate on the few parameters like ownership, decision-making, culture, capabilities and strategies as follow:

Parameter	Family business	Non family business
Ownership	It refers to a commercial entity that is run and managed through individuals who are either related by blood or marriage.	It has a markedly distinct legal existence from its owners A corporation is usually owned by a particular number of shareholders who have invested in the business' stock.
Decision-making	The decision making power majorly lies in the hands of the members of one family, who exercise increased control and influence over business operations and culture	The decision making power lies in the hands of board of directors
		Shareholders owning a corporation share the losses and profits generated by the business operations.
		Shareholders at a corporation may benefit from limited liability, not always having to be held liable for corporation's debts
Culture	The culture is determined by the values, ethics, experiences and education of the family members who own and manage the business. It has a more informal approach and employees may have a stronger link with the owners. Overall, a family business has patriarchal work culture.	It adopt a more formal cultural approach and organisational structure is usually de-centralised. Work culture in corporations lack the personal touch that is evident in family business culture
Capabilities	Capabilities and skills of the employees may not be completely appreciated. As the business is owned and managed by the members of one family, merit may not be given much consideration in case of promotions and hiring. The owner family will be more inclined towards keeping the control in its hands and one of the family members might be preferred for a promotion or a job position in the business over an ordinary employee.	Capabilities of the employees within a corporation are solely assessed and judged on merit. Hiring and promotional decisions are made objectively by the managers and concerned authorities and hiring prospects and employees are solely judged on the basis of their worth and value for the corporations.
Strategies	Strategies in a family business are conceived and devised by the members of	Strategies and decisions are collectively formed by the board

	the owning family and it is less likely that employees or managers will be taken into the loop when making important decisions.	of members and the ultimate decision making power is not limited to a few individuals.
	Family organisations have a more centralised business model and structure and it employs only top-bottom approach for the formation and implementation of decisions.	It have a more decentralised organisational structural and these may employ both top-bottom and bottom-up approach.

Feature of Family Business

Family business has following features:

1. **Opportunities and challenges the transition from one generation to another in family business:**

Family businesses across the region have endless opportunities, some business owners are thinking more about the voluntary transition of ownership rather than waiting for it to happen naturally. Third and fourth generation are educated group opt technology then founder. They appoint best qualified candidates from next generation family members that lead to issue of power. Some family businesses have well-established protocols as well as procedures.

In the present scenario, family business have very bright future through conglomerates the cease business to support the company's core business.

For example, The cross-holding structure in the shareholding within the Godrej group are also said to have complicated the matter. Even if the businesses are to be restructured, the cross-holdings by the Godrej brothers will have to resolved first. Adi and Nadir Godrej control the three listed companies— Godrej Consumer Products Ltd (GCPL), Godrej Properties Ltd and Godrej Agrovet. Jamshyd controls the unlisted Godrej & Boyce. Godrej & Boyce also holds 4.64 percent stake in Godrej Properties and 7.34 percent in GCPL. Jamshyd and family's trust own 8.66 percent in Godrej Industries. This trust in turn holds 53.65 percent in Godrej Properties and 23.75 percent in GCPL.

Family business faces the challenge of succession and geopolitical issues in third and fourth generation. Transitions is main challenges in which parents is more experience in handling transition of power. Family businesses also face the challenge of allocating the right roles to members of the next generation e.g. Selection of leader and active participation of women.

Family business faces the appointment challenge of younger family members that are unqualified and lack the sufficient level of education are hired for high-level roles and tasked to make decisive business decisions. Proper family governance depends on the family structure, however there are different types of rules on who comes in and at what level, and who they report to.

2. **Wealth management as feature of Family business:**

The family businesses should always read to invest in wealth management is determined by the type of business and where their business is in its lifecycle.

Some of larger family businesses have been operating for years, building large cash reserves both locally and outside the countries and family business have making sure that they have enough drive power to invest in new opportunities.

Family businesses are building liquid wealth to ensure that their future generations are well taken care of in an event the business stops being profitable. With the time pass by, family members try to diversify their business portfolios. Because of very good amount wealth.

3. Succession plan:

Succession process of family business and development has affect by two factors:

- Size of the family (volume of business)
- Suitability to lead the organisation (managerial ability, technical and commitment)

Arieu proposed a family business model in order to classify family firms into four scenarios: political, openness, foreign management and natural succession.

Mostly it is misconception that a child automatically has the right to be employed by the business and eventually take over the business. There are two parts to understanding this situation.

a) **Management (leadership) versus Ownership:** It is expect that kids of family own all or most of the shares of the business but it is not necessary to they should be a good manager too.

b) **That Family Members ensure to be involved:** One of the greatest legacies a business founder can leave behind is family members who carry on his or her dream in a way that will shine a positive light on the mission and vision of the business.

Case study of succession plan

In 1917, John D. Rockefeller was worth about $25 billion—adjusted for inflation—thanks to his stake in Standard Oil, the predecessor of exxonmobil. He gave his son roughly half that fortune, and in 1934 John Jr. Established trusts for his six children. Twenty years later, another set of trusts was left to his grandchildren. With each generation, trusts divided, splintering the fortune.

Family legacy business models are still an option, today's investing families are considering a range of different approaches to managing and enhancing their wealth, including ones that allow family members to actively pursue new opportunities. Pendergast describes this approach as becoming an "enterprising family".

4. Family businesses are the foundation of most national economies because they can create jobs, spur innovation, and drive superior returns.

According to HBR article 2015 highlighted, there are four rules that helps to achieve the success can be:

- Maintain good governance,
- Identify and develop both family and non-family talent,
- Pursue disciplined succession, and
- Preserve family gravity.

Family Business Network International (FBNI) introduce, "family gravity" that is comprised of six elements.

Families must have a **values system**, which unites members and provides a common framework for building relationships with the business and the community. This gives the organization a moral centre that helps sustain it in the face of challenges and difficult decisions and provides a powerful way to differentiate itself in the marketplace. Family business has various achievement on the bases of values (charitable efforts). Values of family business are very productive in business through stabilizing structure and dynamics in the family. Values of family business effects the ways of organising the business and decision making. Following are the point that reflect the importance of value in family business:

First, many family businesses are run by owners who have a long-term and generational perspective. In many cases, they see themselves as stewards for the future.

Second, family businesses tend to operate more informally than other businesses. Handshake deals are not uncommon, and things can get done more quickly.

Third, trust-based relationships are an important part of how and with whom they do business. Family businesses form more long-term relationships with suppliers and advisors.

Fourth, meritocracy is not always at work within family businesses. It’s not always the best person who gets hired and promoted. Family nepotism can lead to underperforming companies.

The **vision for the future** is a clearly defined and communicated vision that guides the family’s actions. Such shared vision is particularly important in the current business environment, when ambiguity and complexity can be high and incremental improvements are rarely enough. It allows a business-owning family to set goals and determine priorities.

Families must have clarity on the level of its own **involvement** and how much information-sharing will be necessary to ensure that everyone can carry out his or her responsibilities and be a positive force for the business.

Family must demonstrate **cohesion and interaction**: mutual understanding, respect and support, and a healthy exchange of ideas and discussion of key and delicate issues. This determines how resilient the family will be and how it will respond to change. E.g. When it comes to cohesion, family businesses should move toward formalized information flow, regular forums, and professional conflict management. At LEGO Group, one of the world’s leading toy manufacturers, now in its third generation, with a revenue of €4.8 billion and 15,000 employees, family members have consciously divided their activities among various parts of the business. The basis for this is a strong bond of understanding, respect, and support and fostering one another’s growth into new responsibilities.

Good **family governance** means ensuring that decisions are made and authority exercised in accordance with established and accepted best practices so as to avoid conflict, commit to professionalism and attract and retain superior talent. E.g. The right levels of involvement based on expertise and interest should be clarified. Governance, including rules on creating a professional board and hiring both family and non-family roles, should be brought up to industry standards. And leadership principles and roles should be proactively defined. An example comes from the Dabur family business, which was founded in 1884 and is one of India’s leading FMCG Companies (and the world’s largest Ayurvedic and natural healthcare companies) with revenues of more than $1 billion and a market cap of more than $10 billion. The founding family (now in the fifth generation) has a board balanced with its own members, independent directors and management and was among the first in the country to separate ownership from management in 1998. They also have a family constitution that provides clarity on what roles everyone should play; many continue to be owners, but only a select few help to govern it.

Finally, **leadership principles and roles** are clearly defined for all executives of a certain level, whether operating within our outside the company.

Challenge of family business:
There is interaction between business and family that reflects family business with certain boundaries and different rules. Graphically, this concept can be presented as two intersecting circles. Family businesses may include numerous combinations of family members in various business roles, including husbands and wives, parents and children, extended families, and multiple generations playing the roles of stockholders, board members, working partners, advisors, and employees. Conflicts often arise due to the overlap of these roles. The ways in which individuals typically communicate within a family may be inappropriate in business situations. Likewise, personal concerns or rivalries may carry over into the work place to the detriment of the firm.

There are various challenges that can be face by family business according to dynamic nature of the family are as follow:

- The interests of a family member may not be bring into line with the interest of the business.
- The interests of the entire family may not be balanced with the interests of their business.
- The interest of one family member may not be associated with another family
- Family, ownership and business roles involve different and conflicting values, goals, and actions
- Family members put a high priority on emotional capital and the family success that unites them through consecutive generations.
- Owners of the family business are interested in financial capital or performance in terms of wealth creation however, managers in the business are concerned about strategy and social capital or the reputation of their firm in the marketplace.

Family Vs Non-Family Employees Challenges:
There are a number of common issues that most family businesses face at one time or another.

- Attracting and retaining non-family employees can be problematic because such employees may find it difficult to deal with family conflicts on the job, limited opportunities for advancement, and the special treatment sometimes accorded family members.
- In addition, some family members may resent outsiders being brought into the firm and purposely make things unpleasant for non-family employees. But outsiders can provide a stabilizing force in a family business by offering a fair and impartial perspective on business issues.
- Family business leaders can conduct exit interviews with departing non-family employees to determine the cause of turnover and develop a course of action to prevent it.
- Family business faces the problem to determine guidelines and qualification to hire the family members in the business. Family businesses often face pressure to hire relatives or close friends who may lack the talent or skill to make a useful contribution to the business. Once hired, such people can be difficult to fire, even if they cost the company money or reduce the motivation of other employees by exhibiting a poor attitude. A strict policy of only hiring people with legitimate qualifications to fill existing openings can help a company avoid such problems, but only if the policy is applied without exception. If a company is forced to hire a less-than-desirable employee, it is essential to provide special training to develop a useful talent, enlisting the help of a non-family employee in training

and supervising, and assigning special projects that minimize negative contact with other employees.

- Family businesses faces the problem of paying salaries to and dividing the profits among the family members involves in business. Small business needs more profit for expansion. The owner but not employees of the company, may not see the value of expenditures that reduce the amount of current dividends they receive. This is a source of conflict for many family firms and an added level of difficulty in making the necessary investments into the business for continued success. To ensure that salaries are distributed fairly among family and non-family employees, business leaders should match them to industry guidelines for each job description. When additional compensation is needed to reward certain employees for their contributions to the company, fringe benefits or equity distributions can be used.
- Another important issue relating to family businesses is succession—determining who will take over leadership and/or ownership of the company when the current generation retires or dies. The key to avoiding conflicts about who will take over a business is having a well-defined plan in place. A family retreat, or a meeting on neutral ground without distractions or interruptions, can be an ideal setting to open discussions on family goals and future plans, the timing of expected transitions, and the preparation of the current generation for stepping down and the future generation for taking over. When succession is postponed, older relatives who remain involved in the family firm may develop a preference for maintaining the status quo. These people may resist change and refuse to take risks, even though such an attitude can inhibit business growth. The business leaders should take steps to gradually remove these relatives from the daily operations of the firm, including encouraging them to become involved in outside activities, arranging for them to sell some of their stock or convert it to preferred shares, or possibly restructuring the company to dilute their influence.

Planning to face Challenges in family business:
Family business need parallel planning process to face additional balancing family and business standard and to solve the five critical issues where the needs of the family and the demands of the business overlap.

1. Allocation of capital and financial resource between the business and family demand.
2. Authorise person to control and have decision-making power in the family and firm.
3. Selection of succession, senior leadership and governance positions in the firm or family.
4. Conflict of human relationship among the family and firm.
5. Culture value need sustained and transmitted to owners, employees and younger family members.
6. Success of family business has a need of keep lines of communication open, strategic planning tools properly use and hire or engage outsiders as assistance on need.

Family business need fairness in decision-making business that helps to create organisational justice by engaging family members (owner) and employees. Fair process lays a foundation for continued family participation over generations.

Parallel planning process in family business is difficult in three situations.

1. When the founder of family business starts involving the outside employees and wants to change the nature of their involvement to manage the business.

2. When more than one person owns the business and no single person has the power and support of the other owners to determine collective interests in second and third generation.

3. When there are multiple owners and some or all of the owners are not in management. I.e owner who are involve in management have different goals and interest than others.

All family members involved in the business must understand that their rights and responsibilities are different at home and at work. While family relationships and goals take precedence at home, the success of the business comes first at work. Family business suffers from emotion intrudes upon the work relationship, the manager must intervene and make the objective decisions necessary to protect the interests of the firm. Rather than taking sides in a dispute, the manager must make it clear to all employees that personal disagreements will not be allowed to interfere with work. This approach should discourage employees from jockeying for position or playing politics. The business leader may also find it useful to have regular meetings with family members, and to put all business agreements and policy guidelines in writing.

Family business need strategic planning that centring on both business and family goals is vital to successful family business. Planning is required to align goals and formulate a strategy for reaching them. The ideal plan will allow the company to balance family and business needs to everyone's advantage. Family planning helps create a unified vision of the company that will guide future dealings. Business planning begins with the long-term goals and objectives the family holds for themselves and for the business. The business leaders then integrate these goals into the business strategy. In business planning, management analyzes the strengths and weaknesses of the company in relation to its environment, including its organizational structure, culture, and resources. The next stage involves identifying opportunities for the company to pursue, given its strengths, and threats for the company to manage, given its weaknesses. Finally, the planning process concludes with the creation of a mission statement, a set of objectives, and a set of general strategies and specific action steps to meet the objectives and support the mission. This process is often overseen by a board of directors, an advisory board, or professional advisors.

Succession Planning

Succession planning involves deciding who will lead the company in the next generation. There are many reasons due to which the transition can occur: 1) the business was no longer viable; 2) the next generation did not wish to continue the business, or 3) the new leadership was not prepared for the burden of full operational control. Lack of planning is the most common underlying reason for a company to fail in the generational transition. Business owners may be reluctant to face the issue because they do not want to relinquish control, feel their successor is not ready, have few interests outside the business, or wish to maintain the sense of identity they have for so long gotten from their work.

There is a need of succession plan and it is necessary due to the owner's illness or death. Family businesses are advised to follow a five-stage process in planning for succession that are initiation, selection, education, finance preparation, and transition.

- The first stage of succession plan is the initiation phase in which possible successors are introduced to the business and guided through a variety of work experiences of increasing responsibility.
- The second stage is the selection phase under which a successor is chosen and a schedule is developed for the transition. The successor be a single individual and not a group of siblings or cousins.

- The third stage of succession plan involves the education phase in which the business owner gradually hands over the reigns to the successor.
- The fourth stage discuss finance preparation involves making arrangements so that the departing management team can withdraw funds enough to retire and avoiding the financial crisis in transition.
- The last stage involves transition phase where the business changes hands means the business owner removes himself or herself from the daily operations of the firm. This final stage can be the most difficult, as many entrepreneurs experience great difficulty in letting go of the family business. It helps when the business owner establishes outside interests, creates a sound financial base for retirement, and gains confidence in the abilities of the successor.

The next planning of family business involves financial and tax aspects of transferring ownership of family business to the next generation called estate planning.

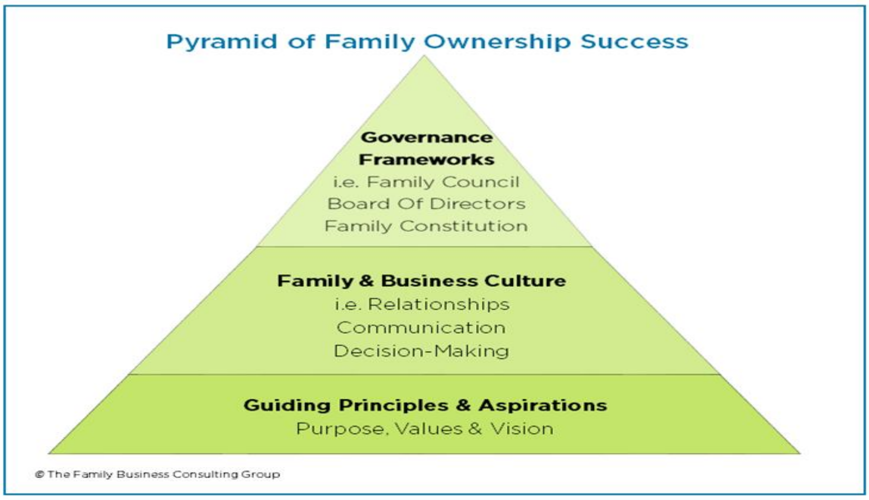
Kinds of Family Business:
In the present world, it is define family business is essential for the economic growth but according the size, nature , governance and structure of family business, there are following kinds of family business:

1. **Simple family, Simple business:** This family business model has well done work experience by the business in the family for 1300 years but it is susceptible because of the one man show. In this model, descendant's role is important and unobstructed where siblings do not get involve. It is the commitment of family and heritage that contribute to the success of the firm. This model focuses with a concentrated family structure with few family members and less complex governance systems in the business or family. Under this model, business is characterise by centralised management, flexibility and no diversity. E.g. 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.
2. **Simple business, Complex Family:** It is the simple business model with involvement of many family members in management or ownership or both.in this model many family gets befitted without uniform contribution. Family can assign values and develops expectations to manage, own and relates to the business. E.g. 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.
3. **Complex Business, Simple family:** Under this model, more than one business handle by family business. This model required mature corporate governance systems and qualified leaders to manage the business. In this model size of the family must small but market to play in is big. 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.

4. Complex business, Complex Family: This model involves good and mature governance systems where both family and business are complex in nature. Mature governance systems with set and clear expectations for the business leadership, and development programs to stimulate leadership talent. A continuous focus on involving new generations of the family, grooming entrepreneurship and managerial talent, as well as family bonding is required. E.g. 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.

Pyramid of Family Ownership Success:

FEA program was established to provide a set of skill for overcoming the complex family businesses. FEA program introduced has planning model for the success as given below:



Guiding Principles & Aspirations: Values, mission, and purpose of family are consider bases of pyramid of family ownership. Weakness of it lead to problems with structures and plans development. Although clear emotional and soft issue of family enhance the strong bases of family business development.

Family & business Culture: family business should be focuses on the supportive open and trusting relationships, quality of communication and transparency of decision making among the business and family.

Governance Frameworks: after the implementation of first two level in family business, Families can develop a good governance based organisation. With the help of good governance families can create family constitution, family councils. Whereas family constitutions deals with policies and guidelines for employment, joint investing and managing conflicts of interest. This level involve transitioning from family dominated board of directors, to an advisory board including outside directors.

Models for Family Business:

Family business model have include Family, Ownership and Management to show the three principal roles in a family-owned or -controlled organization. Because of it, Family business model is called three-circle model. All the three in model shows how the roles may overlap.

Family: In circle of family**,** all the members of family from generation to generation belongs to the family circle may or may not be the part of business as own shares or even work there. Most of the family member is concerned with social reputation within the community, dividends, and family unity. Family business can be symbolise by unique culture, quirky, way of growing and traditional business. Family-owned business can assist from involving more than one professional advisor, each family member having the particular skill. E.g. Communication, conflict resolution, family systems, finance, legal, accounting, insurance, investing, leadership development, management development, and strategic planning.

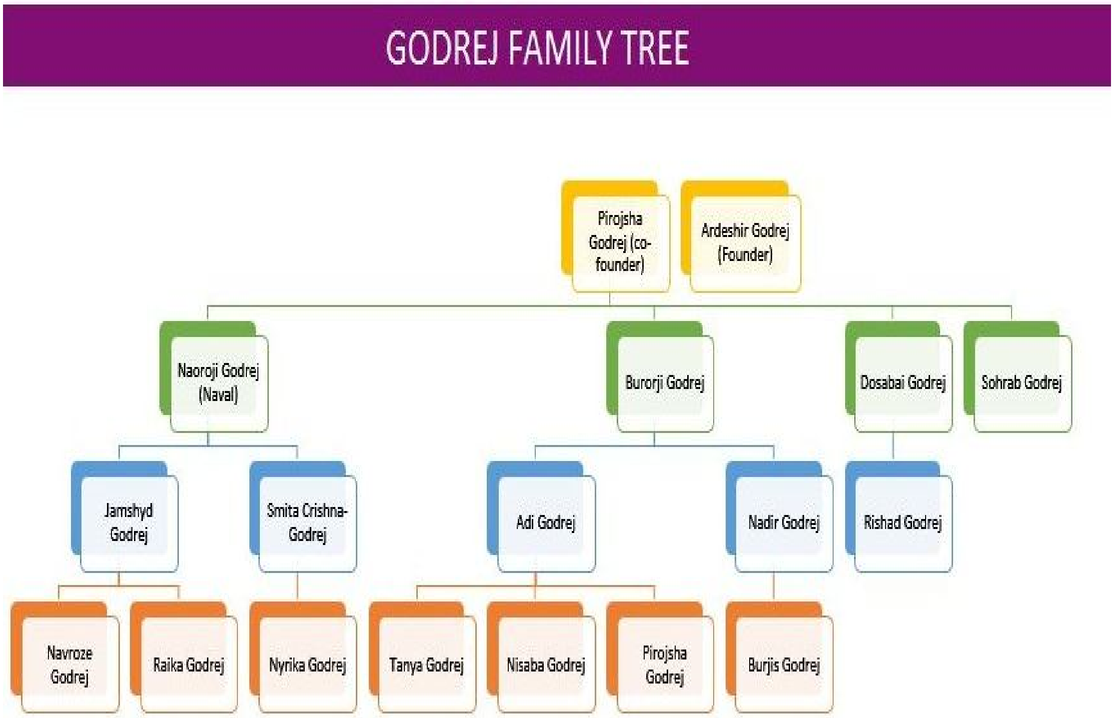
Ownership in a family business will also show maturity of the business. If all the shares rest with one individual, a family business is still in its infant stage, even if the revenue is strong. Arrangement of Family business are same but differ in general perspectives i.e. Their wealth is better understood in terms of generations.

Example: Godrej Group was set up in 1897 by lawyer Ardeshir Godrej. He was joined by Brother Pirojsha Godrej. Pirojsha had three sons-Burjor, Sohrab and Naval. Adi and Nadir are sons of Burjor, and Jamshyd is son of Naval. It was this third generation that took the business to the next level of growth. While Adi Godrej is the chairman of the Godrej Group, his brother Nadir is the managing director of Godrej Industries and chairman of Godrej Agrovet Ltd. Jamshyd looks after Godrej & Boyce Manufacturing, the family's consumer durables holding company. Adi, an MIT grad, took charge as the Chairman in 2000. His children Tanya Dubash, Nisaba and son Pirojsha hold key positions in group companies. Pirojsha is executive chairman of the Godrej Group while Dubash is an executive director of Godrej Industries. Nisaba is the executive chairperson of Godrej Consumer Products. Their brother Pirojsha is the managing director and CEO of Godrej Properties, the group’s realty arm.

Similarly, Navroze Godrej, Jamshyd's son, had joined the company in 2005, and looked after innovation at Godrej and Boyce. He resigned in August 2018 and his cousin Nyrika Godrej took over from him. A former company executive said that a few family members have taken a stand to pursue non-business interests. But he added that the succession plan must be clearly stated to ensure that each member of the future generation is aware of their roles.

However, another company insider added that unlike other business families that portray a hot-cold relationship between the siblings, the Godrej family is still one of the most close-knit business families. "A difference of opinion does not necessarily mean a conflict. Adi Godrej has a reputation of successfully managing any misunderstanding. It is much smaller than what it has been blown up to," he added.

ISBN: 978-81-946375-5-4



Ownership: under this family members, investors and/or employee-owners includes where an owner is concerned with financial capital to deal business performance and dividends.

Clear understanding of ownership model of family business helps to overcome the many hurdle of business, increasing its competitive advantage, even resulting in buy-outs or sales that nobody really wants. Family businesses adopt one of five basic ownership models are *owner/operator*, *partnership*, *distributed*, *nested*, *and public.*

1. **Owner-operator:** In this model the role of the founder should replicates by keeping ownership control in one person (or couple). This model can be successful for many generations. 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.

2. *Partnership:* Partnerships are unique in that only leaders in the business can be owners and benefit financially from it. Partners has 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.

3. **Distributed:** The owners of family business 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.

4. **Nested:** 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.
5. **Public:** 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.

Management: The Management circle includes family and non-family members who are hired by the family business as employees. An employee is concerned with social capital (reputation), emotional capital (career opportunities, bonuses and fair performance measures).

Management can deals with decision- making and succession planning issue of family business.

Decision-making: One person is owned and govern the whole the family business who deals to take decision the business needs to build a new plant and take less money out of the business for a period so the business can accumulate cash needed to expand and personal interests. In the family business assets of business are hard to separate from family assets.

Decision pattern change from one generation to other generation as, owner or manager of the first generation make the majority of the decisions. It is called founder approach. Because Family business handle by founder and they focus on core business.

In the second generation when sibling partnership is in control, consultative method uses for decision –making.

The larger third generation is also called cousin consortium' control, the decision making becomes more rational, consensual and based on vote of family members. Family business works with third and fourth generation family members in opposes of founder and they focus on the new technology and diversification.

Third and fourth generation bring in new ideas and end up being huge conglomerates.

Succession process: According to the Arieu (2010), Succession and development of family business to lead the organisation depends on the

- Size of the family (i.e. Volume of the business) and
- Suitability(i.e. Managerial ability, technical and commitment)

There are also a case (small firm), the founder or a senior family member—may hold all three roles: family member, owner and employee.

Arieu proposed a model in order to classify family firms into four scenarios: political, openness, foreign management and natural succession.

Strategies of Family business entrepreneur vs nonfamily business entrepreneur:
David Sirmon and Michael Hitt proposed the strategies behind successful family businesses.

1. Family business have family's human capital, or "inner circle." with sets of skill, knowledge and good coordination among the family member lead success significantly.
2. The family members bring valuable social capital to the business in the form of networking and other external relationships that complement the insiders' skill sets.
3. The family firm has patient financial capital in the form of both equity and debt financing from family members.
4. The family relationship between the investors and the managers reduces the threat of liquidation.
5. The family company must manage its survivability capital-family members' willingness to provide free labor or emergency loans so the venture doesn't fail.
6. The family business must manage its ability to hold down the costs of governance, The family firm can minimize or eliminate these costs because employees and managers are related and trust each other and In nonfamily firms, these include costs for things such as special accounting systems, security systems, policy manuals, legal documents and other mechanisms to reduce theft and monitor employees' work habits.
7. These unique family resources and leveraging them into a well-coordinated management strategy greatly improves business's chances of success compared to nonfamily-owned companies.
8. *A business actively owned and/or managed by more than one member of the same family take cares* to nurture the next generation than entrepreneur.

According to Jennifer Pendergast in family business "Either members of the succeeding generation working in the business bought out their parents; shares in the business were gifted across dozens, even hundreds, of family members; or the business itself was liquidated. "Create a trust company, manage a balanced portfolio, and spend no more than four percent of your assets year-over-year." She describe "enterprising family" as an approach to managing and enhancing their wealth, including ones that allow family members to actively pursue new opportunity

Strategies to bridge generations in a family business:
There are following strategies to bridge generation gap in a family business:

1. It is better to **expose younger generations to the family business at an early age**. If you can bring your children into the business at an early age, they'll be familiar with the ins and outs of daily management and understand the hard work it takes to make a business successful.
2. On the basis of talents and skills placed your young generation into the jobs to play a best role in the family business. Michel Klein writes in his book "Trapped in the Family Business" that self is fourth circle other than ownership, management or employee in the Family business model.
3. Family business success need to overrule nepotism because it is better that all family members need to earn their right to management and leadership roles.
4. Family business use the strategies of diversification and try new avenues to thrive the current state and made expansion into new industries.

Bases of successful family business:
There are few basic point to get success in business:

1. It is essential to recognize the advantages of family ownership. One of the most attractive benefits in a family-owned business is *fast, agile, nimble* decision making. Family is inherently a team that take immediate decision without lengthy approvals or formal votes. Family business always embraced change and growth as being fundamental to core values. Family business doesn't have stability because legacy and heritage are used daily in it. It simplifies decision making by establishing a preferred approach. Family business have greater sense of commitment and accountability as younger generations are expected to buckle down and grow what they've inherited. In Family business everyone being on the same page and pulling in the same direction. Where a legacy of shared values and vision, coupled with long-term commitment, is what transforms own success, to stewards for future generations.
2. It is essential to treat family members equally as we know seniority doesn't win but skill and hard work does. Sometimes the big win will come from one team member. Other times it will come from someone else. Don't limit people's ability to make a positive impact simply because of age or time with the company.
3. Thirdly family business is need of to empower the next generation. It is human nature to be resistant to change. It takes practice to be able to recognize change and evaluate its opportunities and drawbacks. That means you have to allow change while remembering your roots, your core values, and key business principles. If you don't let change in, progress will never happen.
4. Family business needs to innovate that supports people who think creatively to offer a fresh perspective on new ideas.
5. It is essential to understand "Business is business, family is family" i.e.Conflict happens in business there is no reason to ever make it personal.

To maintain stability in the family business:
There are five steps explain by Pendergast to achieve the stability in the family business which are as follow:

Firstly establish family business model that based on a common purpose and shared vision of the future should follow in family business transitioning to the enterprise model. Family business need to adopt coherent set of values, goals, and principles that guide the process along the diversification into new business. Family enterprise model have gain huge financial and psychic benefits because of it’s unite and think longer term character. Establishing a shared vision allows a family enterprise to bring its unique vision to the marketplace. So families need to proactively set their own parameters before considering the more practical and financial concerns. Family business track “growing together” that bring conflict of family in the business so family enterprise model alleged it’s better not to stay together than comes together for business competing the goal and go home. For example, Godrej family will be able to iron out the issues. Rituparna Chakraborty, co-founder and executive vice president, teamlease Services, said that while family-run units cannot really avoid disagreements, they have to be cognizant of now having visible public conflicts. The family, on the other hand, has been taking early steps to ensure that business matters are transparent among the family members.

Family members also meet for lunch every Thursday to discuss the business issues among each other. A family council was also set up as early as 2002 where all adults of the Godrej family attend the bi-annual meeting. Karanth says that unlike a corporate setup, family-run businesses have a closer ownership and each member has an emotional involvement. "Unlike a private entity, family members cannot walk out of a company since they have a large shareholding," said Karanth. That emotional quotient will be crucial in the coming weeks as the seniors of the Godrej family iron out differences.

Secondly, family enterprise model is finding a way to move beyond the legacy business and invest in more promising ventures. Pendergast says. “But to succeed as an enterprising family, you have to be relevant in the marketplace.” E.g. Carlson Company was founded in 1938 as a gold bond stamp company, Carlson evolved into a travel, restaurant, and hotel business, with Radisson and TGI Friday’s among the brand portfolio. After selling off the restaurant group and, more recently, the hotel group, the family created its own private equity fund, Carlson Private Capital Partners, which they use to invest in newer, promising businesses. This can be with purpose and strategy consequently it should become opportunity for next generation.

Thirdly, enterprising family should emphasis on investing in environmentally sustainable, socially acceptable businesses, building a company with more flexible workplace policies, and so on.

Fourthly, family enterprise model should create a strong governance structure. Some families move to a holding company structure, with a board that oversees all activities and capital allocation; others govern entities separately. Pendergast says. “They may not see the whole picture, so it can be hard to assess risk or know how to allocate capital.” While building a strong board is critical, successful family enterprises also need to find a way to engage all members who want to play an active role, even those who are not on the board or leading a business. Whether that means creating a family council or another advisory body, titles should matter less than the fact that family members feel that their voices are being heard. Pendergast says. “That’s not the ‘enterprising family’ mentality. The governance structure is important, of course, but people shouldn’t worry about the org chart before they have a sense that everyone’s in it together.”

Fifthly, enterprising families are always works in process, so dynamic decision-making processes should be built into the organizational model. “It’s an evolution,” Pendergast says. “Market realities constantly change, so the more flexible, adaptive, and reactive you are, the better.” For good governance it is required to meet as a group once or twice a year allows families to get updates from management and consider new investment opportunities. When these enterprises begin diversifying into new opportunities, sharing the strategy with the broader family can eliminate surprises, manage expectations, and engender family support.

Family businesses in India:

There is need of redirect the Indian business with the adoption of new models with changing times. A majority of Indian family businesses flourished under three conditions that have drastically changed in recent times.

1. India faces **supply starved with the expansion of economy** and for a long time demand out-stripped supply with protection from global supplies. That yielded good profits to the businesses because of which they could afford gross as well as hidden inefficiencies. With the advent of globalisation, now they are exposed to global competition. It is common to hear that the landed price of finished product is lower than even our raw material costs. This has jeopardised the very existence of once profitable businesses.
2. Earlier, information was not widely available. The buyer did not know all possible sources of supply and the seller did not know all possible users. Business prospered leveraging because of this gap. Now technology has made information readily available and as a result the premium available in the business of managing the gap has drastically gone down.
3. With bigger profits the industry could afford a longer supply chain enabling many businesses to flourish which played the role of intermediaries. With squeezing margins on one hand and enabling technology on the other, the supply chain in getting truncated. Large number of businesses who thrived on this intermediation are finding themselves side-lined.

It is in this context that Indian family businesses need to re-look at their models and adapt to the changing times. It is clear that what worked in the past may not work in the coming times. But it has to be equally clear that while some doors are getting closed; many new doors with phenomenal opportunities are opening up. For example model one is globalisation: Agarbattis are made in Vietnam, dipped in fragrance in Mumbai and sold in Mexico. The second is models such as outsourcing, insourcing and offshoring. Finally, he talked about the impact of technology that has overthrown many businesses but created many more different businesses.

Indian family business will need to analysis the following areas:

1. Fastest changing business environment reflects the importance of time means what was done in 10 years earlier, now needs to be done in one year.

2. Franchising, chaining and collaborations are gaining important over the small shop or factory where scaling up is need of time.

3. In the present competitive environment, quality product are available at reasonable prices in shortest possible time. This requires gearing up with world class competencies.

4. Indian business adopts collaboration. Capital from one source, management from another and execution from third. This approach enables businesses to collaborate with experts from various fields, thus reducing risks.

5. Now with plethora of new developments turn limitations into opportunities. A textile trader need to learn about what is happening in the field of information technology.

6. Businesses in global, be reachable, accessible and be ready to expand. Businesses operating in, dealing with multiple markets across borders are opportunities in coming times.

There are various reasons why the future holds a number of golden opportunities for Indian family businesses. India are bestowed with some of the finest business acumen in the world. E.g. Well understanding of money and their cost consciousness gives an edge, ability to understand and grasp technology fast, fire in the belly and increasing value of dollar gives tremendous advantage.

Innovation and family business:

Innovation becomes the key challenges for family business's next generation. "Innovation is a key issue because senior family business members are still not open and enthusiastic about changes to be made in their existing businesses," Mita Dixit, family business advisor and co-founder at Equations Advisors told Financial Express Online. He said innovation means adopting new technology with whom elders are not comfortable. Apart from innovation, attracting talent with the right skills and capabilities is the second top reason for concern for 60 per cent family businesses. This is because non-family members or external employees are "wary of family interference and the ability to make decisions independently, conflicts between the family and business and, most importantly, the lack of a definitive career path to the top." "The younger generation is not enticed to continue working with existing members as they have more carrier options than joining the family business. Their role models are the likes of Elon Musk and Flipkart's Sachin and Binny Bansal and they want to do something on their own on those lines instead of taking family support. Presently family business engage with startups either through their corporate venture capital arms, incubation centres or simply via acquisition to imbibe startups' ideas, flexibility and culture. Economic environment, regulations, and digitalisation were among the top five areas of challenge for family businesses.

Case study: **Beyond the fifth generation: from family business to business family Finland**

Introduction:

The Ahlstrom is a family based company that was founding as Ahlstrom Paper Company back in 1851. Now a day, it becomes one of the largest and successful fibre-based businesses in world. Antti Ahlstrom perilliset and Ahlstrom capital a private investment are owned by family in industry, real estate and forestry.

Thomas Ahlstrom, a fifth generation member of family is a Managing director of Antti Ahlstrom perilliset. He tells about the success of family business depends on the very tightly knit family, family spends a lot of time together, and share sense of belongingness in society and pride of heritage. He also took about worked hard to ensure right governance in the family business.

He believe to put good governance in place before dispute arises and adopt it as the major change. After fifth generation, 300 members are part of family now. He said there is need to follow the transparency in family member recruitment. It should be similar to everyone else recruitment process.

He suggests along with the good governance, strong and visionary leadership is needed. Ahlstrom Family business is looking ahead to each generation with new opportunity and development plan in the subsidiaries.

Ahlstrom family principle is the family value and diverse board. Ahlstrom adopt balance principles between men and women, older and younger members and opts skill and experience, family members who have full knowledge of the industry and also special perspective for the owners. Ahlstrom ask for real money investment from the people in the business. Expertise independent director along with family members (directors) must have ability to challenge both the family and business.

Goal of Ahlstrom is to keep the family and business together and sustain it to the next generations. It wants to become world's best family companies from a governance and succession point of view.

Future of Family business:
According to Tracy Perman, there are two broad visible trends in the realm of family business

1. The aging of the baby boom generation signals a coming ownership change for many family businesses within the next ten years.
2. More and more of these businesses will be taken by women, continuing a trend that has been visible since the turn of the century.

Perman tells some family businesses children has no longer wish to take over the succession of the business. So it is essential to take proactive measures to attract next generations in to the business. Perman suggest some measures as below:

- All the family members should have good exposure of industrial relations with employees, products, customers and services.
- Better qualities, attractive feature of the business explain clearly in appealing manners
- Identify dissuade factors of family member in business and try to resolve it by giving new opportunities.
- Give reward to the family members who join or stay in the business. Try to remove the conflict arise between the generations due to change in management styles by opting compromises i.e. Successor spend more time with senior, family members and in business. Hiring assistant manager to solve the conflict between parents and children.
- Family business should provide chance to explore the idea, interest and concern of family members.

Perman proves that family businesses owned by women make the trend positive towards female ownership. Perman said women-owned business has focus on succession planning less than male counterpart. Women are more fiscally conservative and carry less debt than male –owned businesses.

Questions:
1. Write the briefly about the family business with examples
2. What is family business and what role family business play in economic growth.
3. Write down the different kinds of family business.
4. Write down the significance of family business.
5. Differentiate the family business from non-family business.
6. What are the challenges that family business can faces?
7. Write the important point to achieve the success in family business.
8. How can family business get stability in business?

ISBN: 978-81-946375-5-4

9. Write the future of family business.
10. Briefly explain different strategies adopted by family business to achieve the success.
11. Write down the different model of family business on the bases of ownership.
12. Explain the pyramid of family business and how it is helpful in getting good governance.

ISBN: 978-81-946375-5-4

FAMILY BUSINESS AND ITS VARIOUS SERVINGS: CAPITALISM, SOCIALISM AND TEAMWORK

Ilma Rizvi
Research Scholar, Department of Economics, JMI, New Delhi

Prof. Shahid Ashraf
Professor and Supervisor, Department of Economics, JMI University, New Delhi

OBJECTIVE OF THE STUDY

Family business as generally talked of is an organization where decision making is generally influenced by the members of a single family. This legacy is passed on from one generation to another. In this chapter learners will learn about the basic meaning, features, advantages and disadvantages of family business and will also be briefed about various definitions as given by scholars and academicians. Later the chapter adds on knowledge to the concepts of capitalism, socialism and teamwork along with their respective pros and cons; all in context with family business. The study is further extended to get a sight of empirical study related to family business with the help of a case study of Tata Group.

INTRODUCTION TO FAMILY BUSINESS

People in developing economies like India follow a unique way of living. Usually, people prefer to live either in nuclear family or in joint family. There is no another way out to it. This pattern of living is usually divided based on the region like in rural areas there is dominance of joint families over the nuclear ones; whereas in urban areas preference is given more to nuclear families over the joint families. This practice came into surveillance only after rapid urbanization. People started migrating to cities in the hunt of jobs and ended up settling back. Primarily, many people faced the problem of meeting household chores and as a result they started migrating along with their respective families and hence it marked the beginning of a new trend in the Indian economy.

Due to the immense rate of migration, jobs in urban India were not enough to meet the rising demand. Consequently, a transformation was brought in to the economy with people shifting to entrepreneurial activities. There came the time where new ideas were whole-heartedly appreciated and independence became the new call for working people. This is how it went on for years and years and an initiative of an individual came to be known as a family business, where generations came together to work for the prosperity of their business. In other words, family business can be defined as an organization where the final decision taking authority lies with the multi-generations of a family. However, people have varied concepts regarding the meaning of family business; some considers it to be home-based business while others consider it as community business or sometimes as traditional business too. And as a result to it, family businesses are defined differently based on various aspects, but broad classification involves its categorization into two types based on the structure and process involved in family business.

a) Structured Definitions

The definitions falling under this category are given on the basis of ownership and/or management of the business. Some of the definitions, of this type, are discussed below:

- *Rosenblatt, de Mik, Anderson and Johnson* defined family business as, majority ownership by a single family and direct involvement by at least two members in its operations.
- In the words of *Barry* family business is defined as, ownership control by the members of a single family.

- *Leach et al* termed it as, single family effectively controls firm through the ownership of greater than 50% of the voting shares; a significant portion of the firm's senior management is drawn from the family.

b) Process Definitions

This type discusses about the involvement of family in business or the role and significance of family members in running the business. Definitions falling under this division are as follows:

- In the words of R.G. Donnelley, "family business is a firm which has been closely identified with at least two generations of a family and when this link has had a mutual influence on company policy and on the interests and objectives of the family."

- *P. Davis* defined it as, "family businesses are those where policy and decision are subject to significant influence by one or more family units. This influence is exercised through ownership and sometime through the participation of family members in management. It is the interaction between two sets of organizations, family and business, that establishes the basic character of the family business and declines its uniqueness."

Apart from these definitions, some researchers argued about the broadness that this peculiar form of business possess. They are of the view that definitions of family business are not limited to its structure and the process involved, rather a broad definition should incorporate some degree of control over strategic decisions by the family and their intentions to leave their family business. Shankar and Astrachan (1996) note that the criteria used to define a family business can include power over strategic decisions, percentage of ownership, voting control, involvement of multiple generations and active management of family members. Litz too argued that to be considered a family business, the business' members must strive to achieve, maintain and/or increase intra-organizational family-based relatedness.

Thus, of all the above definitions discussed above a family business is said to possess the following characteristics:

- One or member of the family runs a business unit.
- The succession of family business goes to the next generation.
- Control over the business is exercised either in the form of ownership or on the management basis where family members are appointed on key positions.
- Influence on the firm's policy direction is exercised in mutual interest of the family and business.
- Positions in the family business are affected by the relationship the family members enjoy among themselves.
- Family business in India is largely caste-related and every caste enjoys a dominant culture which gets reflected in family businesses.

Since every human has a different mindset to work for and thus their respective point of view differs from each other; for some it's a profit making opportunity while others took it as a near-to-die to go for it. Similarly, family businesses also have their own sets of unique advantages and disadvantages. In order to be successful, the advantages must be capitalized and the challenges overcome. There are some advantages and disadvantages discussed below:

ISBN: 978-81-946375-5-4

Advantages

The high preference of family business makes it a big hit in a competitive market. There are various elements involved in a family business that make its preference higher and higher. Some of such elements are discussed below:

a. **Increased commitment:** The need of a family is always at stake and also there is a greater sense of commitment and accountability. This level of commitment is impossible to generate in non-family businesses. Commitment in fact leads to some other additional benefits like better understanding of industry, organization and job, strong customer relationships and more effective marketing and management. Ford motor company, as an instance, managed to stay afloat during very difficult economic times all because of the high level of commitment that family members had for the business.

b. **Reduced cost:** Unlike other employees, family members may opt to sacrifice their income and accept a pay cut for the sake of family business to survive long. This could also be done through capital contribution or taking a pay-cut. This advantage came in handy during the times of challenges and crisis.

c. **Long-term outlook perspective:** Family businesses comparatively have a broader outlook than those of non-family ones who preferably opt for quarterly goals only. This patience and long-term perspective helps in effective decision-making and also adopting for good-strategy.

d. **Flexibility in adjusting to different working conditions:** There is no hat left for a family member who is working for the family business. He/she has to take up varied roles to ensure a healthy sustenance of their business. Ranging from sales to dealing with self-demonstration, every role needs a full-fledged attention to make business competent enough to survive in the market full of challenges.

e. **Stability of posts:** Due to longevity in the leadership, family businesses are comparatively stable firms. Leaders usually stay in the position for long till the body allows.

Disadvantages

Though capitalism was favored by many and was a followed practice of many years but as we all are well aware that there is always another side of a coin and in the same way family business too has some disadvantages involved in it. And these disadvantages are mainly the reasons behind the fall of this market form. Out of many few of these disadvantages are discussed here:

a. **Succession Planning:** Many of the time, family businesses lack succession plans. Although there are various options that may go for this lack of succession; sometimes it tis the trust that family members have upon each other which don’t allow them to discuss their succession plans but sometimes it is the will of leader that he/she may not opt to vacant the seat and allow others. However, the lack of succession plan adversely hinders the growth and stability of family business as it involves high degree of risk to business.

b. **Nepotism:** Some businesses are reluctant to allow some non-member to the senior level. But this practice results in giving people jobs that they are not suited to and also doesn’t possess required education, skills and expertise. And consequently, it affects the long-term growth of the business. In particular, it becomes very difficult to retain good talent at some lower levels considering that their performance and ability is consistently affected. Firms need to address this issue for their long life.

c. **Conflict in family:** Deep-seated, long lasting bitter fights and quarrels can affect every single firm and can draw divisive lines in between the people. Because of the involvement of family members in the conflict can be more difficult to save and sometimes end in difficult endings. Such as in 2005, conflict among the sons of Reliance founder Dhirubhai Ambani, Mukesh and Anil divided India's largest petro-chemical manufacturer. After all was said and done Mukesh retained the control of petrochemical business, while Anil retained the control of Reliance Capital, Communications and Reliance Energy.

d. **Free Governance:** Governance related issues like internal hierarchies and rules, ability to follow and adherence to external corporate laws tend to be taken less seriously at family businesses. Thus, this act is gravely detrimental and would definitely affect the functioning of family business. For example, in 2008 the Chairman of Samsung Group was forcedly debarred from the post after being indicted for tax evasion and criminal breach of trust charges. In this situation, a little governance has gone a long way.

In order to better manufacture a long-term success, family business requires inherent loyalty, highly personal relationships, commitment and flexibility in the structure of firm to survive in this competitive world where dynamism is always at the tip.

Servings of Family Business

Family business is a joint effort of two of the main and broad concepts i.e. family and business. Both are the large groups with mere focus lying on togetherness and teamwork and also at the upbringing of both into a more competitive and efficient unit. The leader of the squad is believed to possess great leading skills along with a good knowledge of their inventories. Hence, family business literally permits capitalism, socialism and teamwork as the main servings of their plate. There have always been associated studies to go for researching the details and implications of these servings of the business. While in a restaurant dining in, customers always have distinct servings in their plates because of their distinct orders which they placed. Similarly for a family business there are varied servings' options available but more often preference is given to capitalism (due to the rigid nature of hierarchy), socialism (as a switch over to involvement of many) and teamwork (due to the required efficiency in dynamic world). Let's discuss all of these servings in a detailed version along with some of the practical implications involved.

Capitalism

It is an economic system in which private individuals or businesses own capital goods. It also refers to the economic and political system in which a country's trade and industry are controlled by private owners for profit and not by the state. It depends mostly on the enforcement of private property rights that provides incentives for investment in productive use of productive capital. However, in some cases it also leads to unfair and exploitative concentrations of wealth and power in the hands of few relatives who emerge victorious from free market competition and then use their power and wealth to reinforce their dominance in the society. Though the real world practice of capitalism involves some sort of 'crony capitalism' because of some demands from business for favorable government interventions and government's incentives to intervene in the economy. This market form also doesn't support a centrally planned or command economy. Thus, the purest form of capitalism is free market or laissez faire capitalism. Here, the private individuals are unrestrained and also private players decide as to what to produce or sell. The laissez faire market place operates without checks or controls. Lack of government intervention, ownership of resources at private hands, emergence of monopoly and monopsony power, ignorance to social benefits, inherent wealth to every successive family member and increase in inequality by creating social division are some of the basic features of a capitalist society. However, economists also have divided ideologies over this market form, for those supporting the motion were Friedrich Hayek, M.Friedman and Adam Smith and those against the motion were Karl Marx, Joseph Stiglitz and Thomas Piketty.

Bill Gates referred capitalism as a tool to harness self-interest in helpful and sustainable ways but only on behalf of those who can pay with the only mission of making profits and improving lives of those who don't fully benefit from market forces. Discussed below are the certain instances of capitalism that are an excerpt from newspapers.

- Terry Eagleton, *Harper's*, March 2005; capitalism is at once far too rational, trusting in nothing that it can't weigh and measure, and far too little as well, accumulating wealth as an end in itself.
- Ian Frazier, *On The Rez*, 2000; I am not the first to point out that capitalism, having defeated communism, now seems to be about to do the same to democracy. The market is doing splendidly, yet we are not, somehow.
- Ann Louise Bardach, *Vanity Fair*, March 1995; even Cuba's famed health-care system has been unable to resist the siren song of capitalism. The Frank Pais Hospital … now offers "for pay" surgery to foreigners.
- Christopher Hitchens, *Atlantic*, August 2002; the city was then the greatest maw of American Capitalism.
- Brian Urquhart, *New York Review Of Books*, 9 Oct. 2003; the United States have assumed a global burden —not just fighting terrorism and rogue states, but spreading the benefits of *capitalism* and democracy …

Family businesses are ideally suited to the early stages of capitalism. It is a source of two most important ingredients of growth-trust and loyalty. However, the presence of centralization has affected hardly the presence of these two ingredients. Just like the double faces of coin, capitalism also has its pros and cons.

Pros & Cons

Milton Friedman said, "A society that puts equality before freedom will get neither. A society that puts freedom before equality will get a high degree of both." In this quote he mentions of economic and political freedom whose presence would definitely help in determining the degree of capitalism.

- The *pros* of this element lie in complete control of business which is in the hands of family members only. There is no scope for outsider to freely get involved into main decision making body of the business.
- This is, thus, turned into a community where all the core posts are held by the family members only and other lower posts by outsiders. This practice of 'family communism' won't be for everyone; but it does offer a comprehensive model for families to consider.
- High standards for family participation and a prior preference to family members are the core elements of family business where there is ensured job security at least to the members of a family. Hence, the non-family members won't have an option to over-rule the successive family members.

J.M. Keynes talked of capitalism as an astounding belief that the most wickedest of men will do the most wickedest of things for the greatest good of everyone. Men these days don't hesitate to do something bad to other men, they always would love to put beneath the other.

- All the negatives of this market form lies in the limited scope for the development of non-family members, this might pose a challenge to the growth of the firm due to the reduced interest of non-family members.
- Moreover, capitalists usually favor policies which differ a little in the scope and purpose and hardly amounted to orthodox.
- These are the people who don't believe in maintaining effective communication and also to them decentralization is a myth. This is why poor communications makes far-flung activities hard to control. For example, it's easier to raise money from kinsmen then from strangers, similarly it is safer to send a relative then a hired hand to expand the business abroad; but all such favors can't be enjoyed in a capitalist society just because of the rigid nature of capitalists.
- Family businesses at this point, under capitalism, fall short of inventions and also undermine its own participation by encouraging practices like political favoritism, succession of unfit heirs and adoption of chronic practices to keep the family lifestyle intact.
- Centralization, thus, is the core practice which is the root cause to all the evils that comes to family business under capitalism market form. It not only discourages the potential of its employees rather also brings in the social and wealth inequality, causes exploitation of the workers (say, by reducing wages, inability to expand their potentiality, etc.) and is a prone to 'boom and bust' in economic cycles.

Socialism

In socialism, social and economic doctrine calls for public rather than private ownership or control of property and other natural resources. Thus, it is referred to as a system of social organization in which private property and the distribution of income are subject to social control. Socialists believe in co-operation and not in isolation. Society as a whole should own or control property for the benefit of all its members. It allows individual choices in a free market to determine how goods and services are distributed. For socialists true freedom and true equality require social control of the resources that provide the basis for prosperity in any society. Karl Marx and Friedrich Engels made this point in *Manifesto of the Communist Party* (1848) when they proclaimed that in a socialist society 'the condition for free development of each is the free development of all.' *Coming together is a beginning, keeping together is progress and working together is success* is the motto of a socialist society which advocates that the means of production, distribution and exchange should be owned and/or regulated by the community as a whole. Such practice is also known as collective or common ownership of the means of production. Reduction of relative poverty, free health care, diminishing marginal utility of income, selflessness over selfishness, public ownership, fear of government failure, higher taxes, extreme welfare state, excess labor market regulation, powerful union and reduced hidden taxes are some of the basic features of socialism which forms a strong base for this system.

Socialism is also defined as a stage of society in Marxist theory transitional between capitalism and communism and distinguished by unequal distribution of goods and pay according to work done. Though in the modern era, pure socialism is seen rarely and usually briefly in a few 'communist' regimes. More common systems of social democracy, now referred to as democratic socialism is the extensive state regulation with limited state ownership which has been employed by democratically elected governments (as in Sweden and Denmark) in the belief that it produces a fair distribution of income without impairing economic growth. The origin of this concept of socialism lies in the Industrial Revolution where a centralist-socialist wanted to invest the public control of property in some central authority. However, family business is a source of common interest wherein the family members act collectively and never hesitate to take stand for each other against a forthcoming hardship. Above all, there has always been a must-have element, a strong bond and the maximum possible level of understanding among the family members; then only they could proceed and achieve their set targets for the family business. Some of the implications of this market form is discussed below:

- Lee Edwards, *National Review*, "The Looming Threat of a Socialist America," 8 Sep. 2020; in Texas, Democratic voters in the primary approved of *socialism* by 56 percent, a 20-point margin over capitalism.
- Michael Smolens Columnist, *San Diego Union-Tribune*, "Column: Biden is fighting on Trump's turf," 6 Sep. 2020; Trump has repeatedly accused Biden and the Democrats of trying to spread *socialism* across the United States.
- Jonah Goldberg Tribune News Service (tns), *Star Tribune*, "In American politics today, the center is a lonely place to be," 9 Sep. 2020; The twin fads of *socialism* and nationalism are best understood as competing attempts to impose sameness and order on each side's own terms.
- Reid Ribble, *WSJ*, "The U.S. Admits Too Few Refugees," 24 Aug. 2020; while President Trump has rightly critiqued the autocratic tendencies of *socialism*, on his administration's watch the U.S. has increasingly turned away victims of communism and religious persecution.
- *CBS News*, "CBS News Eye on Trends: The latest from the Election & Survey Unit," 30 July 2020; there are some age differences among Democrats' views on *socialism* overall.

From all the above discussed points it can be concluded that socialism is that form of market where there is no single party control rather a combined effort of both state as well as private owner(s). This sort of dual party involvement in core functioning of a firm too has dual faces of pros and cons.

Pros & Cons

Family businesses in India are more prone to socialism due to the presence of mixed economy. Residents here follow the path of working in a community to ensure the smooth functioning of the firm. For making an efficient move of welcoming socialism, there has always been conflicting arguments, so below discussed are some of the probable pros and cons of this market form.

- Just like pure capitalism can't be contrasted with pure socialism and mixed economies, likewise socialism provides a complete unbiased opportunity to outsiders. This is so because leaders in the business are selected strictly on the accomplishment and ability and thus total flexibility is witnessed while providing employment to outsiders. This implies the redistribution of wealth and income through progressive tax system and welfare state.
- Impersonal ownership is another core element of socialism as it provides employees with an opportunity to grab leadership while undertaking a healthy competition. State being the stake holder is another reason accounting to it.
- Freedom of speech adds feather to this cap by permitting every individuals to put forth their ideas towards the betterment of family business.

- Foresightedness and longevity are the two core characteristics of family business under socialism; long life of business along with good profit making capacity is captured under it.

Practice of following progressive taxation system may hinder the innovation process which is yet to be adopted. This may further lead to slow economic growth, less entrepreneurial opportunity and lack of potential moves among the employees. Socialism is therefore also accounted to some negativity by involving the role of state in governance. Some of the cons of socialism are conferred below.

- The increased role of government brings in lesser incentive among other employees. The inefficiency of ruling government directly causes harm to economy which as a result affects the economic growth.
- Setting of progressive taxation system brings in the lack of incentives among the business owners. In the modern world, it is easier for the super-rich to live abroad in tax havens and free-ride on others who pay tax. If tax rates are too high, they can be self-defeating and fail to significantly increase tax revenues.
- Reduction in individual effort and labor force are preferably expected, as too generous welfare accounts to increased disincentive to get a job.
- Socialism aims at a more harmonious society. And if the socialist policies are inclined towards strengthening trade unions and aiming for perfect equality, it can lead to antagonistic labor relations with a 'them and us' mentality – workers against owners. This attitude can cause time lost to strikes and unproductive factories. For example, in the 1970s, the UK labor market was characterized by poor labor relations due to distrust between unions and owners of companies. Even public ownership is not guaranteed to solve industrial relations. The ownership doesn't matter to workers if they feel they are getting a bad deal from their government employers.

Teamwork

In a competitive era where survival for every minute is a competition itself, teamwork plays a key role in simplifying this competitive path. Scarnati (2001,p.5)defined teamwork as "as a cooperative process that allows ordinary people to achieve extraordinary results." Also Harris & Harris (1996) explain that a team has a common goal or purpose where team members can develop effective, mutual relationships to achieve team goals. Thus, the term team can also be defined as 'together everyone achieves more.' There can't be any better team than a family where people share a good understanding, common goal and true loyalty with its team members. Targets of any business can be achieved only if whole team works for the accomplishment of economic benefits. Justification for the significance of teamwork can be given by taking example of wolves. Wolves usually hunt in a group following a definite strategy and don't even give their target a miss. Similarly, a proliferated family business could survive only if whole family comes to the rescue of their business and won't provide their rivals with a chance to harm them. The proof for this is given by the prescribed definition of teamwork in BusinesDictionary which defined teamwork as a process of working collaboratively with a group of people in order to achieve a goal. Hence working in a team means that people will try to cooperate, using their individual skills and would provide constructive feedback, despite any personal conflict between individuals of the same family. From an analysis done by researchers, it is found that there are nearly six key attributes of successful teamwork:

- Vow to team success: in order to succeed team members are required to share common goals, values, beliefs as well as commitment and motivation to succeed. All these elements also constitute to the success of family business. For example for designers (employers) to keep up, developers (employees) must have superb performance.

- ❖ Interdependence: for an individual to succeed other team members' success is necessary. This implies that if a firm needs to succeed and survive in the market then all the members of the team have to work efficiently to achieve the set targets.
- ❖ Interpersonal skills: for team to be strong, interpersonal skill set is required. Respect, support and realistic mutual expectations among team members are a must.
- ❖ Open communication: for an organization to taste success an open communication channel is to be followed. Seniors must guide their juniors onto the required experienced skills and juniors must reciprocate to it by obliging to it.
- ❖ Suitable team composition: specific tasks are handled by specific roles and specific roles require specific talents and skill sets. For example, a team that is made up solely of manufacturers will only produce efficiently, however, lack of efficient sale department would only account to unsold stuff stocked up in the manufacturing unit. Thus, team composition is an important factor.
- ❖ Commitment to team leadership and accountability: since team members expect certain freedom when it comes to decision-making, they are more likely to accept individual accountability and personal responsibility for their actions. For example, while team leader delegates tasks and keeps track of progress, it is up to employees to use their skills and deliver the final product. They will often make high-risk/high-reward moves, and be more than willing to accept scolding if their "leap of faith" fails.

Pros & Cons

All the family members work in a systematic way following a definite suite under a team. Not all the time does this collaboration provide sweet results but many a time fruit born is bitter too. Unknowingly, if a member of the group brakes loyalty or if there is a rise in some family disputes then there are chances of family business splitting into pieces. Therefore, higher the benefits of forming a team, higher are the loopholes too in working as a team. Let us discuss some of the pros and cons of teamwork in family business.

- ⅄ Increase in efficiency is the highly required feature of forming a team. Some projects in business have unrealistic and non-negotiable deadlines and at the same time it becomes very difficult to issue “all hands on deck”, so this very problematic situation is sorted out while working in a team. Also, teamwork provides mutual moral support and a greater sense of accomplishment making it more beneficial.
- ⅄ Humans have different nature; some are punctual while others are trendy. Similarly team also has members with unique features. Let us say that an employee's work is up to the requirement of client but delivery is always late while there is other employee whose work always score him a runner up position but is always punctual. Then in this situation, both the employees when clubbed together to work for a project would form a perfect combination.
- ⅄ Business always requires a smarter and unique idea to survive in the market. More humans in a team mean more minds to think over a situation. Also if stucked at a problem then applying clash of characters could be the best move to cause constructive conflict and produce groupthink solutions that other haven't even considered.

- Less employee turnover**:** a proper, well balanced and open-minded team is mostly friendly, welcoming and is always ready to contribute to the company's cause. By maintaining successful teamwork and a positive atmosphere, firm can reduce staff turnover and avoid the costs of losing employees.
- Workforce flexibility: instead of leading the everlasting recruitment campaign employees can be cross trained for roles outside their current responsibilities. This would ensure smooth functioning of family business even if there is less number of employees available in the office/workspace. Teamwork in such situations is proved fruitful to curb any forthcoming difficulties.

All such activities won't only be helpful to the business but it will also help in grooming the over-all personality of the workforce involved. Teammates not only bond with each other rather they act as a family. Although the scope of teamwork is not only restricted to all the above discussed goodness rather it is followed by various negativities too which is discussed further.

- Social psychologists came up with the concept of group think where teamwork, specifically isolation from outside opinions and lack of rules for decision making are connected to this concept. However, team members are encouraged to bond and sometimes things go too far and results in increased problems.
- Teamwork will peak only if each and every member is given a certain role and has a certain set of skills and is compatible with the rest of the team. But finding all pieces of the puzzle and fitting them together is difficult, expensive and time-consuming.
- The possibility for conflicts lies always in teamwork. Mainly the lack of communication and lot of uncertainty during co-operation results in failed destiny.
- Since the team has shared responsibility, it is very difficult to determine if an individual has performed above or under expectations. Sometimes, this issue can result in employee dissatisfaction: if the individual has over performed, he will be unhappy because he hasn't been rewarded properly; if he has underperformed, his teammates will be discontent and might mutiny against his lack of contribution and extra work they have to handle.

All the above held discussion clearly signals out to the importance of three different servings of family business. No business would ever survive with the deficiency of these three elements. Now is the correct time to opt for a better plate in the restaurant of business and end up happily by handing over a handsome amount of tip to ones' family members.

Case Study: TATA Group

In the year 1868, Jamsetji Tata started trading company Tata Sons. Tata Sons Ltd.is the holding company Tata group which has varied business running together. He wanted to start an iron and steel company, a hotel, a learning institution and hydro-electric plant. On 3 December 1903 he founded Taj Mahal Hotel at Colaba and it was the only hotel to have electricity. He married Hirabai Daboo and has two sons, Dorabji and Ratan Tata. Tata steel was founded by Jamsetji and established by Dorabji in 1907. Now this family business was taken care by Dorabji and he founded Tata chemicals and Tata power. It was his dream project.

All the family members who joined the business started from the scrap and were groomed into a better leader and human being and this was perhaps the foremost requirement for successfully leading a family business. Ratanji Tata also actively participated in the business. He was an art collector and along with his brother's collection his collection is presented in Chhatrapati Shivaji Maharaj Vastu Sanghralaya (Prince of Wales Museum). Later he got married and

ISBN: 978-81-946375-5-4

adopted Naval Tata who is followed by three sons, Ratan, Jimmy and Noel. All three of them have actively contributed their share in the growth of their family business, Tata Group.

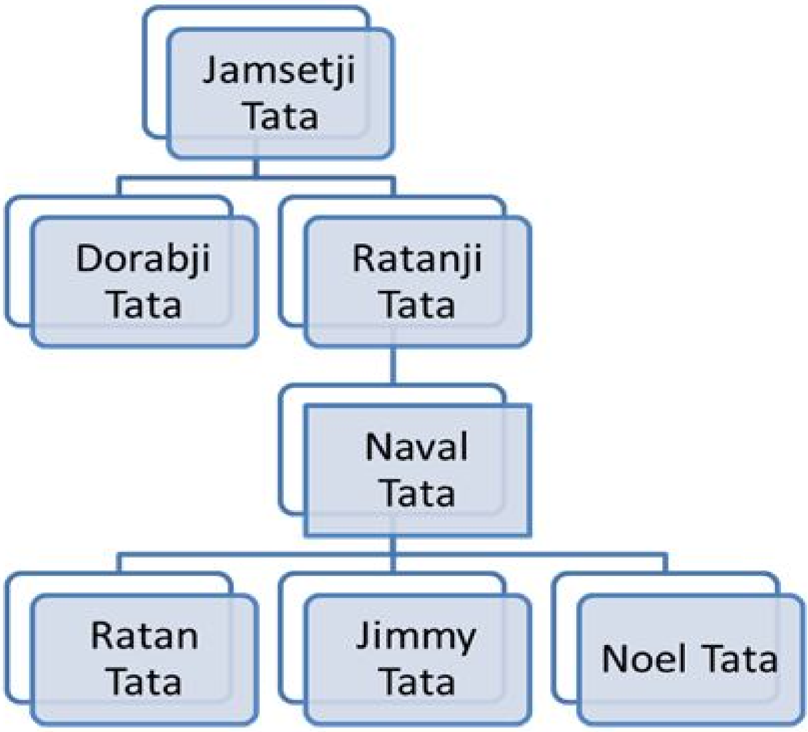


Fig.1: Family tree of Tata Group family. Source: *https://buddymantra.com/8-successful-indian-family-businesses-running-over-a-century/*

Ratan Tata, former chairman, worked for 21years and revenues of the firm grew 50 times. He actively invested in the current generation companies like snapdeal, ola, paytm and many more. From investing in Tetley, Tata group gained international fame and from there on it went on to acquire many international companies. It has its enterprise in defense, electric utility, finance, healthcare, IT Service and Real estate. Also the business is wide spread across the globe with some of their famous ventures like Titan, Tata Global Beverages, Tata Teleservices, Tanishq, Fasttrack, Croma, Tata Salt, Tata Starbucks, Voltas, Tata Sky, Tata Docomo and Tata Steel. Ratan tata was succeeded by Cyrus Mistry. However, due to some disagreements with members of the Tata family, Mistry was abruptly dismissed. Though, this was their worst experience for appointing a non-family member to some senior post. However, the charge of the firm is with Mr. Natarajan Chandrasekaran with the firm earning revenues equal to 9,136,327,032 Rupees. Thus, it could be concluded that to run a family business in smooth manner, one has to keep his/her eyes open to overlook activities and actively participate in business meetings and in other required engagements. A business mind needs to possess all the qualities and knowledge of capital to be invested, study of market and prospects demand at the right moment. Thus, capitalism in a family business is reflected with its successful ventures, socialism is reflected with the involvement of government in policy making and treating all the employees at par irrespective of their family connections and teamwork is a reflection of all the success the business has bagged so far.

Questions for Practice

1) What do you understand by family business? Discuss.

2) What are the various features of family business?
3) Discuss merits and demerits of family businesses in India. Answer this by taking into account the modern era of 21st century.
4) What are the various servings of family business?
5) How does socialism differ from capitalism? Explain in context with family business.
6) Explain briefly the importance of teamwork for maintaining a healthy competition in the market.
7) What are the basic must haves for a family business to survive in this dynamic environment?
8) Differentiate between socialism and teamwork in context with family business.
9) Considering the given case study of Tata Group, search and write another case study of a family business where all these three servings are reflected.
10) Work on international economy and write about some family businesses of foreign land that stands for these three servings-capitalism, socialism and teamwork.

REFERENCES

- ✓ https://www.yourarticellibrary.com/business/meaning-of-family-business-types-and-characteristics/41130
- ✓ An excerpt from ‘Reg Athwals Book: Unleash Your Family Business DNA.’
- ✓ https://www.researchgate.net/publication/273276942_Theoretical_Perspectives_On_Family_Businesses
- ✓ https://www.merriam-webster.com/dictionary/capitalism
- ✓ https://www.ey.com/en_gl/growth/why-family-businesses-are-the-natural-home-of-innovators
- ✓ https://www.thefbcg.com/resource/family-communism-business-capitalism/
- ✓ https://www.investopedia.com/terms/c/capitalism.asp
- ✓ https://familyfirmblog.wordpress.com/2014/07/06/the-dark-side-of-family-capitalism/
- ✓ https://www.economicsdiscussion.net/socialism/socialism-definition-features-merits-and-demerits/14126
- ✓ www.economicshelp.org
- ✓ https://www.merriam-webster.com/dictionary/socialism
- ✓ https://www.economicshelp.org/blog/147271/economics/pros-and-cons-of-socialism/
- ✓ https://activecollab.com/blog/collaboration/what-is-teamwork-actually
- ✓ https://buddymantra.com/8-successful-indian-family-businesses-running-over-a-century/

ISBN: 978-81-946375-5-4

A CONCEPTUAL APPROACH ON FAMILY OWNED BUSINESS MANAGEMENT WITH REFERENCE TO INDIA

Dr Manas Roy
"Assistant Proessor, Department of Economics, School of Humanities & Social Sciences, Faculty of Arts and Law, Manipal University Jaipur, VPO Dehmi Kalan, Tehsil Sanganer, off Jaipur - Ajmer Expressway,Jaipur-303007, Rajasthan, India"

OBJECTIVE OF THE STUDY

Family is considered as one of the oldest "social institution" in the history. India known as the home of practice of deeply- rooted business ownership within a family continuing the practice that surfaced after 1900 with their share of total capital growing constantly. As a result, India has turned as the home ground of a galaxy of affluent and rich and esteemed ballot of "family owned businesses". This model of family owned enterprise has withstand through British period as well as in post-Independence "controlled-economy" phase and has blossom specially in since 1991 through the advent of New Economic Policy.

Taking this philosophy in view the present study is trying to recognize the conventional schemes pursued by the family businesses in our country. The objective of the present research is examine components correlated with crucial variables affecting family owned business (FOB), highlighting the major and pivotal areas affecting FOB as well as trying to find out those challenges faced by FOB in the country like India. The methodology is conceptual and descriptive in nature and analysis is earnestly depends on literature reviews. This study is also trying to analyze the substantial aspect inherited by the families to manage and run their own businesses. This study is also trying to single out their shortcomings for running those businesses so that the same can be "kept in mind by the hierarchy so as efforts are made from the start to overcome them".

In brief this study is trying to compile theoretically the various aspects of "family business management"(FBM) of our country, accumulating major determining factors impacted the FBM, compiling various approach to define FBM by previous researchers, exploring strengths and weaknesses of Indian FBM and family business dynamics and lastly to find out the "challenges" administered by FBM in our country.

Keywords: Family, Business, India, Management, Succession plan

INTRODUCTION

Families are normally bonded with emotion, values as well as visions over generations. There is a growing recognition that families also acquire a social roles and responsibility to accomplish which in turn makes it liable for explicit exercise which includes "community development" through family business management (FBM). Family businesses comprise the predominant form of enterprise around the world but started receiving academic attention only in recent years especially in developing countries like India. Ownership and management are the key terms for the field of wide and giant numbers of business families. India, termed as "fastest growing economies" as well as "key player" within the world is not an exception. The part of Indian economy which is command by family owned business management ranges from tiny shops to global "diversified conglomerates".

Family is regarded as one of the "ancient surviving social system". Of late, family business management (FBM) started receiving consideration to the academician. "A family owned business is any business in which a majority of the ownership or control lies within a family".

No the other hand FBM stands for "A family business is a company owned, controlled, and operated by members of one or several families" (Goode, 1982). This is perceived that family makes a pivotal responsibility in the development of business most specifically FBM (Aldrich & Cliff, 2003). "Family and business" are administered by diverse criterion and propositions like "family first" and "business first" approaches those are adaptable and harmonious.

Most of developing countries where India is not an exception, FBM it still endure a secrecy. Academician as well as business watcher were perplex to watch the new "out-break" in "second generation India" which in turn as to become as indispensable member in "global economic arena" enduring most universal formation of entrepreneurship (Collinson & Rugman, 2007). India is having rich and glorious history of family business (Kavediya, 2017). "In India, family businesses range from small retail store to large conglomerates, stepped outside their zones to acquire companies in new industries and geographies" (Choudhary, 2012- 2013), a majority of which are "fast approaching the critical stage of succession". In fact, FBM is salvation of economy of India, where 90 percent of FBM are operated by family that in turn transforms the remaining business society mostly depends on them. It may start with "vendors, transporters, contractors or distributors; non-family corporations collaborate with family firms on various levels" (Vani, Chandraiah & Prakash, 2014).

SURVEY OF LITERATURE

Gita (1996) in her research paper depicted the essentials for a successful entrepreneur and their contribution for Indian economy at a global business level.

Shukla (2014) in his book facilitated the techniques of FBM in future more efficiently and productively by the owners.

Dutta (1997) talked about the development of FBM in the country like India. For depicting the "history and origin of FBM in India, the author declared that family business exists since more than 500 years in India but got importance since last 40 years".

Rastogi & Agarwal (2010) examined major factors affecting FBM. The dominant components includes "independent attitude, leadership qualities & other background factors that affect decision making".

Zahra & Sharma (2004) focused on identifying six key trends in FBM. Their study stressed further considerations on the context of the major decisions taken in FBM.

Sharma, Crismas & Chua (2013) investigated the determinants of planning in FBM in India.

Ramachandran & Bhavnagar (2012) captured some of the major practices of Indian FBM firms. They concluded that major field where FBM undergoes exclusive demands like "leadership, succession planning, professionalization, managing family relationship and wealth management".

Merchant (2019) in his article stated, "90 percent of the Indian FBM are family owned which makes the rest of the business community largely dependent on them".

Choudhary, et.al. (2013) stated that FBM in our country used to finished better in 2012 out of which 74 percent was developed in past 12 years'. Out of this 36 percent are aimed for grow aggressively in past 5 years'; 78 percent FBM supports numerous "community initiatives", 80 percent FBM helps employment generation in their working field of operation and 90 percent of the Indian FBM are confident of achieving their predicted growth

Yadav (2013) in his study discussed various "challenges, strengths and weaknesses" in FBM. The primary purpose of this study was to pinpointing several problems related to "succession planning”. He investigated diversified strategies adopting by various FBM for their achievement as well as development.

Mallya (2011) explored the “traits” of FBM in India by sharing the fables of selective FBM in India by establishing a yardstick for destiny of the businesses to become prosperous. FBM is performing crucial role in “economic development” of any state. The paper concluded that creativity, calculative “risk taking capacity”, “leadership, versatility and facing the challenges” are the characteristics as “traits” of FBM.

Burns (2014) in his study also gained “a better understanding about the challenges faced by family owned businesses”. Basic objective of the study was find out “skills and experience” required for controlling FBM. The study found that crucial components which are required for FBM consists of “formal education, strong communication and willingness to try new things”.

METHODOLOGY

This is an exploratory research, descriptive in nature and solemnly depends and compiled from various reputed sources. This include relevant books and publications like Start-up Pulse Survey-Q1, Credit Suisse Research Institute (CSRI) by various esteemed organizations like GOI, KPMG International etc. Methodologies considered this study relies upon extensive literature survey, tables to highlight the basic findings and making comparisons based on these as well as online lectures. The study year has been selected as 2019 – 2020.

The uniqueness of this study is to analyse the FBM in India in interpretive manner taking into account the previous research done by various researchers.

MAJOR FINDINGS

FBM is traditionally considered as the “backbone of the Indian economy”. It has been termed as engine of growth and the source of output and employment from the past. It has found that about 65 percent of India’s GDP originated from “organized sector” actually flows through FBM. Though it was opined that bulk of FBM in our country are not that much matured like western countries but it has been found that 15 out of the top 20 business groups in India are owned by family (ValuEndow, 2018; Burns, et.al., 2014).

Table-1 shows elements those are determining factors of FBM are growth, risk, governance, wealth, transition and people. It has found that growth that are “sustainable and profitable” can act as required elements of FBM. “Controlled risk” is another important variable. It is opined that governance “structures and mechanisms” is an important factor of FBM. Like this wealth, transition and people are other required elements for survival of FBM (KPMG, 2020).

Table- 1: FBM dynamics

	Strengths	**Weaknesses**
Family Business Management	Transition, People, Growth, Risk, Governance, Wealth,	Legacy, Trust, Leadership Purpose Decision making, Communication, Strategic alignment, Capability, Entrepreneurship

Source: KPMG Private Enterprise Family business dynamics, 2017; Mallya, 2011

Table-2 shows the strengths and weaknesses of FBM based on criteria like infrastructure, leadership, succession, ownership, roles, complexity and involvement (Yadav & Singh, 2013; Kavediya, et.al. 2017). Flexibility, entrepreneurial behaviour, quick decision making, creativity, loyalty, values and belief, spirit, dream, sense of mission and vision are some of the strengths of FBM. On the other hand lack of management development and organization chart, resistance to change, autocratic nature, difficulty to choose successor, excessive control, in house BOD’s, nepotism, rivalries among family members, incapability to "balance family and business need for liquidity, lack of objectivity" are some of the weaknesses of FBM.

There are some measures discussed by various researchers to overcome the weaknesses the FBM. Some of the important features are modify the constitution of the family, development of a succession plan, choosing BOG's from outside, training to fit for the post, formation of family council, arranging open communication among members, understand realities, restructuring, adoption of professionalism etc. (Kavediya,et.al. 2017;Yadav & Singh, 2013 et.al.; Burrell & Morgan, 1979; Goel,2017).

Table- 2: Strengths and Weaknesses of FBM (In India)

Dimensions	Strengths	Weaknesses
Infrastructure	Flexibility, Entrepreneurial, Can innovate ideas, In-formal	Confused, Unclear, Defiance to change, absence of "management development", absence of "organization chart"
Leadership	Authority is informal, Entrepreneurial, Ambitious, Creative	Autocratic, Avoids "letting go", Resistant to structural change and change in used to system
Succession	Training ,Mentoring a "life-long process", Free to "choose when to leave"	Inability to choose a successor, Family issues make hindrances
Ownership	Closely held, Family owned, "Degree of control" is in highest amplitude	Outside BOD restricted, Sacrifice "growth for control", Stockholders are non - accountable , "High premium on privacy"
Roles	Flexibility, "Multiple roles", "Dual relationships", "Quick decision making"	Suffering from confusion, Nepotism, Binary assemblage between "learning and objectivity", Entry of "Unqualified family members in jobs" based on "birth rights"
Complexity	Foster creativity, Coaction between "roles and goals"	Should manage to dodge turmoil, Sewer of "resources and energy"
Involvement of family	Committed employees, Loyalty, Sharing "values and belief" , "Family spirit, Family name, Family dream, Strong Sense of mission and vision"	Inability to maintain "family issues" beyond business, Amalgamation to work and family, Rivalries, Unable to balance the need for liquidity required for family and business, Missing of objective, "Inward looking"

Source: Yadav & Singh, 2013; Kavediya, 2017; Yadav, 2013

CASE STUDY

This study considers a case study on GMR Group as one of FBM from India (PwC, 2019). Established in 1998, as a miniscule Jute-milling service provider in Andhra Pradesh in India, with only $5000 USD as working capital was flourished like anything after twenty years of its initiation in diverse areas including trade of not only rice, sugar, timber, cotton but also in build off power-plants, banking and even in mutual funds.

Family statue: With the growth of the group, the FBM has assured that it captivates the "right people" to run the business. This means that to appoint the people having global lookout on how FBM as well as governance are examined in rest of the universe. As per GM Rao (Chairman, GMR Group), they had spent a lots of time for develop a FBM for proper governance for identification of best person to constitute the FBM for the tenure of "two to three years" and preceding to form a legal FBM constitution they used to take approximately two years to “align the family”.

Continuity: GMR grew fast particularly after economic reforms in 1990s and turned as one of the largest building infrastructure company in Asia based on hard work and through “top-down exercise” based on values of FBM. At present, it becomes one of the biggest “private airport developer and operator” in our country. Along with this It also turned into one of the biggest “operators of power plants, highways and special economic zones (SEZ)”. It has incorporated its name into “National Stock Exchange” as well as in the “Bombay Stock Exchange”.

Vision in long-run: The vision of GMR group is to create “value for society” and becomes an “institution in perpetuity”. They have comprehended that, family governance is a prerequisite to FBM and without FBM model “institution in perpetuity” is impossible. The group is governed by an “independent panel separate from the board” through a “group performance advisor council” that monitors the company’s performance from outside. The basic functions of this advisor council is to discuss their performance with “CEOs, CFOs, business leaders, customers, suppliers and important stakeholders” and provide valuable feedback.

CONCLUSION

This paper through review of literature tries to jostle down a clear picture of the FBM in India. Their pros and cons, their various aspects in brief and major challenges faced by FBM. After reviewing so many literature this study finds various aspects of FBM and concluded with appropriate suggestions. There is no doubt that FBM with strong strategic behaviour will earn some edge over the competitor as there shows “one size fits all” as far as FBM in our country is concerned. This study found that seeking “expert guidance”, incorporating professional management, planning to fulfil “long term vision” and acquiring skills are some prerequisites for “new generation” for thriving for FBM in India

QUESTIONS (CONCEPTUAL)

i) What do you understand by “Family business management” (FBM)? How FBM does relevant in India?

ii) “Family business management” (FBM) means “community development” –Justify your answer taking the reference of Indian economy.

iii) “Ownership and management are the key terms for the field of wide and giant numbers of business families”- Justify your answer taking suitable examples from Indian economy.

iv) “A family owned business is any business in which a majority of the ownership or control lies within a family”- Taking this into account discuss the advantages and disadvantages of “Family business management” (FBM) in India.

v) “Family business management” (FBM) is termed as “engine of growth” in Indian economy- Explain with suitable examples from Indian Economy.

vi) Discuss with suitable example the determining factors of “Family business management” (FBM) in India.

vii) Explain the strengths and weaknesses of “Family business management” (FBM) in India.

BIBLIOGRAPHY

- Aldrich, H. E. &Cliff, J. E. (2003). The pervasive effects of family on entrepreneurship: Toward a family embeddedness perspective. Journal of Business Venturing, 18, pp. 573-596

- Burns, A. (2014). Credit Suisse Research Institute's (CSRI) CS Family 1000 report
- Choudhary, I.R. (2012-2013). International Conventions on Family businesses as paradox (2011 CII FBN XII) Private and Entrepreneurial Client Services, PWC'S Family Business Survey, Start-up Pulse Survey-Q1
- Collinson, S. and Rugman, A. (2007).The regional character of Asian multinational enterprises. Asia Pacific. Journal of Management, 24 (4), pp. 429-466
- Dutta, S. (1997). Family Business in India. New Delhi: Response Books
- Goel, N. (2017). Family business in India: Challenges & Role of External Leadership. International Journal of Research and Analytical Reviews, 4(4), Oct-Dec
- Goode, W.J. (1982).The Family. Second edition, Upper Saddle River, Prentice-Hall
- Gita, P. (1996). Business Maharaja. Viking Penguin Books India (P) Ltd.
- Kavediya, S. (2017). Challenges and problems faced by family businesses in India. International journal of science, technology and management, Vol. 6(4), April
- KPMG International Cooperative. (2020). Retrieved from - familybusiness@kpmg.com
- Mallya, S. (2011). Successful Entrepreneurs of Indian Origin - A case Study
- Merchant, P. (2019). Family Managed Businesses in India .S. P. Jain Management Institute, June 7
- PwC. (2019). Powerhouses of opportunity: The virtue of humility as a value. India Family Business Survey
- Retrievedfrom-https://www.pwc.com/gx/en/services/family-business/family-business-survey-2018.html
- Ramachandran, K. & Bhavnagar, N. (2019). Family business succession: Performance and tradition-innovation paradox. Family business brief, 54, June
- Rastogi, S & Agarwal, R. (2010). Intention of off-spring to join family enterprise - A Study of Indian Business. Annals of Innovation & Entrepreneurship", Research article, Vol.1
- Sharma, P., Chrisman, J.J. and Chua, J.H. (2003). Succession Planning as Planned Behaviour – some empirical results. Family Business Review. 16(1), pp. 1-15
- Shukla, H. (2014).Family business roots to routes. Himalaya publishing house, Mumbai
- ValuEndow. (2018). Succession planning in family business in India. Written by business - experts at consulting, Copyright © ValuEndow Consulting
- Vani, R., Chandraiah, M & Prakash, C. (2014).Family business management in small and medium enterprises at Nellore district. International journal of scientific research and management (IJSRM), 2(8), pp. 1249-1266
- Yadav, P. & Singh, J.(2013).Family owned businesses: issues relating to succession planning. Retrieved from- file:///F:/Conferences,2020%20-%202021/Family%20Business%20Mgt/Study%20materials,family%20business/FB-PP-313-FAMILY_OWNED_BUSINESSES-241-Singh_b,vv%20im.pdf
- Zahra, S.A. and Sharma, P. (2004). Family Business Research: a Strategic reflection. Family Business Review. 17 (4), pp. 331-346.

HARNESSING CREATIVITY & INNOVATION IN FAMILY BUSINESS MANAGEMENT

Yogesh Garg
Research Scholar, Department of Commerce, Maharaja Surajmal Brij University

Rajinder Rawat
Entrepreneur and Business Partner in BR Pulses

OBJECTIVES OF THE STUDY

Family businesses play a significant role in development of national economies worldwide; they are not only the oldest but also most prevalent form of business ownership. Even though most of the old businesses today have become professionally managed companies but still the family businesses forms the backbone of a country's prosperity. In India, family businesses contribute a major part of revenue to the national GDP annually. India had 108 publicly-listed, family-owned businesses, making it the third-highest behind China at 167 and the United States at 121 as of a study in 2015. The focus of this paper is on importance of innovation and creativity in family businesses in today's digitally influenced world. To understand it in a better manner a brief idea has been provided which involves the need of bringing in cultural changes in different aspects of a family business like Sharing Values and developing Leadership Skills, Supportive organization and Processes, and lastly by Facilitating Environment that supports in making innovation a key pillar in growth of family businesses. The paper has laid a special emphasis on ways of making innovation an integral part of family owned businesses by incorporating the role of management and how it can create synergies among different areas. It's been stated how The interplay between long-term vision and risk prevention in innovation decisions, Continuous innovation through flexible informal structures and A focus on incremental innovation can bring positive effects on business success and help it avoid any internal conflict. To conclude it can be said while India boasts a large and ever-growing list of family-owned businesses in today's ever changing world none are spared from the many strenuous tasks needed in order to grow as well as to sustain. Creativity & Innovation are integral part of these businesses and can't be ignored whether its in bringing out new products or coming up with new production methods or reaching to new markets or finding new sources of supply. This new form of organization is need of the hour and Indian family owned businesses will benefit from it to accomplish its vision of sustainability and growth.

Keywords: - Family business, Innovation, Structural Changes, Leadership Development and Creativity.

INTRODUCTION

Business Group/ Family Business

A family business is a business house which is owned, controlled and managed by members of one family. In other words, Family business largely comprises of family members who are actively acting in the management of the company. Some the leading Family Businesses in India are Reliance Industry, Tata, Birla's, Vedanta etc. The world's oldest family business which is in operation is a Construction company from Japan, currently managed by the fortieth generation. In Family Business, family members occupy key positions in the management of the business. It is a dependent entity as there is no distinction between management and ownership. Further, in smaller entity family members largely act as managers as well as owners.

Large Family Business groups are mostly found in developed economies but the family owned firms also constitutes a major part in the Indian Industry. The CII's Family Business Network

(2013) suggests that 90% (approx) of the total industrial output is produced by the family owned business. In the year 2016, 15 of top 20 business groups in India were family owned. As per PwC India Family Business survey 2019, More than 50% percent of Family businesses have shown double digits growth.

"Family businesses are those where policy and decision are subject to significant influence by one or more family units. This influence is exercised through ownership and sometime through the participation of family members in management. It is the interaction between two sets of organizations, family and business, that establishes the basic character of the family business and defines its uniqueness." — P. Davis

FEATURES OF FAMILY BUSINESS

Following are the common features of Family Business in India are:-

1. **Dominated by Family Culture-** Family Business in India is Pre-dominantly affected by family culture. They have huge emotional connect in addition to business opportunities.

2. **Inter-relationship -** It is largely Influence by Inter-relationship among the family members. Due to Family Traditions, long term perspective is shown by Family business which leads to stability. Self-Discipline and respect can be pre-dominantly seen in the Family Business.

3. **Succession** - The succession of family business finds it way in the hands of next generation. Today the young generation of business family are well exposed to Global Standards and professional management skills to bring stability and growth in business. The young generation is fully aware about the foreign collaborations to run business on a Global scale by tapping all the opportunities available.

4. **Strong Growth Prospect-** Family businesses in India generally have strong financial base which helps them to explore new sectors and industries reflecting huge growth prospect. The Rent less participation of next generation in the existing business also helps them to grow in more technological and modern way. For example: - JIO network by Reliance serving through Fibre optical cables.

5. **Sub- Divisions and new entities-** Division and sub-Division of new Entity. For example:- Reliance Group by Dhiru bhai Ambani group divided into Anil Ambani and Mukesh Ambani industries. Division leads to a huge change in governing style of the company. Now, family businesses have Professional code of conduct to run the business targeting International markets and raising funds from there. For example: - Reliance Raised funds in the early 90's from US.

ROLE OF FAMILY BUSINESS IN THE DEVELOPMENT OF INDIAN ECONOMY

Family Businesses plays an instrumental role in the development of Indian economy. Some of the major contributions are as follows:

1. Employment Generation- The family business in India provides livelihood to many people through employment generation. These business houses helped the country to overcome the problem of unemployment.

2. Development of backward areas- The Family businesses set up factories in rural and backward areas. The two main fold objective of this feature are, business can avail the benefits of government policies in form of tax incentives & concessions and fulfilling their social responsibility by developing these areas.

3. Capital Formation- The Family business has raised standard of living by a rapid increase in national income & per capita income and also promotes capital formation in the country by contributing to GDP. For example:- Reliance Group contributes nearly 5% of India's GDP in 2017.

4. Promotes Joint Venture- They also promotes joint venture with foreign entity and earn valuables foreign exchange for the country. For example:- Vistara is a Joint Venture of Singapore Airline and Tata Airline.

5. Sense of Social responsibility- Family business Promotes Social responsibility in Education, Sports, Natural Calamities, Sanitation etc. They also provide better quality products at reasonable cost. For example- Jio by Reliance, Nano car by Tata.

6. **Rapid Industrialization-** Business groups have set up new production process based on modern technology. They have also created supportive infrastructure for the growth of Industries in the country. In the absence of these business houses the pace of industrialization could have been slow.

CREATIVITY AND INNOVATION IN FAMILY BUSINESS MANAGEMENT

In today's world of digitalization creativity & innovation both holds the key. It's creativity & innovation that drives the growth, frequently changing customer preferences and compelling companies to come up with ideas to cater them at their place of convenience and in the way they prefer to be treated. According to **Oxford dictionary**, creativity means, "The use of imagination or original ideas to create something." And innovation can be defined as the successful implementation of the different organizational processes where new creative ideas are put into practice within an organization. In particular, innovation is the founding of new concepts, procedures and/or technologies in an organization.

Family businesses are not stranger to them but it's also the area mostly ignored by them. Insufficient attention to innovation is one of the reasons due to which many family businesses fails to reach to their potential and their evolution from one generation to the next remains restricted. Innovation in their business, industry and marketplace is often missed by managements mostly due to the fear of bringing in new people from outside and losing control.

Through different studies it's been noted that though innovation drives the initial years of the family business, as to compete in the market, they come up with new ideas and creative products; but this innovation and coming up with new ideas takes a back seat as the subsequent generations often develop a tendency to become more like "custodians" who are there just to keep business running rather than innovators and expand to their full capacity.

To institutionalize a culture of innovation in the family business there requires sustained effort in different aspects of business. Since family owned businesses are a close bond of individuals it becomes important to focus on these three important aspects of the business –

a. Sharing Values and developing Leadership Skills –

One aspect all the businesses can focus on is promoting the values of openness, a sense of purpose, ability to resolve, bringing in integrity and composure at different working levels of organization. These areas are not only vital in making each member more responsible but also give them an idea about their roles in development of the business. The leadership which is often reluctant in its approach in bringing changes must encourage creativity, collaboration and freedom to challenge business wisdom – to ignite and uphold a sense of adopting new changes through the innovation process. The spearheads of businesses should team up with younger leaders to share their experiences and incorporate the creative ideas from their side to bring in a culture of innovation.

b. Supportive Organization and Processes –
As the new generation starts taking more responsibilities, there are often conflicts of interests. In such scenarios it becomes an important part to bring in necessary structural changes. To enable teams working in different areas to transform their ideas to innovations; it becomes essential that their thinking must be guided by a structured approach which not only helps them to keep the business vision and objectives in perspective but also to bring in faith among all stakeholders. Different steps should be incorporated to all organizational processes to channelize these ideas to fruition. A system of proper communication should be developed.

c. Facilitating Environment –
There are forces within the organization that will either facilitate or hinder creativity and it's the same with family businesses as well. Therefore, it becomes the responsibility of family leaders to bring alignment among all the elements of business- People, as they are the main working force; it involves employees, present working members and new ones joining them. Structure, to ensure a successful transformation and bringing in a culture of innovation for a sustainable period. Processes, they are key to working, too much involvement can lead to interdependence and slow down the path of change and may prove to be hindrance for development of new ideas. Technology, in today's world holds the key; it not only smoothens the process but also enables a quick way of communication. All these elements are essential to enable innovation and make it a part of vision as well as part of firm's culture in a sustainable manner.

The interplay between long-term vision and risk prevention in innovation decisions:
Investment in innovation in a family business depends to a large extent on the objectives of the firm. Since these objectives often shapes its basic structure and from one generation to another often conflicts with one another. Securing the long-term existence of the business is a major goal; not only attached in an emotional manner but also involves a tradition, which the family carries with itself as a symbol of pride. Such attachment to the traditions often conflicts in shaping the business to the new needs of environment and hampers innovations. Innovation in a business can be categorized into different areas, like bringing out new products, coming up with new production methods that make the business more efficient, reaching to new markets, finding new sources of supply that only helps you improving product quality but also enables to negotiate better with suppliers and new forms of organization that carries the firm forward to accomplish its vision of sustainability and growth. These sections cover all areas of a firm, both internal as well as external.

In India, the family businesses which are small or medium scale are often totally dependent on themselves and on their own family members to manage and develop new ideas. This sense of independence and freedom from any external pressure is a key reason in their reluctance to enter in any sort of collaborations with external stakeholders that can sponsor innovation, which could results in more financial funds for innovation. Due to the fear of losing control to external hands these businesses can try different way like vertical partnerships with universities or research institutions, which not only allows them to keep control with themselves but also do not threaten the social and emotional values of the company. This interplay between long-term vision of the business and risk prevention of losing to competitors and not growing as to the potential should be brought in to favor prudent ways of incremental innovation, based on firms own competencies that have evolved over a long time.

- **Continuous innovation through flexible informal structures:**

One of the biggest strength of the family businesses is common understanding among its family members' who are closely affiliated with the company. This common understanding should be used a catalyst to strengthen the ability for innovation. But often it's been noted that such businesses starts depending too much on particular individuals for all the major decisions, leading to conflicts. This conflict of interests not only proves to be bottleneck in way of growth but the experiences and knowledge accumulated over the years are not used in the innovation process. Most of the areas in family businesses are managed by members itself; sometimes person handling a particular part is not qualified enough to understand the needs of work and business has to suffer because of it. In these changing times its important such organizations should work on developing a system to bring in qualified personnel from external sources. Another important thing these businesses should work on is how to sort the internal conflicts among members, although these conflicts may not necessarily have any negative impact on the innovation process but can result in delay or prove to be a hindrance in way of innovative solutions due to late decision making.

Since most of the family businesses in India are small in nature there is usually a close relationship among different stake holders involved in it like employees, partners and the local community, leading to interdependence among themselves. To bring in a nature of innovation firms can closely link their business to these stake holders and create a system of flexible structures to create an innovative organization. The culture of innovation in any organization is shaped by its informal work environment.

Another advantage that the small and medium-sized family businesses in India have is the ability to take quick decisions. Their size enables them to have direct access to resources empowering them to bring in spontaneous and radical innovation measures. By bringing in an informal structure the core values can be preserved and a safe space can be embraced where innovative ideas can evolve and develop whilst being protected from external disturbances that most of the family businesses try to avoid. In long run, this form of business type has lots of potential and has its own advantages in adopting and implementing quick business ideas through innovations, particularly fundamental ones which not only helps in shaping it but also lays down the path for generations ahead.

- **Focus on incremental innovation can bring positive effects on business success:**

Another aspect of bringing in innovation in family businesses is through balancing out different aspects of exploration and exploitation activities, that is making organizational more ambidextrous in its nature which is vital for successful innovation. Here the business family can fulfill a key role in bringing out this change and can be supportive to these new developments in the context.

In some of the studies it's found out that business owned by families are keener in implementing the solutions or the ideas of innovation that are incremental in nature. They are even more likely to implement these innovations than companies that are not family owned. One of the reasons behind this is their understanding of each other and their involvement in business on day to day basis. This brings in faith in others ability and family members engage more strongly in these innovations, which leads to an invisible presence in key areas like process innovation. These areas may not be visible in form of products but are essential in making the business processes more suitable to adapt to the changing environment.

The profitability and the sustainability of these businesses depends a lot on the level of cost savings, through their acceptance of adapting the practices that brings incremental innovation like process innovations, the family businesses are often at an advantage compared to other companies. Although there are other areas where it's not possible to bring in innovative ways but a certain path can be paved to make it possible. The older generation often finds itself reluctant to the new ideas brought in by younger generation. A promising model which involves a simultaneous involvement of older as well as younger generations should be brought in, whereby the younger generation can benefit from the experience of the older one and the older ones can understand the changes happening.

A proper plan to bring in intra-family succession often leads to incremental innovation, which helps in keeping the business control in internal hands while external succession can result in bringing in new ideas and lead ways to more radical changes.

- **Sustainable Innovation**

In present world when through digital means and power big business houses are slowly taking over the key clienteles of small businesses and entering into areas which were not feasible before. For these small and medium family businesses innovation becomes a key not only to survive but to grow as well. To keep the chain moving innovation is important at a sustainable level. Employment of people with different expertise in key functional areas is important. This hiring practice from external sources not only helps in sustaining innovation but will bring valuable experience from previous jobs and positions which will help in developing a series of combinable and cross-functional capabilities. It opens upon the organization to new ideas and enlarges the perspective.

Another quality for innovation is to partner with other businesses, since most of the businesses are focused on one aspects of business. This tying up with other partners will not only enable to expand with the same business but also ensures no loss of control, as it will explicitly aims at innovation and creating something new. Besides, people and processes must be aligned, for the sustainable growth of business and to keep the innovation at its front family businesses should encourage more employee engagement in bringing new thoughts on the table. Employees should be encouraged to question management decisions and every process should be optimized and updated regularly to avoid any sort of impediments to new opportunities.

CONCLUSION

Creativity & Innovation are important to business organizations. Since, Innovation is a long process and can only be successful, if it is planned to face risks and unexpected events especially when it's related to a business environment. With the advancement of technology bringing up new ways to cater clients is not just for big companies rather it's an exercise for every business whether its family owned or not. Small retailers are adopting new mediums like internet to sell to a bigger client base, it's not only helping to provide right product but also reach their suppliers directly and bringing down their cost of procurement. This new collaboration is beneficial to all stakeholders. A culture that supports changes and drives on goal of boosting innovation goes a long way.

Successful innovation is the result of the combination of the following elements: innovation, fast execution of idea and bringing trust among all stakeholders. Family firms today are working to create that positive environment in which innovation can grow as young generations are more likely to face challenges never seen before and are less dependent on past decisions, their failures and successes. However, the key factor that leads to the success of innovative projects in family firms is the combination of tradition and vision of family as its core values. Despite the scarcity of monetary and financial inputs to compete with big business group, these family enterprises have all the right features to drive innovation and have the ability to figure out the best combination of costs and benefits to reach their goals. This set of beliefs and values can be restructured by today’s younger business leaders that can drive the family tradition towards a lower risk-reluctance attitude and a higher willingness to boost innovation.

QUESTIONS

1. What do you mean by Family Business? Explain the role of Family groups in Indian economy?
2. What is the relevance of family businesses in today’s world and can the businesses survive on their own without involving any external resources to manage the business and grow it to compete with bigger players?
3. With the advancement of technology and a sudden shift in priorities of most of the businesses, does that mean the end of traditional ways and values of doing business? Does that makes an easy case for transfer of power in hands of younger generation and makes the current generation of leaders obsolete?
4. Most of the big family business groups do have a succession plan or have a path ready for transmission of power to younger generation but it’s not the case with small and medium family businesses. What can these small businesses do to ensure a smooth passage as there is always a conflict of thoughts and ideas which makes the younger generation reluctant to join the business at first place?
5. Innovation and creativity are considered to be key elements of businesses in times ahead, in the chapter it’s been stated that incorporating long term vision to this can help business in maintaining its core values as well as adopt new ways. Do you agree with the thought and if you do why so?

Case Study:

Reliance Industries: Amalgamation of Innovation & Technology in Family Business.

The Reliance Industries, controlled and managed by the Ambani family, is one of India's largest business houses. Started in 1958, Reliance grew from a small trading company to a conglomerate with major interests in petroleum, petrochemicals, power, finance, and telecom industries, under the leadership of Dhirubhai Ambani and his sons Mukesh and Anil. After the death of Dhirubhai, the elder son, Mukesh assumed control of the family-owned business. Within two years, a major ownership battle for the control of Reliance between the two brothers came to light and things settled only after the involvement of their mother Kokilaben Ambani. While businesses owned by Anil Ambani faced tough times but on the other hand Reliance Industries under the leadership of Mukesh Ambani grew from strength to strength. As technology changes started disrupting the world economies and new dimensions opened up Reliance Industries started foraying into new field of businesses like tele communication and retail, slowly diverting from its traditional ones. This amalgamation of innovation in the business has started paying dividends and as new general generation of family members ready to take their places the company is already a market leader in these new businesses. Reliance Jio and Reliance Retail are taking the company tradition forward by combining its values with technology. Reliance Industries is a perfect example of how innovation and creativity can shape up a family business and the role younger generation can play in taking the dream forward.

The case focuses on:

- Essential role played by current generation leader to guide next generation.
- Incorporation of innovation and technology without disrupting core business.
- Succession planning.

QUESTIONS:

1. What steps should be taken by Anil Ambani group to keep his side of businesses stay innovative and creative?
2. What do you think is more important for Reliance Industries success now -: innovation and technology or its leader's vision?

BIBLIOGRAPHY & REFERENCES:

- Llach, J., & Nordqvist, M. (2010). Innovation in family and non-family businesses: A resource perspective. *International Journal of Entrepreneurial Venturing, 2*(3-4), 381-399.
- Kammerlander, N., & van Essen, M. (2017). Family firms are more innovative than other companies. *Harvard Business Review.*
- Lussier, R. N., & Sonfield, M. C. (2012). Family businesses' succession planning: a seven-country comparison. *Journal of Small Business and Enterprise Development*.
- Lodh, S., Nandy, M., & Chen, J. (2014). Innovation and Family Ownership: Empirical Evidence from I ndia. *Corporate governance: An international review*, *22*(1), 4-23.
- Rondi, E., De Massis, A., & Kotlar, J. (2019). Unlocking innovation potential: A typology of family business innovation postures and the critical role of the family system. *Journal of Family Business Strategy*, *10*(4), 100236.
- Gupta, C. (2017). Business Groups, Business Houses and Family Business. In *Entrepreneurship* (pp. 6.1-6.16). Delhi: Sultan Chand & Sons.
- Jain, V. (2019). Business Groups and Family Business. In *Entrepreneurship* (pp. 6.1-6.9). Delhi: Singhal Publications.
- https://www.oxfordlearnersdictionaries.com/definition/english/creativity#:~:text=%5Buncountable%5D,new%20or%20to%20produce%20art
- https://www.alvarezandmarsal.com/sites/default/files/77597_tag_india_familybusinessreport_05_singles.pdf
- https://valuendow.com/wp-content/uploads/2018/07/Succession-Planning-in-Family-Business-in-India.pdf
- https://www.yourarticlelibrary.com/business/meaning-of-family-business-types-and-characteristics/41130
- https://www.pwc.in/assets/pdfs/research-insights/fbs/2019/pwc-india-family-business-survey-2019.pdf
- https://www.udg.edu/ca/Portals/59/Empresa%20Familiar/Investigaci%C3%B3/IJEV0203-0410%20LLACH.pdf

Mr. Yogesh Garg, a Research Scholar, Department of Commerce, Maharaja Surajmal Brij University & Working in the capacity of Assistant professor in Sri Aurobindo College (M), Department of Commerce ,University of Delhi. He has been awarded a certificate of appreciation for exemplary efforts in teaching by non Collegiate Women's Education Board (NCWEB), University of Delhi. He is also a member of All India Commerce Association. He has presented & published several research papers in leading journals. He has recently published chapter 'Impact of COVID-19 on Indian Economy & the Global Challenges in Post Corona World' in Global Economic Order in the Post-Covid-19 Era: Challenges, Opportunities and

Strategies Book, Vol-1 .He has also published paper titled "Impact of GST on the Exports of Carpets & Floorings Industry in India'' in Scopus Indexed Journal (IJRTE) 2019.

E mail id- gargyogesh1909@gmail.com

Mr. Rajinder Rawat is a highly Reputed Entrepreneur and Business Partner in BR Pulses. He got through his Masters from ICFAI Business School and Bachelor's degree in commerce from University of Delhi. He got his Several Articles Published in National & International Journals. He has recently published chapter 'Impact of COVID-19 on Indian Economy & the Global Challenges in Post Corona World' in Global Economic Order in the Post-Covid-19 Era: Challenges, Opportunities and Strategies Book, Vol-1 .

E mail id- rawat24raj@gmail.com

CREATIVITY AND INNOVATION IN FAMILY BUSINESS MANAGEMENT

Kuldeep Mishra
Industry Delegate, Powersol Engineers & Consultants Pvt. Ltd., Raipur (CG)

ABSTRACT

Since the start of Covid-19 in India in March 2020 Isolation and disconnection of people, family, financial sources, supply chain etc. flavored around the Globe, and became an inevitable factor of the system of each and every state, and our routine requirements like fruits, vegetables, rations including fresh air, water, sunlight etc., the basic factors of living converted into fear factor.

Objective of study: Everybody is a part of some network. We all are connected to each other in some way in terms of business relationship. This network is a source of health, wealth as well as regular income and lots of feelings, which keep us connected with each other. In a family business also we unite with lots of resources, people including miscellaneous marketing platforms in the form of physical or digital network. It is the network, which is the key factor in any establishment and its growth.

Every technology related to business and its work environment is designed to make the establishment more healthy and productive. These tech parameters have been an inevitable part of any establishment. Adding some smart technology to any business makes it very easy to establish, handle, run and make a great part of living.

In this line Start Up India is a great government scheme for new comers, and if we understand that what to do, what not to do. How to do, how not to do, and follow the system accordingly, we will be able to manage a lot by limited efforts.

Keywords: Establishment, Factors, Resources, Network, Health, Safety, Environment

INTRODUCTION

A business is any person’s or groups regular occupation. It is a commercial activity necessarily involving buying and selling of goods and services, which depends on lots of factors. Some of those important factors are as following.

S. No.	FACTOR	ROLE
1.	Methodology	It is all about the system or an orderly management of the components of any business. It’s a great science as well as art in itself. There’s a great philosophy behind.
2.	Human Resource	It is about manpower and its usage according to their education, skills, expertise, experience, performance etc.
3.	Natural Resources	Nothing is out of nature. We can’t start, run, establish or even think without nature.
4.	Capital	It is wealth in the form of money or assets owned by any person or group for starting or running a business.
5.	Technology	Nowadays businesses are mostly tech based. Every upgraded technology in a business improves efficiency, productivity and performance.
6.	Machinery	Machineries make a business healthy, safe, efficient, more productive, durable, quality oriented and at its best in all circumstances.
7.	Environment	The external environment is the deciding factor of the

		opportunities and threats related to any business. These factors include but are not limited to economic, technological, social as well as natural factors.
8.	Health	Health is an important factor related to productivity and performance including safety and well being of the employees, employers and machinery.
9.	Safety	It's the top priority and an inevitable factor of any business establishment, which plays an important role in keeping the employees, employers, including all the factors of any business set up in safe, healthy and in hazard free state. It's definitely a protective cover, and you can't just think to proceed without it.
10.	Network	It's the power, which sustains long term relationship, mutual relationships and definitely the growth of any business.
11.	Marketing	It's a strongly effective tool of attracting interest of customers and maintaining a strong network.
12.	Social Factors	Social beliefs, customs, faiths, practices and behavior including many social ups and downs are the deciding factors of the healthy performance of any business establishment.
13.	Political Factors	Different political conditions and parameters like Bureaucracy, corruption level, freedom of press, tariffs, trade control regulations, trade control policies, education policies, anti-trust policies, employment law, discrimination law, data protection law, environmental law, health and safety regulations, intellectual property rights, tax policies etc. influence the operation of every business positively or otherwise.

These are only a few parameters, according to which we may try to understand and maintain the idea of establishing a successful business. But still it is only the basic structure of a business thought. To understand the idea behind I decided to study and analyze this thought on some general parameters.

THE CONCEPT

Anybody can dream to start a business establishment, which starts with some flash in our mind. I Also tried to examine with some own dream thought. In priority I dream a nice car of my own, and often ask myself…

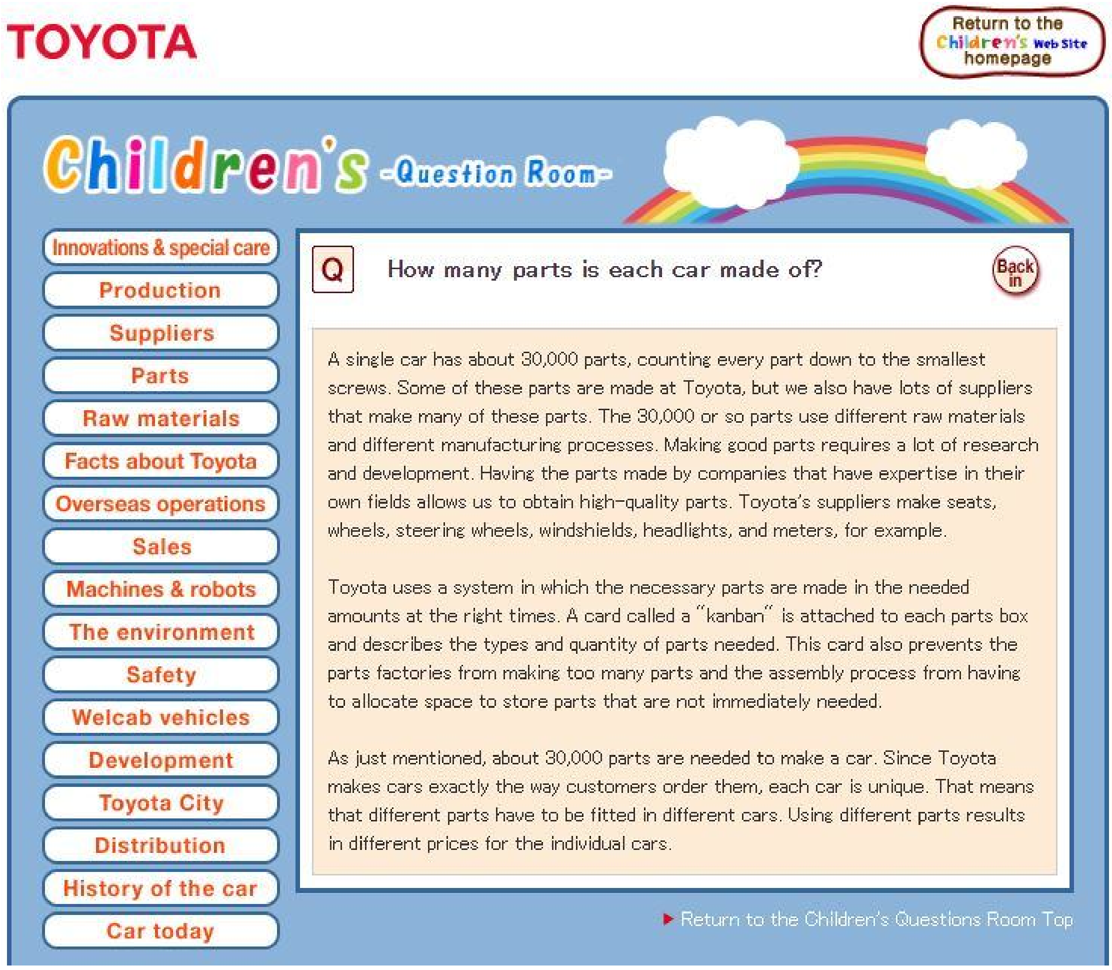
How will it look like?

How will it run?

And how long will it run smoothly without any additional maintenance?

Then I decided to go deep into the reasons of failure, and I got that basically a car is an assembly of around 30,000 parts including all it major and minor components. It's just a general idea, which is mentioned in the image below…

ISBN: 978-81-946375-5-4



The figure is establishing the fact mentioned above, which is about Toyota Cars, and I am sure that more advance versions of modern cars are more complicated, while they are more comfortable. So things may be complicated in the beginning, but they make our concept more productive, effective and healthy.

FUNCTIONING:

Further I could see easily, that all these 30,000 components work like a single unit, and just a single and simple disconnection of any electrical, mechanical or communication related component can result into stopping the whole process, and the vehicle will move no more. All these parts are like a family, and function together according to their strengths, which may differ from each other, but still they are equally important in their professional value, because they are functioning only due to being united and connected. This connectivity is an internal network, connecting the concept, technology, machinery and people with each other, which is a key factor in running any business.

CREATIVITY AND INNOVATION:

We think, because we can, and we do, because we can. In a business everything counts. Lots of factors create lots of complications and solutions too. So what to do? We have to create a basic concept, need to follow some basic rules, and expect results accordingly.

Creativity is a way of doing things. It depends on the person participating in the activity. It may be very simple or otherwise very smart. Smart creativity increases productivity and growth, and thus the health of National economy. This creativity has lots of scope in all walks of the system starting from methodology, utilization of resources, capital generation, health, safety, network building, and marketing and in the entire sideline. We start working, and it goes on, but if we add some motivations to it, it speeds up the things. That's creativity. Same can be applied in resource management, manpower management and in everything related.

When this creativity results into something perfect, which is ready to be utilized for commercial purpose, it becomes an innovation. Smart creative tactics lead to extra commercial benefits. It can be achieved by adding some smart tech tools and digital environment. There are lots of things we can consider in the process. A large number of factors add additional qualities leading to a large network and further bigger market with extra commercial benefits.

CONCLUSION:

Often due to some social and cultural prejudices we avoid good opportunities, which put an adverse effect on our economic position with respect to varying economic scenario. It later passes on a negative impact on national economy. If we understand these common factors negatively affecting our professional progress, and rectify them in time, we can enjoy being a successful Entrepreneur.

In this period of isolation and social distancing smart family business management and the Startup India are good initiatives. They are planned to strengthen our national economy and to reduce unemployment. But to get the best out of these initiatives we have to be innovative. Lots of things and favors are waiting for just our Startup. Our effort can certainly play a vital role in strengthening and bringing revolutionary changes in national economy. It is time to take some initiative, and if only a part of new generation just think about it, it may take some time, but still we will definitely startup and enter into a new smart technology based generation.

QUESTIONS & ANSWER

1. How creativity and family business are related to each other's?

****

ISBN: 978-81-946375-5-4

MERGER AND ACQUISITION IN FAMILY BUSINESS

Mr Aamir Khan
Assistant Professor of Department of Commerce at Zakir Husain Delhi College Evening, University of Delhi

OBJECTIVE OF STUDIES

The motive of this chapter is to helps the learning and understanding about the merger and Acquisition and how it is helpful for family business to develop itself.

INTRODUCTION

Family business is the oldest and most common model of economic organization. The vast majority of businesses throughout the world—from corner shops to multinational publicly listed organizations with hundreds of thousands of employees—can be considered family businesses. In a family business, two or more members within the management team are drawn from the owning family. Family businesses can have owners who are not family members. Family businesses may also be managed by individuals who are not members of the family. However, family members are often involved in the operations of their family business in some capacity and, in smaller companies, usually one or more family members are the senior officers and managers. In India, many businesses that are now public companies were once family businesses.

Family participation as managers and/or owners of a business can strengthen the company because family members are often loyal and dedicated to the family enterprise. However, family participation as managers and/or owners of a business can present unique problems because the dynamics of the family system and the dynamics of the business systems are often not in balance. Based on research of the Forbes 400 richest Americans, 44% of the Forbes 400 member fortunes were derived by being a member of or in association with a family business.

Globlisation and Liberalisation of Economy has generated a lot of competition and free trade, which requires Restructuring and Re-organisation of business in order to maintain or expand the business to face the competitive environment and market condition.

Restructuring or Re-organisation involves major changes in organization. It can take place either internally or externally. Internally it can be in the form of R&D in the products and its processes, Disinvestment, Demerger Sell-offs its non core business etc. Externally it can be take place through Merger and Acquisition (M&A) or by the formation of Joint Venture or having alliances with other firms.

Corporate Restructuring refers to expansion or contraction of ownership structure, firm’s operation or changes in its assets. Some of the common forms of Corporate Restructuring are as follows:

- Mergers
- Acquisition and Takeovers
- Financial Restructuring and Re-organisation
- De-Merger or Divestitues and Spin offs
- Leverage Buyouts
- Management Buyouts

Merger and Acquisition is the most talked form of Corporate Restructuring. In most of the Developed countries organizations merged or acquire other family business to expand its operations. In US Europe and Japan hundreds of Mergers and Acquisitions take place every year. Even in India It has gained much popularity and Today it has become a part of corporate strategy.

Since 2000, more than 7, 90,000 transactions have been announced worldwide with a known value of over 57 trillion USD. In 2018, the number of deals has decreased by 8% to about 49,000 transactions, while their value has increased by 4% to 3.8 trillion USD.

The term ‘merger’; ‘acquisition’ and ‘takeovers’ are often used interchangeably. However, there are differences among these terminology. Merger means collaboration of two entities into one, acquisition involves one entity buying out another entity and absorbing the same. In India Merger is known as ‘Amalgamation’. Amalgamation is governed by Companies Act whereas takeovers are regulated by SEBI (Security and Exchange Board of India).

Haiburry’s Law of England defined Amalgamation as blending of two or more existing undertakings, the shareholders of each amalgamating company becoming shareholders in the amalgamating company. The term Amalgamation is used when two or more companies are amalgamating or when one is merged with another or taken over by another entity.

US Steel
In 1901, Business Magnates Elbert H. Gary and J. P. Morgan, bought Andrew Carnegie steel company. This company, along with Gary and Morgan’s Federal Steel Company and five other companies, viz., American Steel & Wire Company, National Tube Company, American Tin Plate Company, American Steel Hoop Company and American Sheet Steel Company, were consolidated to form the US steel Company. Upon such consolidation, US steel accounted for 67% of Steel production in the US. Later on, over a period of a century, US Steel acquired and merged a number of small and big competitors with itself.

Let us also understand four concepts:

- Amalgamating company
- Amalgamated company
- Transferor company
- Transferee company

Amalgamating company or Transferor Company
These are those companies which transfer its assets and liabilities to the company and which ceases to exist after the process of Amalgamation or merger.

Amalgamated company or Transferee Company
These are those companies which receives the assets and liabilities of the other company or company which continues to exist after the process of Amalgamation.

Different Forms of Mergers
Generally, Fusion of two companies is considered as merger. It signifies the dissolution of one or more companies or firms or proprietorship or get absorbed into another company. Following are the types of Mergers:

- **Horizontal Merger:** It occurs when the merger take place in between the companies having same industry, it is generally by the company having larger market share. The reason for such merger may a move closer to being a monopoly or to avoid competition.
- **Vertical Merger:** It occurs between the companies having buyer and seller relationship.
- **Conglomerate Merger:** Such merger occurs between the companies or entities having no relationship neither horizontally (producing the same or competitive product) nor vertically (having relationship of buyer and seller). Both the companies and entities are engaged in different or unrelated type of business operation. Such mergers are in fact, unification of different kinds of businesses under a flagship company. The main purpose of such merger remains utilization of financial resources, enlarged debt capacity and also to get benefit of synergies of managerial functions.
- **Congeneric Merger:** Under these type of merger the acquirer and the target companies are related to each other in terms of basic technologies, production process etc. These merger represent an expansion planning of the acquirer besides its current business to other related business having scope in future.
- **Reverse Merger:** Such merger involves acquisition of a public company by a private company.

Acquisition

Acquisition is an attempt or a process through which a company or an entity acquires control over another company called 'Target Company'. Acquiring control over a company means acquiring the right to control its management and policy decisions. When a company is acquired by another company, the acquiring company has two options, one to merge both the companies into one and function as a single entity and, two, to operate the take-over company as an independent entity with changed management and policies. It is to be noted that in acquisition, unlike merger, the target company's identity remains intact.

Financial Framework

Gains from Mergers or Synergy

The first step in merger analysis is to identify the economic gains from the merger. It is Profitable when combined entity is more than the sum of its parts.

$$\boxed{\text{Combined Value} > (\text{Value of acquirer} + \text{Stand alone value of target})}$$

The difference between the combined value and sum of the values of individual companies is usually attributed as synergy.

$$\boxed{\text{Value of Acquirer} + \text{Stand alone value of target} + \text{Value of Synergy} = \text{Combined Value}}$$

There is also a cost attached to an acquisition. The cost of acquisition is the price premium paid over the market value plus cost of integration. Therefore, the net gain is the value of synergy minus premium paid.

V_A = Rs. 100

V_B = Rs. 50

V_{AB} = Rs. 175

Where, V_A = Value of Acquirer

V_B = Standalone value of target

V_{AB} = Combined Value

So, Synergy = $V_{AB} - (V_A + V_B) = 175 - (100+50) = 25$

If Premium is paid Rs. 10, then Net gain = Synergy – Premium = 25 - 10 = 15.

Acquisition need not be made on the basis of Synergy. It is possible to make money from non synergistic acquisition as well.

Financial Evaluation

Financial Evaluation addresses the following issues:

- What is the maximum price that should be paid to Target Company?
- What are the Principal areas of Risk?
- What are the Cash Flow and Balance Sheet implications of the acquisition?
- What is the best way of structuring the acquisition?

Arranging Finance for Acquisition

Once the definitive Agreement is signed, the acquisition process will be taken up by the legal and secretarial department of both the company. The next stage is 'Financing the Acquisition'.

This is one of the most crucial decisions that how to pay for the acquisition i.e., Cash or stock or part of each. If payout is significant the acquirer has to plan for financing the deal. Sometimes acquirer do not pay all the purchase consideration as even though they could have sufficient funds. This is a part acquisition strategy to keep the war chest ready for further acquisition. Another reason to pay by shares would be when the acquirer considers that their company's share are 'over priced' in the market. Financing the acquisition can be quite challenging where the acquisition is a LBO.

Take over Defensive Tactics

Generally acquisitions are made friendly, however when the process of acquisition is unfriendly

(i.e., hostile) such acquisition is referred to as 'takeover'). Hostile takeover arises when the Board of Directors of the acquiring company decide to approach the shareholders of the target company directly through a Public Announcement (Tender Offer) to buy their shares consequent to the rejection of the offer made to the Board of Directors of the target company.

Takeover Strategies

Some techniques which a company can use to acquire the company other than Tender Offer

Street sweep: This refers to the technique where the acquiring company accumulates larger number of shares in a target before making an open offer. The advantage is that the target company is left with no choice but to agree to the proposal of acquirer for takeover.

Bear Hug: When the acquirer threatens the target company to make an open offer, the board of Target Company agrees to a settlement with the acquirer for change of control.

Strategic Alliance: This involves disarming the acquirer by offering a partnership rather than a buyout. The acquirer should assert control from within and takeover the target company.

Brand Power: This refers to entering into an alliance with powerful brands to displace the target's brands and as a result, buyout the weakened company.

Defensive Tactics

A target company can adopt a number of tactics to defend itself from hostile takeover through a tender offer.

Divestiture: In a divestiture the target company divests or spins off some of its businesses in the form of an independent, subsidiary company. Thus, reducing the attractiveness of the existing business to the acquirer.

Crown Jewels: When a target company uses the tactic of divestiture it is said to sell the crown jewels. In some countries such as the UK, such tactic is not allowed once the deal becomes known and is unavoidable.

Poison pill: Sometimes an acquiring company itself becomes a target when it is bidding for another company. The tactics used by the acquiring company to make itself unattractive to a potential bidder is called poison pills. For instance, the acquiring company may issue substantial amount of convertible debentures to its existing shareholders to be converted at a future date when it faces a takeover threat. The task of the bidder would become difficult since the number of shares to having voting control of the company increases substantially.

Poison Put: In this case the target company issue bonds that encourage holder to cash in at higher prices. The resultant cash drainage would make the target unattractive.

Green Mail: Greenmail refers to an incentive offered by management of the target company to

The potential bidder for not pursuing the takeover. The management of the target company may offer the acquirer for its shares a price higher than the market price.

White Knight: In this a target company offers to be acquired by a friendly company to escape

From a hostile takeover. The possible motive for the management of the target company to do so is not to lose the management of the company. The hostile acquirer may change the management.

White Squire: This strategy is essentially the same as white knight and involves sell out of shares to a company that is not interested in the takeover. As a consequence, the management of the target company retains its control over the company.

Golden Parachutes: When a company offers hefty compensations to its managers if they get ousted due to takeover, the company is said to offer golden parachutes. This reduces their resistance to takeover.

Pac-man defense: This strategy aims at the target company making a counter bid for the acquirer company. This would force the acquirer to defend itself and consequently may call off its proposal for takeover.

DIVESTITURE

It means a company selling one of the portions of its divisions or undertakings to another

Company or creating an altogether separate company. There are various reasons for divestment

Or demerger viz.

- To pay attention on core areas of business
- The Division’s/business may not be sufficiently contributing to the revenues;
- The size of the firm may be too big to handle
- The firm may be requiring cash urgently in view of other investment opportunities.

Different Forms

Different ways of divestment or demerger or divestitures are as follows:

Sell off/Partial Sell off: A sell off is the sale of an asset, factory, division, product line or subsidiary by one entity to another for a purchase consideration payable either in cash or in the form of securities. Partial Sell off, is a form of divestiture, wherein the firm sells its business unit or a subsidiary to another because it deemed to be unfit with the company's core business strategy. Normally, sell-offs are done because the subsidiary doesn't fit into the parent company's core strategy.

The market may be undervaluing the combined businesses due to a lack of synergy between the parent and the subsidiary. So the management and the board decide that the subsidiary is better off under a different ownership. Besides getting rid of an unwanted subsidiary, sell-offs also raise cash, which can be used to pay off debts. In the late 1980s and early 1990s, corporate raiders would use debt to finance acquisitions. Then, after making a purchase they would sell-off its subsidiaries to raise cash to service the debt. The raiders' method certainly makes sense if the sum of the parts is greater than the whole. When it isn't, deals are unsuccessful.

Spin Off: In this case, a part of the business is separated and created as a separate firm. The existing shareholders of the firm get proportionate ownership. So there is no change in ownership and the same shareholders continue to own the newly created entity in the same proportion as previously in the original firm. The management of spun-off division is however, parted with. Spin-off does not bring fresh cash. The reasons for spin off may be:

- Separate identity to a part/division.
- To avoid the takeover attempt by a predator by making the firm unattractive to him since a valuable division is spun-off.
- To create separate Regulated and unregulated lines of business.

Example: Kishore Biyani led Future Group spin off its consumer durables business, Ezone, into a separate entity in order to maximise value from it.

Split up: This involves breaking up of the entire firm into a series of spin off (by creating separate legal entities).The parent firm no longer legally exists and only the newly created entities survive. For instance a corporate firm has 4 divisions namely A, B, C, D. All these 4 division shall be split-up to create 4 new corporate firms with full autonomy and legal status. The original corporate firm is to be wound up. Since de-merged units are relatively smaller in size, they are logistically more convenient and manageable. Therefore, it is understood that spin-off and split-up are likely to enhance shareholders value and bring efficiency and effectiveness.

Example: Philips, the Dutch conglomerate that started life making light bulbs 123 years ago, is splitting off its lighting business in a bold step to expand its higher-margin healthcare and consumer divisions. The new structure should save 100 million euros ($128.5 million) next year and 200 million euros in 2016. It expects restructuring charges of 50 million euros from 2014 to 2016.

Equity Carve Outs: This is like spin off, however, some shares of the new company are sold in the market by making a public offer, so this brings cash. More and more companies are using equity carve-outs to boost shareholder value. A parent firm makes a subsidiary public through an initial public offering (IPO) of shares, amounting to a partial sell-off. A new publicly-listed company is created, but the parent keeps a controlling stake in the newly traded subsidiary.

A carve-out is a strategic avenue a parent firm may take when one of its subsidiaries is growing faster and carrying higher valuations than other businesses owned by the parent. A carve-out generates cash because shares in the subsidiary are sold to the public, but the issue also unlocks the value of the subsidiary unit and enhances the parent's shareholder value.

The new legal entity of a carve-out has a separate board, but in most carve-outs, the parent retains some control over it. In these cases, some portion of the parent firm's board of directors may be shared.

Since the parent has a controlling stake, meaning that both firms have common shareholders, the

Connection between the two is likely to be strong. That said, sometimes companies carve-out a

Subsidiary not because it is doing well, but because it is a burden. Such an intention won't lead to a successful result, especially if a carved-out subsidiary is too loaded with debt or trouble, even when it was a part of the parent and lacks an established track record for growing revenues and profits.

Sale of a Division: In the case of sale of a division, the seller company is demerging its business whereas the buyer company is acquiring a business. For the first time the tax laws in India propose to recognize demergers.

Demerger or Division of Family-Managed Business: Around 80 per cent of private sector companies in India are family-managed companies. The family-owned companies are, under extraordinary pressure to yield control to professional managements, as, in the emerging scenario of a liberalised economy the capital markets are broadening, with attendant incentives for growth. So, many of these companies are arranging to hive off their unprofitable businesses or divisions with a view to meeting a variety of succession problems. Even otherwise, a group of such family-managed companies may undertake restructuring of its operations with a view also to consolidating its core businesses. For this, the first step that may need to be taken is to identify core and non-core operations within the group. The second step may involve reducing interest burden through debt restructuring along with sale of surplus assets. The proceeds from the sale of assets may be employed for expanding by acquisitions and rejuvenation of its existing operations. The bottom line is that an acquisition must improve economies of scale, lower the cost of production, and generate and promote synergies. Besides acquisitions, therefore, the group may necessarily have to take steps to improve productivity of its existing operations.

OWNERSHIP RESTRUCTURING

Going Private: This refers to the situation wherein a listed company is converted into a private company by buying back all the outstanding shares from the markets.

Example: The Essar group successfully completed Essar Energy Plc. delisting process from London Stock Exchange in 2014.

Going private is a transaction or a series of transactions that convert a publicly traded company into a private entity. Once a company goes private, its shareholders are no longer able to trade their stocks in the open market.

A company typically goes private when its stakeholders decide that there are no longer significant benefits to be garnered as a public company. Privatization will usually arise either when a company's management wants to buy out the public shareholders and take the company private (a management buyout), or when a company or individual makes a tender offer to buy most or all of the company's stock. Going private transactions generally involve a significant amount of debt.

Management Buy Outs (MBO): Buyouts initiated by the management team of a company are known as a management buyout. In this type of acquisition, the company is bought by its own management team. MBOs are considered as a useful strategy for exiting those divisions that does not form part of the core business of the entity.

Leveraged Buyout (LBO): An acquisition of a company or a division of another company which is financed entirely or partially (50% or more) using borrowed funds is termed as a leveraged buyout. The target company no longer remains public after the leveraged buyout; hence the transaction is also known as going private. The deal is usually secured by the acquired firm's physical assets. The intention behind an LBO transaction is to improve the operational efficiency of a firm and increase the volume of its sales, thereby increasing the cash flow of the firm. This extra cash flow generated will be used to pay back the debt in LBO transaction. After an, LBO the target entity is managed by private investors, which makes it easier to have a close control of its operational activities. The LBOs do not stay permanent. Once the LBO is successful in increasing its profit margin and improving its operational efficiency and the debt is paid back, it will go public again. Companies that are in a leading market position with proven demand for product, have a strong management team, strong relationships with key customers and suppliers and steady growth are likely to become the target for LBOs. In India the first LBO took place in the year 2000 when Tata Tea acquired Tetley in the United Kingdom. The deal value was Rs 2135 crores out of which almost 77% was financed by the company using debt. The intention behind this deal was to get direct access to Tetley's international market. The largest LBO deal in terms of deal value (7.6 Billion) by an Indian company is the buyout of Corus by Tata Steel.

Equity buyback: This refers to the situation wherein a company buys back its own shares back from the market. This results in reduction in the equity capital of the company. This strengthen the promoter's position by increasing his stake in the equity of the company. The buyback is a process in which a company uses its surplus cash to buy shares from the public. It is almost the opposite of initial public offer in which shares are issued to the public for the first time. In buyback, shares which have already been issued are bought back from the public. And, once the shares are bought back, they get absorbed and cease to exist.

For example, a company has one crore outstanding shares and owing a huge cash pile of Rs. 5 crores. Since, the company has very limited investment options it decides to buy back some of its outstanding shares from the shareholders, by utilizing some portion of its surplus cash. Accordingly, it purchases 10 lakh shares from the existing shareholders by paying Rs. 20 per share. total cash of say, Rs. 2 crore. The process of buyback can be shown with the help of following diagram:

Example Cairn India bought back 3.67 crores shares and spent nearly ` 1230 crores by May 2014.

Case Study - Valuation Analysis

Listed software company X to merge with unlisted company Y Company X and company Y were in the software services business. X was a listed company and Y was an unlisted entity. X and Y decided to merge in order to benefit from marketing. Operational synergies and economies of scale. With both companies being mid-sized, the merger would make them a larger player, open new market avenues, and bring in expertise in more verticals and wider management expertise. For company X, the benefit lies in merging with a newer company with high growth potential and for company Y, the advantage was in merging with a business with track record, that too a listed entity.

The stock swap ratio considered after valuation of the two businesses was 1:1.

Several key factors were considered to arrive at this valuation. Some of them were very unique to the businesses and the deal:

- Valuation based on book value net asset value would not be appropriate for X and Y since they are in the knowledge business, unless other intangibles assets like human capital, customer relationships etc. could be identified and valued.
- X and Y were valued on the basis of

a) Expected earnings b) market multiple.

- While arriving at a valuation based on expected earnings, a higher growth rate was considered for Y, it being on the growth stage of the business life cycle while a lower rate was considered for X, it being in the mature stage and considering past growth.
- Different discount factors were considered for X and Y, based on their cost of capital, fund raising capabilities and debt-equity ratios.
- While arriving at a market based valuation, the market capitalization was used as the starting point for X which was a listed company. Since X had a significant stake in Z, another listed company, the market capitalization of X reflected the value of Z as well. Hence the market capitalization of Z had to be removed to the extent of X's stake from X's value as on the valuation date.
- Since Y was unlisted, several comparable companies had to be identified, based on size, nature of business etc. and a composite of their market multiples had to be estimated as a surrogate measure to arrive at Y's likely market capitalization, as if it were listed. This value had to be discounted to remove the listing or liquidity premium since the surrogate measure was estimated from listed companies.
- After arriving at two sets of values for X and Y, a weighted average value was calculated after allotting a higher weight for market based method for X (being a listed company) and a higher weight for earnings based method for Y (being an unlisted but growing company).The final values for X and Y were almost equal and hence the 1:1 ratio was decided.

Case Study Merger & Acquisition and Valuation – Turnaround

Jaguar Land Rover Acquisition by Tata motors and How JLR was turned around by Tata's

Tata's growth strategy was to consolidate position in domestic market & expand international footprint through development of new products by:

- Leveraging in house capabilities

- Acquisitions & collaborations to gain complementary capabilities

Why Tata Motors want to acquire Jaguar Land Rover (JLR)?

There are several reasons why Tata Motors want to acquire Jaguar Land Rover (JLR)

i) Long term strategic commitment to automotive sector.

ii) Build comprehensive product portfolio with a global footprint immediately.

iii) Diversify across markets & products segments.

ISBN: 978-81-946375-5-4

iv) Unique opportunity to move into premium segment.

v) Sharing the best practices between Jaguar, Land rover and Tata Motors in the future.

Introduction of JLR

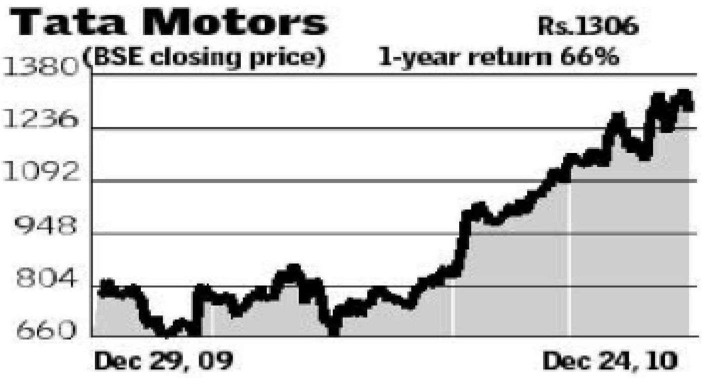
(i) Global sales of around 300,000 units, across 169 countries

(ii) Global revenue of $15 Billion

(iii) Nine Car lines, designed, engineered and manufactured in the UK.

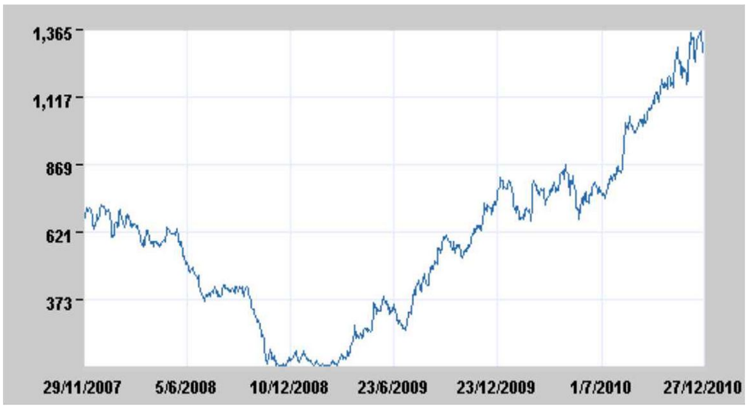
(iv) 16000 employees

TATA Motor's position after acquiring JLR



Source: www.advfn.com

Tata Motors' market value plunged to 6,503.2 crore, with the stock hitting rock bottom 126.45 on 20 November 2008 (after the acquisition of JLR in 2008)



Source: www.advfn.com

How Tata Motors turned JLR around
(i) Favorable Currency Movements

- Significant export in dollars- North America

- Net importers of Euros in terms of material

(ii) Improved market sentiments.

- Retail volumes in America, Europe and China improved

(iii) Introduction of newer, more fuel-efficient and stylish models

- Launch of XK & New XZ Jaguar models

(iv) Refreshing the existing ones

(v) Revival of demand in the firm's key markets such as the UK, the US and Europe

(vi) Costs reductions at various levels and the formation of 10-11 cross-functional teams

(vii) A number of management changes, including new heads at JLR, were made

(viii) Workforce being trimmed since July 2008 by around 11,000

There were five key issues that persuaded Tata Motors to go ahead

Firstly, Ford had pumped in a great deal of cash to improve quality and it was just a matter of time before this made a difference.

Secondly, JLR had very good automobile plants.

Thirdly, the steadfastness of the dealers despite losses over the past four-five years.

Fourthly, Jaguar cars had already started moving up the ranks of the annual JD Power customer satisfaction rankings.

And, lastly, besides that, there was a crop of great new models in the pipeline, among them the Jaguar XJ and XF and the upcoming Land Rover, which convinced Tata Motors that JLR was on the verge of change.

Case Study on Merger – Walmart & Flipkart

Acquisition and mergers are strategic tools to get a competitive edge over competitors and get the maximum market share and win. Acquisition is the strategy for Indirect entry to the market in which there are some business legal restriction. Flipkart Walmart deal is the biggest M&A deal in startup history, globally. In one swoop, the $16 billion deal has wiped out all the losses of investors in the Indian startup ecosystem.

Merger and Acquisition are strategic tools used time to time by companies to get the cutting edge over competitors and capturing the market. In the world of competition big fish eats small fish and so on. The concept of acquisition and merger is always backed up by the concept of strategy thinking and growth of the market size, international foot print of the organization. The proposed research work focuses on the working styles of the Walmart and Flipkart, both are big giants at their respective places both of them has acquired many companies to support their existing business or to expand the territory of business.

Flipkart was the startup in the e-com industry for selling online goods by fellows from IIT. Flipkart was funded by many funding giants internationally and it became an example for successful e-com startup.

Walmart is the world's largest company by revenue, over US$500 billion, according to Fortune Global 500 list in 2018. It is also the largest private employer in the world with 2.2 million employees. It is a publicly traded family-owned business, as the company is controlled by the Walton family. Sam Walton's heirs own over 50-percent of Walmart through their holding company Walton Enterprises and through their individual holdings. Walmart was the largest U.S. grocery retailer in 2019, and 65-percent of Walmart's US$510.329 billion sales came from U.S. operations.

Walmart is giant in the retail store with multinational presence and acquired many companies in different regions of the world to operate and grab the market share to beat the competition.

Two players Walmart and Flipkart have their strong position over their respective places in terms of market capture and sales other side of the coin reflects the investors who had put their money in the venture like Tiger Global, Softbank etc. the deal become biggest deal due to strong presence of Amazon in the game.

Walmart Inc. (formerly branded as Wal-Mart Stores, Inc.) is an American multinational retail corporation that operates a chain of hypermarkets, discount department stores, and grocery stores. Headquartered in Bentonville, Arkansas, the company was founded by Sam Walton in 1962 and incorporated on October 31, 1969. It also owns and operates Sam's Club retail warehouses. As of January 31, 2018, Walmart has 11,718 stores and clubs in 28 countries, operating under 59 different names. The company operates under the name Walmart in the United States and Canada, as Walmart de México y Centroamérica in Mexico and Central America, as ASDA in the United Kingdom, as the Seiyu Group in Japan, and as Best Price in India. It has wholly owned operations in Argentina, Chile, Brazil, and Canada.

Walmart is the world's largest company by revenue – over US$500 billion according to Fortune Global 500 list in 2018 – as well as the largest private employer in the world with 2.3 million employees. It is a publicly traded family-owned business, as the company is controlled by the Walton family.

Sam Walton's heirs own over 50 percent of Walmart through their holding company, Walton Enterprises, and through their individual holdings. Walmart was the largest U.S. grocery retailer in 2016, and 62.3 percent of Walmart's US$478.614 billion sales came from U.S. operations.

WHAT IS AN ACQUISITION STRATEGY?

There are some golden rules which can be treated as the Strategies for Successful Merger or Acquisition Deal. Before entering in to any merger or acquisition deal, the target company's market performance and market position is required to be examined thoroughly so that the optimal target company can be chosen and the deal can be finalized at a right price. This means is that you should look at a company carefully so that you don't pay more than it's worth.

In the deal of Walmart – Flipkart, it is a long term bet on the Indian market and a step ahead from Amazon. Some strategic decisions are for long term, if we look at the current scenario the deal is big, investors of Walmart are no so happy, there is a dip in the stocks of Walmart after the deal. But this is not for the first time, Walmart has acquired many organization earlier to win the game.

On Sept. 15, 2007, Sachin Bansal and Binny Bansal (not related) started Flipkart as an online bookstore. The two had known each other since 2005 when they attended the Indian Institute of Technology Delhi (IIT-Delhi) together and were colleagues at Amazon briefly.

Eleven years later, the world's largest retailer, Walmart, has agreed to buy a controlling stake in the company, Softbank chief executive officer Masayoshi Son said today (May 09).

Flipkart's journey has been nothing short of a roller-coaster ride. The company went from record-breaking investments and an acquisition spree to failed business experiments and devaluations—only to bounce back.

Here are the key milestones in the journey of the third-most funded private company in the world.

When	What
October 2007	Flipkart's first order goes out to a customer in Mahbubnagar (now in the southern state of Telangana). In the first year, Flipkart makes 20

ISBN: 978-81-946375-5-4

	shipments.
September 2009	Raises $1 million in its first funding round from Accel Partners. The company's total headcount hits 150.
2010	Launches the cash on delivery option, which gave a massive boost to online retail in India.
December 2010	First acquisition: buys book recommendation and review platform weRead.com.
October 2011	Acquires Mallers Inc (Mime360), a digital music store company, in a cash and stock deal.
November 2011	Acquires Accel Partners-backed Chakpak.com, a Bollywood news site that offers news, photos, and videos.
February 2012	Launches Flyte, a digital music store where users can discover and download music.
February 2012	Acquires Letsbuy.com, the country's second-largest online electronics retailer at the time. The deal was reportedly valued at around $25 million.
April 2013	Moves to a marketplace model from an inventory-led model, where a company no longer owns the goods sold through its portal. Instead, it turns its portal into a virtual mall, giving consumers access to multiple sellers and brands.
May 2013	Shuts its music store Flyte MP3. "We have realized that the music downloads business in India will not reach scale unless several problem areas such as music piracy and easy micro-payments, etc. are solved in great depth… (we will) revisit the digital music market opportunity at a later stage," the company said at the time.
July 2013	Launches PayZippy, an online payments solution for merchants, and reveals plans to launch a customerfacing payments product soon.
July 2013	Raises $200 million in the single-largest funding round in the Indian e-commerce space at the time, valuing the company at $1.5 billion. Investors in this round include South African internet company Naspers, Accel Partners, Tiger Global, and Iconiq Capital.
September 2013	Launches an Android app.
October 2013	Raises $160 million from Dragoneer Investment Group, Morgan Stanley Investment Management, Sofina, Vulcan Capital, and Tiger Global.
July 2014	Raises $1 billion from Singapore's sovereign wealth fund, GIC, and some existing investors, making this the biggest single funding round by an Indian internet company at the time.
May 2014	Raises $210 million in a round led by Russian billionaire Yuri Milner's fund DST Global.
May 2014	Acquires online lifestyle retailer Myntra.com for $300 million. Flipkart gets valued at around $2 billion and has a GMV of $1.9 billion. The GMV is the total value of goods sold on an e-commerce portal.
September 2014	Acquires majority stake in payments platform Ngpay.
October 2014	Launches its flagship annual sale: the Big Billion Day. The "Big" in "Big Billion Day" stands for the audacity and largeness of the event, while "billion" refers to the population of India, the company said.

November 2014	Shuts PayZippy due to "a change in strategic direction" and merges it with Ngpay.
November 2014	Acquires majority stake in Jeeves Consumer Services, which provides after-sales services for large home appliances and electronics.
December 2014	Raises $700 million from existing as well as new investors, including Baillie Gifford, Greenoaks Capital, Steadview Capital, T Rowe Price Associates, and Qatar Investment Authority. The company is valued at around $11 billion.
March 2015	Flipkart and Myntra shut their mobile websites in an attempt to become an app-only shopping platform.
March 2015	Acquires Sequoia Capital-backed mobile advertising company AdIquity
April 2015	Says will shut its desktop website soon, too, and go app-only.
April 2015	Acquires mobile marketing firm AppIterate to support its "mobile-first strategy."
May 2015	Raises $500 million at a valuation of $15.5 billion.
June 2015	Introduces a new maternity, paternity, and adoption leave policy that is far better than most Indian companies have until then.
July 2015	Raises $700 million in its tenth funding round at a valuation of $15 billion.
September 2015	Acquires payment services startup FX Mart for about $6.8 million.
November 2015	Takes a u-turn on its mobile-only strategy. Launches a data-light mobile website called "Flipkart Lite."
November 2015	Invests in Qikpod, a then yet-to-be-launched startup that planned to offer locker service for deliveries.
January 2016	Binny Bansal takes over as the CEO, replacing Sachin Bansal, who becomes the company's executive chairman.
March 2016	Morgan Stanley trims Flipkart's valuation by 27%.
April 2016	T. Rowe Price cuts the value of its holding in Flipkart by 15%.
April 2016	Time magazine names Flipkart's founders among 100 most–influential people in the world.
April 2016	Acquires UPI-based payments start-up PhonePe, which was launched in December 2015 by three former Flipkart employees.
January 2017	For the first time since its inception, Flipkart appoints a non-founding CEO, Kalyan Krishnamurthy, a former executive with investor Tiger Global**.**
April 2017	Raises $1.4 billion from Chinese internet firm Tencent, American online retailer eBay, and software giant Microsoft. Also acquires eBay in exchange for equity. eBay continues to operate as an independent entity.
August 2017	Softbank's $100 billion Vision Fund invests $1.5 billion in the company to become one of its largest shareholders.

THE DEAL: WALMART AND FLIPKART

Walmart, the largest brick-and-mortar retailer in the world acquired a 77 percent stake in India's Flipkart for $16 billion, marking the beginning of its first real battle with Amazon in an emerging market. It starts with the size of India — it's the second-most-populous country in the world, just behind China. Of course, that size alone doesn't matter — rather, it's the shifting behavior of Indian consumers.

India is home to a growing middle class, fueling household spending growth on par with that of China — and at a faster clip than the more mature U.S. market. With a fragmented brick-and-mortar retail market in the country, more of that spending is gravitating online where the Indian shopper can purchase a wide range of products in one spot — whether on Flipkart or Amazon. In 2017, consumers in India spent $21 billion on e-commerce, making it the 10th biggest e-commerce market in the world, according to data from digital research firm eMarketer.

The deal, having 77 percent stake in the Indian e-com company has many reasons for Walmart why an Indian company, Indian market, and e-commerce market. One of the strongest reason may be presence of Amazon in the Indian market and global rival of Walmart. Walmart-Flipkart deal would give a big push to the e-commerce market—estimated to grow from a share of 2-2.5% of the retail market to about 30% in 10 years—and thereby act like a force multiplier for the start-up ecosystem.

This deal is a good news for the future e-com market and new startups to mark their presence in the international and national market, many startups founded and some of them are successful, and Flipkart is one of those successful Indian startup.

REASONS FOR THE DEAL: WALMART AND FLIPKART

Market Strategy, Insecurity, ambition, growing Indian market etc. there are list of many possible reasons for the deal, Walmart's Amazon problem Walmart's total revenue for the last fiscal was over $500 billion, while Amazon's net sales were $177.9 billion. Walmart showed net income of over $20 billion, while Amazon's net income was $3 billion. Yet, Amazon today is among the top five companies in the world in terms of market capitalisation at over $680 billion market cap. In fact, for a brief time this year the Seattle-based ecommerce giant was the second most valuable company in the world, behind Apple. Analysts have also begun predicting that Amazon could beat Apple to become the first company in the world with a $1 trillion market capitalisation.

Walmart's market cap on the other hand is at just over $250 billion, not small change at all, but smaller than Amazon's. The reason for the stock markets in the US putting greater value in Amazon than Walmart is because the former is seen as the company with a more robust future and growth potential. Ecommerce accounted for 13 percent of total retail sales in the US in 2017 and 49 percent of growth, and Amazon is responsible for most of the growth. Overall ecommerce in the US grew at 16 percent last year. According to ecommerce business intelligence firm Internet Retailer, Amazon accounted for over 70 percent of the $62.47 billion growth in US online retail in 2017 and almost 35 percent of the $127 billion rise in the overall retail market. Walmart has spent the last few years playing catch-up in ecommerce. It spent $3.3 billion in late 2016 to acquire Jet.com, a direct competitor of Amazon. Last fiscal, Walmart had ecommerce sales of $11.5 billion, a growth of 44 percent. However, in the last quarter, ecommerce sales grew at only 23 percent, much slower than Amazon.

"In the US, Walmart is the only formidable competitor left for Amazon. Walmart has been growing its ecommerce operations a lot and Amazon has been increasing its footprint with physical stores. It's natural for that battle to spill into international turf as well," says Kartik Hosanagar, Professor at The Wharton School of the University of Pennsylvania. Despite the potential for growth in online retail within US, Amazon has already made big strides in international markets. This is because the expectation is that emerging markets of today will become growth drivers of the future. China's Alibaba, for instance, is valued at over $520 billion, and most US tech and ecommerce companies either missed the China bus or were kicked out. India is the only big ecommerce market still up for grabs. India's online retail market grew at 23 percent in 2017. While India's overall retail market is over $670 billion in size, online sales is just at $20 billion. The headroom for growth is immense, with 60 percent growth expected this year.

ISBN: 978-81-946375-5-4

Amazon is already in a strong position in India with a market share of around 35 percent, compared to Flipkart Group's 45 percent. If Amazon extends this lead in India or builds an unassailable position, the company will be able to extend its overall lead over Walmart dramatically.

What's more important to Walmart than the current size of the market, though, is its anticipated growth. From 2017 to 2021, online retail in India is expected to grow 141 percent to more than $50 billion.

India's 2017 e-commerce market share is distributed among in between, Flipkart, Amazon, Snapdeal and Other players. Some players are being acquired by these standing players in the market. In 2018, entry of Walmart in e-com business of India by acquiring Flipkart creates disturbance and the ripple of the wave will rearrange the scenario

ADVANTAGES AND DISADVANTAGES OF THE DEAL

Acquisition and merger of any organization has some advantages and disadvantages, it has some long term effects and immediate reaction from market. Every entity which is related to the deal directly or indirectly has some reaction on the deal. The Confederation of All India Traders (CAIT) said the deal is nothing but a clear attempt to control and dominate the retail trade in India by Walmart through e-commerce in the long run.

On the other hand, Retailers Association of India while staying away from commenting directly on the acquisition, said some e-commerce companies in India have been flouting FDI Policy for marketplaces.

In present scenario, the Indian market is having an e-com market, offline organized market where D- Mart, Big Bazzar, Reliance etc. are serving and unorganized traditional market which is existing side by side and struggling but still in existence due to its own merits over multinational players.

As Walmart scales in India, the company will continue to partner to create sustained economic growth across agriculture, food, and retail. On the forefront, the company is looking at extensive job creation through development of supply chains, commercial opportunity, and direct employment.

Furthermore, the retail major plans to support small businesses and 'Make in India,' through direct procurement as well as increased opportunities for exports through global sourcing and e-commerce.

Among other initiatives, Walmart will partner with Kirana store owners and members to help modernize their retail practices and adopt digital payment technologies. They will also support farmers and develop supply chains through local sourcing and improved market access.

There has been growth in the Indian market in terms of Internet user, mobile user, online purchasing trends, many retailers and shop owners became seller for selling online their reach to all over India, employment Increase and many other things. Customer, associates, Investors, communities and other persons everyone will be benefiting in longer run.

Case Study on Demerger - Dabur Indian Ltd.

Dabur India Ltd. ("Dabur") initiated its demerger exercise in January 2003, after the agreement of the Board of Directors to hive off the Pharma business into a new company named Dabur Pharma Ltd. ("DPL"). After the demerger, Dabur concentrated on its core competencies in personal care, healthcare, and Ayurvedic specialties, while DPL focused on its expertise in oncology formulations and bulk drugs. The demerger would allow investors to benchmark performance of these two entities with their respective industry standards.

ISBN: 978-81-946375-5-4

Results of Demerger Analysis.

	Dabur FMCG	Dabur Pharma	Composite
Beta Equity	0.50	0.53	0.56
Re	11.52%	11.74%	11.95%
Rd(1 – t)	5.20%	5.20%	5.20%
D/E	0.22	0.07	0.4
E/V	0.82	0.93	0.71
D/V	0.18	0.07	0.29
WACC	10.38%	11.31%	10.02%
ROCE	27.70%	8.35%	19.40%
EVA	51.16	-8.49	47.08

The Dabur FMCG business unlocked value for shareholders, since the EVA of the FMCG business was more than that of the composite business. Dabur Pharma had a negative EVA, clearly indicating that its capital was not properly used in the composite company.

The total EVA of the FMCG and Pharma division was lesser than that of the composite business indicating a negative synergy between the two divisions. The EVA disparity between the demerged units is expected as FMCG and Pharma are two distinctly different businesses, where FMCG is a low capital intensity business, the pharmaceutical business requires higher capital due to R&D activities.

Questions & Answer

1. Define Merger and Acquisition and its various form.
2. Write down the gains from mergers or synergy.
3. What is arranging finance for Acquisition?
4. Write down different takeover tactics.
5. What is divestiture? Briefly explain different forms of it.
6. What is ownership restructuring?
7. Explain the merger and acquisitions helps in family business with help of real example.
8. Explain the valuation analysis with help of case.
9. Write down the different reason behind the deal between Walmart and flipkart.
10. What the advantage and disadvantage of the deal between Walmart and flipkart.
11. Write the case of Dabur Indian Ltd. to explain the Demerger.

BIBLIOGRAPHY

- Godbole Prasad G. “Merger, Acquisition and Corporate Restructuring”. India: Vikas Publication House Pvt. Ltd., 2013.
- Rustagi R.P. “Financial Management-Theory, Concept and Problems”. India Taxmann’s Publications Pvt. Ltd.
- Khan M. Y. & Jain P. K. “Financial Management Text, Problems and Cases” India, McGraw Hill Education (India) Private Limited.
- ICAI Study Material, Strategic Financial Management, India.

REFERENCES

- https://www.businessinsider.in/2018-was-a-big-year-for-mergers-and-acquisitions-in-india-here-are-the-top-deals/articleshow/67127132.cms
- http://www.mca.gov.in/MinistryV2/mergers+and+acquisitions.html
- https://imaa-institute.org/mergers-and-acquisitions-statistics/
- https://www.statista.com/topics/1146/mergers-and-acquisitions/
- https://www.pwc.in/assets/pdfs/trs/mergers-and-acquisitions-tax/mergers-and-acquisitions-the-evolving-indian-landscape.pdf
- https://www.business-standard.com/article/newsani/walmart-flipkart-deal-here-s-how-india-will-benefit118050901292_1.html
- https://www.mitre.org/publications/systemsengineering-guide/acquisition systemsengineering/program-acquisition-strategy-formulation
- https://www.livemint.com/Industry/9iUxlQZ4iHwPiXRKscx3LK/Indias-ecommerce-market-to-grow-30-to-200-billion-by-202.html
- https://yourstory.com/2016/12/why-startups-chooseacquisition/

Profile: Mr Aamir Khan is an Assistant Professor of Department of Commerce at Zakir Husain Delhi College Evening, University of Delhi. His area of specialization is Accounting & Finance. He has been teaching Financial Management, Investment Management, Financial Accounting & Cost Accounting from last 5 years. He has also worked as an Assistant Professor in Non-Collegiate Women Education Board, University of Delhi. He has been associated with School of Open Learning, University of Delhi for Teaching & Evaluation of Answer Scripts. He has also been associated with Centre for Distance and Open Learning, Jamia Millia Islamia as an Academic Counsellor. He is currently pursuing Phd from Department of Commerce and Business Studies, Jamia Millia Islamia, New Delhi. He has attended several National and International Conferences and presented 7 Papers in those conferences. He has also received the Best Paper award in a National Conference. He has 3 years of Statutory & Tax Audit Experience in Public Sector Undertakings (PSUs) like Oil and Natural Gas Corporation (ONGC), Indian Oil Corporation Limited (IOCL), Life Insurance Corporation of India (LIC), Municipal Corporation of Delhi (MCD).

ISBN: 978-81-946375-5-4

RAISING OF FUNDS for FAMILY BUSINESS

Dr. Mohsina Hayat
Guest Faculty, Centre of Management Studies, JMI, Delhi

OBJECTIVE OF STUDIES

Business needs finance for their development so as family business.it is necessity of time to involve third party investment, particularly if the business is not self-financing and the necessary funds cannot be found from family members, existing shareholders or the company's bankers. Third party investment may not just be required to fund an expansion of the business but might alternatively be essential, for example, to allow certain family members to exit the business or to allow the family members to realise part of the value of their investment in the company. There are a number of categories of third party investors prepared to consider investing in private businesses, ranging from business angels (typically entrepreneurs who have sold one or more businesses and are looking to invest some of the proceeds in growing enterprises) or high-net-worth individuals ('HNWIs'), to private equity or venture capital funds (funds established for the purpose of investing in unquoted companies)..

After learning this chapter, learner are able to understand various ways of fundraising in family business.

ANGEL INVESTOR

Angel investors are most often individuals (friends, relations or entrepreneurs) who want to help other entrepreneurs get their businesses off the ground - and earn a high return on their investment. The term "angel" comes from the practice in the early 19th century of wealthy businessmen investing in Broadway productions. Usually they are the bridge from the self-funded stage of the business to the point that the business needs true venture capital. Angel funding usually ranges from $150,000 to $1.5 million. They typically offer expertise, experience and contacts in addition to money.

Angel investors are wealthy individuals who provide capital to start-ups with the potential for fast growth are they important sources of capital to early stage companies. Angel invest are found everywhere in world.

An angel investor or angel (also known as a business angel, informal investor, angel funder, private investor, or seed investor) is an affluent individual who provides capital for a business start-up, usually in exchange for convertible debt or ownership equity. A small but increasing number of angel investors invest online through equity crowd funding or organize themselves into angel groups or angel networks to share research and pool their investment capital, as well as to provide advice to their portfolio companies.

Angel investment is the most significant source of outside equity for seed and early stage Start-ups.

Stages of venture capital comprises seed, early stage, formative stage, later stage and balanced stage which are discussed below.

Figure 1: SYNONYMS OF ANGEL INVESTOR

Funding of Angel Investor

Angel Investors also known as Angels invest their own funds. Typically reflecting the investment judgment of an individual.

The actual entity that provides the funding may be a trust, business, limited liability Company, investment fund, or other vehicle.

William R. Kerr, Josh Lerner, and Antoinette are of the view that angel funded start-up companies have historically been less likely to fail than companies that rely on other forms of initial financing.

David Rose has defined angel investing as the gust guide to making money and having fun investing in start-ups.

Angel capital fills the gap in seed funding between "friends and family" and more robust start-up financing through formal venture capital.

Angel investment is a common second round of financing for high-growth start-ups, and accounts almost as much money invested annually as all venture capital funds combined, as but into more than 60 times as many companies.

Business Angel Investors will be individuals, often successful business people, who are investing their own personal funds into a potentially rewarding business opportunity. Business angels are using their own money.

Angel investors, who are often experienced entrepreneurs or business people, invest in innovation more broadly than venture capital firms.

Scope of Angel Investment

Angels invest in a wider range of sectors and geographies (most angels invest locally, not just in high-tech hubs where VCs tend to concentrate). Angels invest not only for a potential financial return, but in many cases, to give back by helping other entrepreneurs. Also, being former entrepreneurs themselves, it is an activity they enjoy. Angels tend to be less sensitive to market

ISBN: 978-81-946375-5-4

cycles than banks or VCs. Angel investing is becoming more visible, formalised and professional. The formation of groups and networks has helped entrepreneurs and angel investors connect with each other, addressing some of the information asymmetries in the seed and early stage financing market. At the same time, angel investing differs across countries and regions in terms of both activity level and form. In some countries, angels organise in groups and in others through networks and each of these also can take several forms. Policies and government support can't create an angel market but can be a catalyst for developing the market. While there is not always evidence of a market failure in seed and early stage financing, it is clear that the funding gap has widened. A number of countries have chosen to take action in this area, citing information asymmetries, additionally, and potential spill over effects as well as fit with a broader economic strategy. There are an increasing number of examples around the world of programmes and policies to support angel investment, ranging from tax incentives to co-investment funds to support for national angel associations, groups and networks. At the same time, there has been little formal evaluation of these policies and programmes to date, so further work is needed in this area. Policies that have worked in one country may not necessarily work the same way, or be as successful, in another country. Another challenge for policy makers and practitioners alike, is that there is limited data, as well as a lack of clarity on definitions, which make the angel market difficult to measure. The lack of an entrepreneurial culture and ecosystem remains a barrier in many countries. Without entrepreneurs there will be no start-ups. Changing culture is difficult and requires the proper framework conditions as well as a long-term effort focused on awareness-raising and education. Entrepreneurship can only flourish in a healthy entrepreneurial ecosystem in which a range of stake-holders (entrepreneurs, companies, universities, governments, VCs, accelerators, services providers, etc.) play a role and If policies and programmes are put in place too early before the necessary pieces of the ecosystem are in place, they may fail.

Difference between angel and venture investor

BUSINESS ANGEL INVESTOR

- Business Angel Investors will be individuals, often successful business people, who are investing their own personal funds into a potentially rewarding business. Business angel investors is an individual investor.
- Angel investor may be willing to invest in early –stage or start-up businesses as well as established companies.
- Angel investor have experience and contracts to contribute.

VENTURE CAPITAL

- Venture Capital is invested by firms or companies that use other people's money. They raise that money by offering investors a chance to take part in funds that is then used to buy shares in a private company.
- Venture capitalist is a company or business rather than an individual.
- Venture capitalist seldom interested in early stage unless compelling reason (e.g. high tech with already successful founder).
- venture capitalist have contacts.
- venture capital require seat on board.

Characteristics of Angel investor

An angel investor possesses and performs the following:

1. Quality, passion, commitment, and integrity are the hallmarks of an angel investor.

2. The market opportunity being addressed and the potential for the company to become very big.
3. A clearly thought out business plan, and any early evidence of obtaining traction toward the plan.
4. Interesting technology or intellectual property.
5. An appropriate valuation with reasonable terms.
6. The viability of raising additional rounds of financing if progress is made.

Angel investor in India

Inspired by attractive returns and the thrill of being part of something new, dozens of wealthy Indians are laying out money to buy a slice of the action in India's booming start-up sector. But they soon discover that there is more to being an angel than just cutting a cheque.

Every week at least five start-ups are launched in India of these typically just one survives to deliver big-ticket returns to eager investors. The ability to pick that one winning company is what rich Indians are now aiming to acquire.

Industry reports estimate that there are about 500-600 active angel investors in India, many of whom are part of fast growing networks such as the Indian Angel Network, Mumbai Angels as well as several city based networks in Hyderabad, Chennai and Bangalore.

But there is definitely a shortage of specialists who are willing to put their start-up companies.

With just about 50-60 people skilled enough to lead investments in very young ventures there is a huge mismatch in demand and supply of early stage capital. Last year, about $608 million worth of early stage deals took place in India, a fall from $700 million in the previous year according to consulting firm, Ernst and Young.

“A person with surplus liquid capital of rupees 60 rupees 50 lacks or net worth of at least rupees 10 crores and high degrees of passions for entrepreneurship is a potential Angel investors,” said Singhal, a former executive at Motorola and digital software maker ittiam system.

savvy investors are of the view that do entering his this space must build up a portfolio of at least 10 investment before they can hope expect a return moreover going slow in a sir fire way to lose money particularly in the earlier days.

There is a need for investors with knowledge of a specific domain who can lead the generalist. Typically a deal an anchor has to invest about 20% of capital, before it is presented to other members in an angel network.

India's largest angle network, Indian Angel network (IAN), advice investors to follow a simple rule, “Never acquire a majority stake in a start-up or a very thin slices”. Instead angels are encouraged to pick up between a 10th or a little over a quarter of the whole day in a young company. What is equally important is to make sure that only a small portion of an angel's portfolio is allocated to start-up investing.

Venture capital

Venture capital is the financing that investors provide to start-up companies and small businesses that are believed to have long-term growth potential. For a start-up without access to capital market, venture capital is an essential source of money. Risk is high for investors, but downside for the start-up is that this venture capital is usually get a say in company decisions. Venture capital generally comes from well of investors, investment bank at any other financial institutions that pool similar partnerships or investments.

Start-up or growth equity capital a loan capital is provided by private investors (the venture capitalist) or specialised financial institution (development finance houses or venture capital firms). It is also called as risk capital.

Venture capital is a type of funding for a new or growing business. It usually come from venture capital form that specialise in building high risk financial portfolios. With venture capital, the venture capital firm gives funding to the start-up company in exchange for equity in the start-up. This is most commonly found in high growth technology industries like biotech and software.

A person who deals in venture capital is a venture capitalist. The firm typically has one or more investment portfolios that are owned by limited partnership. The venture capitalist is often a general partner in the portfolio and individual investors or other institutions (particularly University endowment and the pension funds) are limited partners in the limited partnership.

The venture capitalist partnership fund actually become a partial owner of a start-up. Venture capital is usually used with high growth industries, where risk is much higher. In these cases, there are a little or no assets to back the loan in the event of default so the likelihood of obtaining a loan is much lower and the potential pay-outs must be drastically higher to a result in a successful investment. A venture capitalist is a person who make venture investment. A venture capital fund refers to a pooled investment vehicles that primarily invest the financial capital of third party investor in enterprises that are too risky for standard capital market or bank loan.

A core skill within a venture capitalist is the ability to identify novel or disruptive technology that have potential to generate high commercial return at an early stage.

Below is explain, how start-up companies are typically financed. First, the new firm seeks out “seed capital” and funding from “Angel investors” and accelerators. Then, if the firm can survive through “value of death” the period where the firm is trying to develop on a show “shoestring” budget the firm can seek venture capital financing.

Venture capital is a type of private equity a form of financing that is provided by firm or funds to small, early-stage, emerging firms that are deemed to have high growth potential. Venture capital firms or fund invest in this early stage company in exchange for equity and ownership stake in the companies they invest in. Venture capitalist take on the risk of financing risk a start-up in anticipation that some of the firm the support will become successful.

The typical venture capital investment occurs after an initial “seed funding” round. The first round of institutional venture capital to fund growth is called a series a round. Venture capitalist provide this financing in the interest of generating a return through eventual exit event, such as the company selling share to public for the first time in initial public offering or doing a merger and acquisition also known as “trade sale” of the company of the company.

Venture capitalist is attractive for new companies with limited operating history that are too small to raise capital in the public market and have not reached the point where they are able to secure a book loan or completed debt offering.

Features of Venture capital investment

- It pose high risk
- It reflects lack of liquidity
- It embarrasses long term horizon.
- It shows equity participation and capital gains.

- Venture capital investment are made in innovative projects.
- Supplier of venture capital participate in the management of company.
- Benefit from venture capital investment may be realized in the long run.
- Suppliers of venture capital invest in the form of equity capital.

Some of the factors that influence Venture capital investment decision include:

- Venture capitalist tend to invest in new disruptive ideas, or fledgling companies.
- Venture investing in established companies that need support to go public or grow.
- Some invest only in certain industries.
- Some prefer operating locally while others will operate nationwide or even globally.
- Venture capital expectation can often very. Some way want a quicker public sale of company or expected fast growth.
- The amount of help a venture capital provides can vary from one firm to the next.

Role of venture capitalist

- Venture capitalist get significant control over company decision due to a significant portion of companies' ownership.
- Venture capital contributes more than financing to these early stage companies.
- Venture capitalist provide strategic advice to the false executive on its business model and marketing strategies.
- Venture capital can construct an institution that systematically create business network for the new firm and industries to attain the progress and develop.
- Venture capitalist' decisions are often unbiased.
- Venture capital is substantially different from rising debt or a loan.
- Venture capital is invested in exchange for an equity is stake in the business.
- The return of venture capitalist as a shareholder depends on the growth and profitability of the business. This return is generally earned when the venture capitalists "exist" by selling its share holdings when the business is sold to another owner.
- Venture capitalist are expected to carry out detailed due diligence prior to investment because investment illiquid and required the extended time frame to harvest.
- Venture capitalist also so are expected to nurture the companies in which they invest, in order to increase the likelihood of reaching an IPO stage when the valuation are favorable.
- Venture capitalist typically assist at four stages in the company's development i.e. idea generation, startup, ramp-up and exist.
- Venture capital need for high returns makes venture funding an expensive capital source for companies.
- Venture capital is the most prevalent in the fast growing technology and life science or by technology fields.
- Venture capitalist are expected to bring managerial and technical expertise.

- Venture capitalists is also take a role in managing entrepreneurial companies at an early stage. Venture capital investment are done in a pool format, where several investors combine their investment into one large fund that invest in many different startup companies. By investing in the pool format, the investors are spreading out their risk to many different investments instead of taking the chance of putting all of their money in one start-up a firm.
- Venture capitalist come from either an operational or a finance background. Venture capitalist with an operational background (operating partner) tend to be former founders or executive of companies similar to those which the partnership finances or will have a serve as a management consultants. Venture capitalist with finance background tend to have investment banking or other corporate finance experience.
- Venture capitalist seek including a solid business plan, a good management team, investment and passion from the founders, a good potential to exit the investment before end of their funding second hand target minimum returns in excess of 40% per year. If the company does have these qualities, it will find it easier to raise venture capital.

Table 1 Different positions and roles of venture capitalist

position	Role
general partners	They run the venture capitalist firm and make the investment decisions on behalf of the fund. general partners typically put in personal capital up to 1-2% of the venture capital fund size to show their commitment to LPs.
venture partners	Venture partners are expected to source potential investment opportunity and compensated only for those deal with which they are involved.
Principal	This is the third level investment professional position called up “partners- track” position. Principal will have been promoted from a senior associate position with experience of other fields such as investment banking management consulting or a market of particular interest to the strategy of venture capital firm.
Associate	It is the most junior apprentice position within a venture capital firm. After a few successful year, an associate may move up to the senior associate position and potentially principal and beyond. Associate will often have worked for 1-2 years in another field, such as investment banking or management consulting.
Entrepreneur in residence	Entrepreneur in residence (EIRs) are expo experts in a particular industry sector (example biotechnology or social media) and performed due diligence on the potential deal, EIRs are hired by venture capital firm temporally (6 -18 months) and are expected to develop and pitch start-up ideas to their host firm, although neither party is bound to work with each other. Some EIRs move on to executive positions within a portfolio company.

Venture capital stages:

Stages of the venture capital comprise seed, early stage, formative stage, later stage, and balance stage which are discussed below.

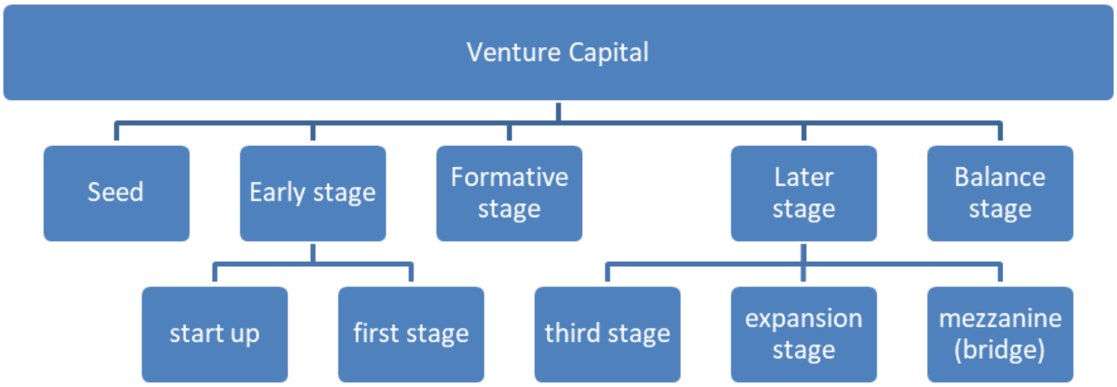


Figure 2 Stages of venture capital

1. **Seed-** This is the first stage of venture capital financing. Seed-stage financing are often comparatively modest amounts of capital provided to investors or entrepreneur to finance the early development of new product or service. These early financing may be directed towards the product development, market research, building a management team and developing a business plan.

a. A genuine seed-stage company has usually not yet established commercial operation- a cash infusion to fund continued research and the product development is essential. These early companies typically have quite difficult business opportunity to finance, often fund requiring capital for pre-startup R&D, product development and testing, for or designing specialized equipment. An initial seed investment round made by a professional venture capital firm typically ranges from $250000 to $1 million.

Seed-stage venture capital fund will typically participated in letter investment round with other equity players to finance business expansion costs such as sale and distribution, parts and inventory, hiring, training and marketing.

2. **Early stage-** For companies that are able to begin operations but are not yet at stage of commercial manufacturing and sales, early stage financing support us step-up in capabilities. At this point, new business can consume vast amount of cash, while venture capital firms with the large number of early stage companies in their portfolio can see costs quickly escalate.

- **Startup-** Supports the product development and initial marketing. Start a financing provides fund to companies for the product development and initial marketing. This type of financing is usually provided to companies who had just organised or to those that have been in business just a short time but have not yet sold their product in the marketplace. Generally, such firms have already assembled key management prepared a business plan handmade market studies. At this stage business is saying its first revenue but has yet to show a profit. This is often where the enterprise brings in its first "outside" investors.

- **First stage-** Capital is provided to the initial commercial manufacturing and sales. Most 1st stage companies have been in business less than three years and have a product or service in testing or pilot production. In some case the product may be commercially available.

3. **Formative stage-** Financing includes seed stage and early stage.

4. **Later stage-** Capital provide after commercial manufacturing and sale but before any initial public offering. The product or service is in production and is commercially

ISBN: 978-81-946375-5-4

available. The company demonstrate significant revenue growth, but may or may not be showing a profit. It has usually been in business for more than 3 years.

Third stage- Capital provide for major expansion such as physical plant expansion, product improvement and marketing.

- **Expansion stage-** Financing refers to 22nd and 3rd stages.
- **Mezzanine (bridge) -** Finances the step of going public and represent the bridge between expanding the company and the I PO.

5. **Balance stage-** Financing referred to all the stages seed through mezzanine.

Between the first sound and the fourth round, venture-backed companies may also seeks to take venture debt.

Venture capital structure:
Venture capital firm partnership form. The general partners of which serves as a managers of the firm and will serve as an investment advisors to the venture capital firm raised. In United State, venture capital firms may be structured as a limited liability companies where firms manager are known as managing members. Investors in venture capital firms are known as limited partners. This constituency comprises both high-net-worth individuals and institutions with large amount of available capital, such as states and private pension funds, University financial endowment, foundations, insurance companies, and pooled investment vehicles called funds of funds.

Structure of the funds
Most venture capital funds have a fixed life of 10 years when the possibility of a few years of extension to allow for private companies still seeking liquidity. The investing cycle for most funds is generally three to five years, after which the focus is managing and making follow-on investments in an existing portfolio. This model was Pioneer by successful funds in Silicon Valley during 1980s to invest in technological trends broadly but only during their period of ascendance, and to cut exposure to management and marketing risks of any individual firm or its product.

In such a fund, the investors have a commitment to the fund that is initially unfunded and subsequently “called down” by the venture capital fund overtime as the fund makes its investment. There are substantial penalties for a limited partner (or investors) that fails to participate in a capital call.

It can take anywhere from month also to several years for venture capitalists to raise money from limited partners for their fund. At the time when all the money has been raised, the fund is said to be closed and the 10 year lifetime begins. Some funds have partial closes when one half (or some other amount) of the fund has been raised. The vintage year generally refers to the year in which the funds was closed and may serve as a mean to study venture capital funds for comparison. This shows the difference between a venture capital fund management company and the venture capital fund managed by them.

Fund can be:

a. Traditional- where all the investors invest with equal terms.

b. Asymmetric- where different investors have different terms.

ISBN: 978-81-946375-5-4

Compensation

Venture capitalist are compensated through a combination of management fees and carried interest (often referred to as a two and twenty arrangement).

Table 2 kinds of compensation

Payment	Implementation
Management fees	An annual payment made by investors in the fund to fund's manager to pay for private equity firm's investment operations. In a typical venture capital fund, the general partners receive and annual management fee equal to up to 2% of committed capital.
Carried interest	A share of the profit of fund (typically 20%) paid to private equity funds management company as a performance incentive. The remaining 80% of the profits are paid to the funds investors. Strong limited partner interest in top tier venture has led to a general trend towards term more favourable to the venture partnership and certain groups are able to command carried interest of 25 to 30% on their funds.

because a fund may run out of capital value prior to the end of its life, large venture capital firms usually have several overlapping funds at the same time doing so let's the large firm keeps specialist in all stages of the development of form almost constantly engaged. Smaller firms tends to thrive or fail with their initial industry contact; by the time the fund cashes out, an entirely new generation of technology and the people is ascending, whom the general partners may not know well and so it is prudent to reassess and shift industries or personal rather than attempt to simply invest more in the industry or people the partner's already know.

Societal impact of venture capital

- Venture Capital Is Also Associated With Job Creation,
- The Knowledge Economy And Used As Proxy Measure Of Innovation Within An Economic Sector Or Geography,
- Venture Capital Play A Role In Facilitating Access To Finance For Small And Medium Enterprise,
- Venture Capital Has Been Used As A Tool For Economic Development In A Variety Of Developing Region.

Every year, there are nearly 2 million business created in the USA, and 600-800 get venture capital funding. According to the National Venture Capital Association, 11% of private sector jobs come from venture baked companies and venture backed revenue account for 21% of US GDP.

The Venture Capital Process

a. First step for any business looking for venture capital is to submit a business plan, either to a venture capital firm or to an angel investor.

b. If interested in the proposal the form or the investor must then perform due diligence, which includes a thorough investigation of this is moral, products, management and operating history, among other things.

c. Once due diligence has been completed, the firm or the investor will pledge an investment in the exchange for equity in the company.

ISBN: 978-81-946375-5-4

d. The firm or the investor's then take an active role in the funded company. Because capital is provided in round, the firm or the investor actively ensure the venture is meeting certain milestones before receiving another round of capital.

e. Investor then exit the company after a period of time say four to six years after the initial investment, through a merger, acquisition or initial public offering.

VENTURE CAPITAL FINANCING

Venture capital financing comprises equity participating debentures and conditional loan.

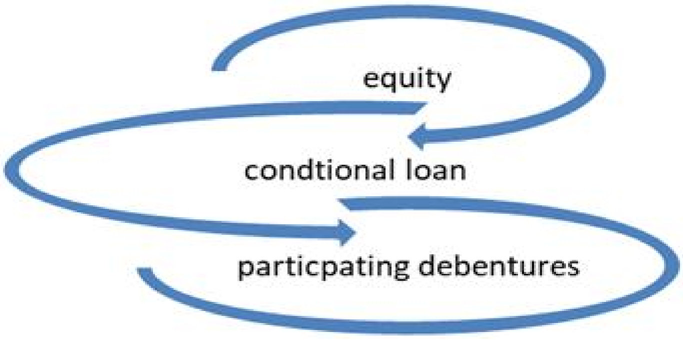


Figure 3: Venture Capital Financing

Idea generation and submission of business plan

The initial step in approaching a venture capital is to submit a business plan. The plan should include following points:

- There should be an executive summary of business proposal
- Description of the opportunity, the market potential and the size
- Review on the existing and expected competitive scenario
- Detailed financial projections
- Details of management of the company
- Detailed analysis of the submitted plan is to be done, by venture capitalist to decide whether to take up the project or not.

Introductory meeting

Once the preliminary study is done by venture capitalist and they find the project as per their preference there is one to one meeting that is called for discussing the project in detail. After the meeting the venture capitalist finally decide whether or not to move forward to the due diligence stage of the process.

Due diligence

Due diligence phase varies depending upon the nature of business proposal. This process involves solving of queries related to the customer references, product and business strategy evaluation management interviews, on exchange of information during this time period.

Term sheets and funding

If the due diligence phase is satisfactory, the VC offers a term sheet which is a non-binding document explaining the basic terms and condition of investment agreement. The term sheet is generally negotiable and must be agreed upon all the parties, after which on completion of legal documents and legal due diligence, points are made available.

Examples of venture capital funding

a. Kohlberg Kravis and Robert (KKR), one of the top tier alternative investment asset manager in the world has enter into a definite agreement invest USD 150 million rupees in Mumbai based listed polyester maker JBF industries Ltd. The form will acquire 20% stock in JBF industries and will also invest in zero-coupon compulsorily convertible preference shares with 14.5% voting right in its Singapore-based wholly owned subsidiary JBF global private limited. The funding provided by KKR will help JBF complete the ongoing projects.

b. Pepperfry.com, India's largest furniture e-marketplace, has raised US $100 USD million in a fresh round of funding led by Goldman Sachs and Zodius technology fund. Pepperfry will use the funds to expand its footprint in tier 3 and tier 4 cities by adding to its growing fleet of delivery vehicles.it will also open new distribution centre and its exchange carpenter and assembly service network.

PRIVATE EQUITY FUND

Private equity fund is a collective investment scheme used for making investment in various equity (and to a lesser extent debt) securities according to one of the investment strategies associated with the private equity. Private equity funds are at typically limited partnership with a fixed term of 10 years (often with annual extension). At inception, institutional investors make an unfunded commitment to the limited partnership, which is then drawn over the term of fund. From the investors point of view, funds can be traditional (where all the investors invest with equal terms) or asymmetric (where different investors have different terms)

A private equity fund is raised on managed by investment professionals of a specific private security firm (the general partner and investment advisor) typically, a single private equity firm will manage a series of distinct private equity fund and will attempt to raise a new fund every 3 to 5 year as a previous fund is fully invested.

Private equity is capital that is not noted on a public exchange private equity is composed of funds and investors that directly invest in private companies or that engage in front of public companies resulting in the delisting of public equity institutional and retail investors provide the capital for private equity and the capital can be utilised to find new technology make accusation explain working capital and to blasters and solidified a balance sheet private equity comes early from institutional investors and accredited investors who can dedicate a substantial sum of money for extending time period in most cases considerable long holding period are often required for private equity investment in order to ensure a turnaround for distress companies or to enable liquidity event such as initial public offering IP or a sale to public company.

Since the 1970s, the private equity market has strengthened readily. Pools of funds are sometime created by private equity firm in order to privatised extra-large companies. A significant number of private equity firm perform action known as leverage buyouts (LBOs). Through LBOs, substantial amount of money are provided in order to finance large purchases. After this transaction, private equity firms attempt to improve the prospects, profit and overall financial health of the company, with the ultimate goal being a resale of the company to a different firm or catching out through an IPO.

Fee structure for private equity firms typically varies, but usually include a management fee and a performance fee. Certain firms charge at 2% management fee annually on managed assets and required 20% of profit gain from the sale of company.

Private equity funds more closely resemble venture capital firm in that they invest directly in the companies, primarily by purchasing private companies, although they sometimes seek to

ISBN: 978-81-946375-5-4

acquire controlling interest in publicly traded companies' stock purchase. They frequently use leverage buyouts to acquire financially distressed companies. Private equity funds are focused on long term potential of portfolio of the companies they hold and interest in or acquire. Once they acquire or control interest in a company, private equity fund look to improve the company through management changes, streamlining operations or expansion, with the eventual goals of selling the company for a profit, either privately or through an initial profit offering in a stock market. To achieve their aims, private equity fund usually have, in addition to the fund manager a group of corporate experts who can be assigned to manage the acquired companies. The very nature of their investment required their more long focus, looking for profits on investment to mature in a few years. The long-term focus of private equity fund usually dictates a requirement that investors commit their funds for minimum period of time, usually at least 3 to 5 years, and often from seven to ten years.

Private equity fund may invest directly in equity securities of then target investment, in the form of mezzanine debt or in both equity and debt. In general terms, private equity fund often focus on one of the following investment philosophies:

a. Venture capital- used to finance early stage companies that do not have access to financial markets or conventional financing.

b. Growth capital- used to fund the expansion of established private company that is "asset light," and therefore may not be able to use its own asset to secure traditional financing for such growth.

c. Leverages on management buyouts- used in combination with additional leverage placed on a company to allow the existing management to take control of the target. The company's cash flow has to be sufficient to cover the carrying cost of additional debt.

d. Distressed or turnaround situation- used when companies are unable to service their existing debt and the fund's equity is used to recapitalise the balance sheet along with the management conducting a turnaround strategy.

Private Equity Funds Structure

Private equity is a source of amassing capital from wealthy individuals and institutions within intent of investing and obtaining equity ownership in operational companies. The goal of investing in private equity is to gain favourable returns over a period. A private equity investment will be made by private equity firm that undertake this task of investing with an intent of generating profit for the firm and its clientele. In today's economy with private equity firm becoming an important part of the world economy, the career prospects in this area are increasing exponentially. Example of private equity fund firms are TPG creative capital firm, the black-stone group, Kohlberg Kravis Robert, Gold Sachs principal investment area and Apollo global management.

Private equity fund allow high-net-worth individuals and a variety of institutions to directly invest in and acquire equity ownership in companies. Fund may consider purchasing stakes in private firms or public companies with intention of de-listing the latter from public stock exchanges and taking them private. After a fine finite period the private equity for will divest it's holding through a number of options, including initial public offering or sales to another private equity firm.

Although minimum investment vary for each fund, the structure of private equity funds historically follows a similar framework that includes classes of fund partners, management fees, investment Horizons, and other key factors laid out in a limited partnership agreement.

Partners and Key Responsibilities

Those seeking to better understand the structure of private equity fund should recognised two classifications of fund participation. First, the private equity fund's partner are known as general partners (GPs). Under the structure of each fund, general partners are given the right to manage the private equity fund and to pick which investments they will include in portfolios. General partners are also responsible for attaining capital commitments from the investors known as limited partners. This class of investors typically includes institution (pension fund, University endowment, insurance companies, etc.) and high net worth individuals.

Limited partners have no influence over investment decisions. At the time that capital is raised investment that will be included in the fund are unknown. However, limited partners can decide to provide no additional investment to the fund if they become dissatisfied with the fund or the portfolio manager.

The Limited Partnership Agreement

When a fund raises money, institutional and individual investors agree to specific investment terms presented in a limited partnership agreement.

What separates each classification of partners in this agreement is the risk to each. Limited partnerships are liable up to the full amount of money that invest in the fund. However, general partners are fully liable to the market meaning that if the fund loses everything and its account turns negative, general partners are responsible for any debt or obligations.

The limited partnership agreement also outlines an important life cycle metric known as "duration of the fund" partnership equity funds traditionally have finite length of 10 years, consisting of five different stages. These are the organisation and formation; the fund-raising period (typically 2 years); the period of deal sourcing and investing (three years); the period of portfolio management; and up to seven years of existing from existing investment through IPO, secondary market or trade sales.

Private equity funds typically exit each deal within the finite time period due to the incentive structures and a general partner as possible desire to raise and new fund. however that time frame can be affected by negative market condition such as a period when various exit options such as initial public offering might not attract the desired capital to sell a company.

Investment and Pay-out Structure

Perhaps the most important components of any fund's limited partnership agreement are obvious; return on investment and the cost of doing business with the fund. In addition to decisions rights, the general partnership receive a management fee and "carry."

Traditionally, the limited partnership agreement will outline management fees for general partners of that fund. It is common that private equity fund will require an annual fee of 2% of capital investment to pay for firm salaries, deal sourcing and legal services, data and research cost, marketing and additional fixed and variable costs. For example, if a private equity firm raise a $500 million fund, it would collect $ 10 million each year to pay expenses. Over the duration of 10 years fund cycle, the private equity firm would collect $50 million in fees, meaning that $ 450 million would actually be invested during that decade. Private equity companies also receive a carry, which is a performance fees that is traditionally 20% of excess gross profit for the fund. Investors are usually willing to pay these fees due to the firm's ability to help manage and mitigate corporate governance and management issues that might negatively affect a public company.

Additional Restriction and Structure Company Component

The limited partnership agreement also include restriction imposed on general partner's regarding the type of investment they might be able to consider. These restrictions can include industry type, company size, diversification requirement, and the location of potential acquisition targets. In addition, general partnerships are only allowed to allocate a specific amount of money from the funds into each deal it finances. Under these terms, the fund must borrow the rest of its capital from the banks that might be lending at different multiples of a cash flow, which can test the probability of potential deals.

The ability to limit potential funding to a specific deal is important to limited partners because several investment bundled together improve the incentive structure for the general partners. Investing in multiple companies provide risk to the general partners and could reduce the potential carry should a past or a future deal risk to the GPs and could reduce the potential carry should a past or future deal underperform or turn negative.

Meanwhile, LPs (limited partnerships) are not provided with veto rights over individual investments. This is important because limited partnership, which outnumber general partnership in the fund, would commonly object to certain investment due to governance is concerned particularly in the early stage of identifying and funding companies. Multiple vetoes of companies might reduce the positive incentive created by composite fund investment.

The term set forth in the limited partnership agreement are the following:

- **Terms of the partnership:** the partnership is usually a fixed life investment vehicles that is typically 10 year plus some numbers of extensions.
- **Management fees:** An annual payment made by investor in the fund to the fund's manager to pay for private equity funds investment operation (typically 1 to 2%) of committed capital of the fund.
- **Distribution waterfall:** The process by which written capital will be distributed to the investors, and allocated between limited and general partner. This waterfall includes the preferred return: a minimum rate of return (e.g. 8%) which must be achieved before the general partner can receive any carried interest, and the carried interest, the share of profit paid the general partner above the preferred return (e.g. 20%).
- **Transfer of an interest in the fund:** Private equity fund are not include intended to be transferred or traded; however, they can be transferred to another investors. Typically, such as transfer must receive the consent of and is at the discretion of the fund's manager.
- **Restriction on general partners:** The fund's manager has significant discretion to make investment and control the affairs of the fund. However, the limited partner agreements does have certain restrictions and controls and is often limited in the type size of geographic focus of investment permitted, and how long the manager is permitted to make new investment

INVESTMENT FEATURES AND CONSIDERATION FOR PRIVATE EQUITY FUNDS

Consideration for investing in private equity fund relative to another form of investment include:

- **Substantial entry requirement:** With the most private equity funds requiring significant initial commitment (usually upward $ 10000000), which can be drawn at manager's discretion over the first few years of the fund.

- **Limited liquidity:** Investment in limited partnership investors (the dominant legal form of private equity investment) are referred to as “illiquid” investments, which should earn a premium over traditional securities, such as stock and bonds. Once invested, liquidity of invested funds may be very difficult to achieve before the manager realise the investments in the portfolio because an investor’s capital may be locked-up a long term investment for as long as 12 years. Distribution may be made only as investment are converted to cash with limited partners typically having no right to demand that sales be made.
- **Investment control**: Nearly all investors in private equity are passive and rely on the manager to make investment and generate liquidity from those investments. Typically, governance right for limited partners in private equity funds are minimal. However, in some cases, limited partners were substantial investment enjoy special rights and terms of investment.
- **Unfunded commitments:** An investor’s commitment to a private equity fund is satisfied over time as general partners with capital calls on investor. If a private equity firm cannot find suitable investment opportunity, it will not draw on investor’s commitment, and an investors may potentially invest less than expected or committed.
- Investment risk: Given the risks associated with private equity investments, and investors can lose all of its investment. The risk of loss of capital is typically higher in venture capital funds, which invest in companies during the earliest phase of the development or in companies with high amount of financial leverage. By their nature, investment in privately held companies tend to be riskier than the investment in publicly traded companies.
- **High returns:** Consistent with the risk outlined above, private equity can provide high returns with the best private equity manager significantly outperforming public markets.

Advantages and disadvantage of private equity fund

Private equity backed companies have been shown to grow faster than other type of companies. This is made possible by provision of a combination of capital and experienced personal input from private equity executive, which set it apart from other form of finance.

The main advantage of private equity or debt finance are:

- Medium to long-term investment horizon;
- Committed until “exit”;
- Provide a solid, flexible, capital base to meet your future growth and development plans;
- Good for cash flow, and capital repayment, dividend and interest cost (if relevant) are tailored to the company’s need and to what it can afford;
- The returns to private equity investors depend on business growth and success. The more successful the company is, the better the return all investors will receive;
- If the business fail private equity investor will rank alongside other shareholders, after the bank and other lenders, and stand to lose their investment;
- If the business runs into difficulties, the private equity firm will work hard to ensure that the company is turn around; and
- A true business partner, sharing in your risk and rewards, with practical advice and expertise (as required) to assist your business success.

A provider of debt (generally a bank) is rewarded by interest and capital repayment of the loan and it is usually a secured either on business assets or owners share-holders personal assets. As a last resort, if the company's default on its repayments, the lender can put this is into receivership, which may lead to the liquidation of any assets. Debt which is secure in this way and which has a higher priority for repayment that that of general unsecured creditors is referred to as a “senior debt”.

By contrast, private equity is not secure on any assets although part of the non-equity funding package provided by the private equity firm may seek some security. The private equity firm, therefore, often face the risk of failure Just like the other shareholders. The private equity firm is an equity business partner and is rewarded by company's success, generally achieving its principal return to the realising capital gain through an “exit” which may include:

- Selling their shares back to the management;
- Selling the share to the other investments (such as another private equity firm);
- A trade sale(the sale of company shares to another investor/strategic partner);
- The company achieving a stock market listing IPO.

On the other hand, the sum of the disadvantage of the private equity capital, from the entrepreneur’s perspectives are:

- It is a lengthy process since private equity manager conduct detail market, financial, legal, environmental and management due diligence, which could take several months before they make final decision on investing;
- Entrepreneur have to give up some of their company’s share to a private equity investors i.e. Control; or
- The private equity manager have control over the timing of a sale of (a part of) the business.

Difference between Private Equity Fund and Venture Capital

Private equity is sometime confused with the venture capital because the both refers to the firm that invest in companies and exit through selling their investment in equity financing, such as initial public offerings. However, there are a major difference in the way firms involved in the two types of funding. They buy different types and size of the companies, they invest different amount of money and they claim different percentage of equity in the companies in which they invest.

Private equity firm mostly by nature companies that are already established. The company may be deteriorating or not making the profits they should be due to inefficiency. Private equity firm buy these companies and streamline operations to increase revenues. Venture capital firms, on the other hand, mostly invest in start-ups with the high growth potential.

Private equity firm mostly by hundred percent ownership of the company in which they invest. As a result the company are in total control of the form after the buyouts. The venture capital firms invest in 50% or less of the equity of the companies. Most venture capital firm prefer to spread out their risk and invest in many different companies. If one start-up fails, of the entire fund in the venture capital firm is not affected substantially.

Private equity firm invest $100 million and more in a single company. These firm prefer to a concentrate all their efforts in a single company, since they invest in already established and mature companies. The chances of absolute losses from such an investment are minimal. The

Venture capitalists is $10 million or less in each company, since they mostly deal with the start-ups with unpredictable chance of failure or success.

Private equity firms can buy companies from any industry, while the venture capital firms are limited to start-ups in technology, biotechnology and clean technology. Private equity firms also use both cash and debt in their investment, by the venture capital firm deals with the equity only.

BUSINESS INCUBATORS

The formal concept of business incubator begin in USA in 1959 when the Joseph Maneuso opened the Batavia industrial centre in Batavia, New York, warehouse. Incubation activity has not been limited to developed countries. Incubation environment are not being implemented in developing countries rising interest for financial support for organisation such as UNDO and the World Bank.

Business incubation is a dynamic process of business enterprise development. Incubators nurture young firms, helping them to survive and grow during the start-up period when they are most vulnerable. the goal of business incubator is to produce healthy form that create job and wealth strength in the goal of business incubator is to produce healthy firm that create jobs and wealth, strengthen the economy, commercialize new technology and revitalize communities. Business incubators provide:

- Hands on management assistant
- Access to financing
- Business and technical support services
- Share office space assist equipment

Technology business incubator nurture high tech start-ups and present a technology oriented variant of the business incubators.

Characteristics of incubation

- **Incubation as a mechanism for new venture creation-** a step by step / staged process that award legitimacy opens network access and heightens community support for entrepreneurs.
- **Incubation as a mechanism for resource allocation-** a mechanism of awarding a stock of tangible and intangible resources to client firms that results in, in addition to other benefits, client firm growth.
- **Incubation as a social political game-** a socio-political mechanism of creating an environment and the perception of reduce risk and security within a boundaries physical space.
- **Incubation as a core product of incubators- incubate dyads-** a process of co-producing developmental assistance in independent incubator-client dyads.
- **Incubation as an output outcome of a network behaviour-** a system of increasing client firms network density.
- **Incubate selection as a predictable and controllable process-** a process of selecting “week but promising” firms for incubator incubation.”

Definition meaning of incubators

It is established to nurture young (start-up) firms during their earlier month or year. Business incubator as a business that is able to continuously grow and provide for all employee in term of satisfaction and success. A commercial property divided into small work until which provides equipment and support to new business.

It is an investment and supported program in which entrepreneur starting new business are provided with the management advice, access to finance and technical assistance by net-work of investors, A business incubator help new and start-up companies to develop by providing services such as management training or office space.

A place especially with support staff and equipment made available at low rent to new small business. An organisation designed to accelerate the growth and success of entrepreneurial companies through an array of business support resources and services that could include physical space, capital, coaching common services and networking connections.

Features f Business Incubation

- Incubation helps in maintaining the unique combination of process, service, infrastructure and HR.
- Incubation established raw ideas into viable business.
- Incubation make entrepreneurs as independent from hurdle of middle of physical, infrastructure geographical location.
- Incubation provide process-oriented a precious model.
- Incubation help in developing a bundle package of services
- Incubation support early stage of entrepreneur

Objectives of the Business Incubation

The main objective of the business incubation is to help create and grow young business by providing them with necessary support and financial and technical services.

Business incubation program are sponsored by: private companies, public substitutions (Government) Municipal entities, and College/Universities

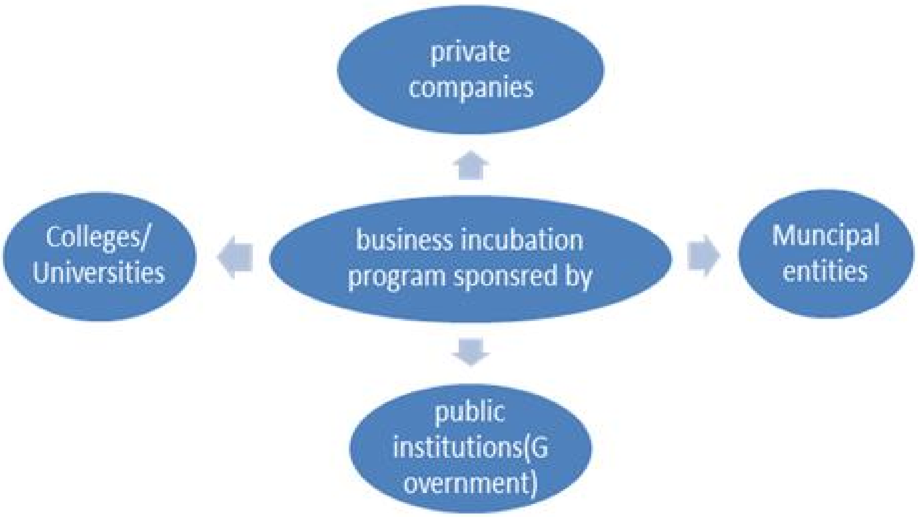


Figure 4: Institutions sponsoring business incubation program

ISBN: 978-81-946375-5-4

Benefit of Business Incubators

Business incubator provide following benefits

1. It supply offices/manufacturer space is offered at low market rate
2. It advice for staff suppliers in business and market plan.
3. It helps in fund arrangements
4. Companies share telephone secretarial office and production equipment expenses with other start-up companies during incubation.
5. It helps everyone's overall cost effort and overheads are reduced.
6. It provides guidance on how to compete successfully with established industry players.
7. For example: national business incubation association (websites) provide necessary guidance in this regard.
8. By helping a new business prosper incubators assist in creating long lasting jobs for their host communities.
9. It helps in creating close working relationship between the incubator start-ups create synergies after the leaving incubators synergies for a long time.
10. Incubators carefully screen potential business because there space equipment and finance limited and they want to ensure that they are choosing to nurture business with the best possible chance for success.

Functions of business incubators

Business incubator perform following functions,

- Business incubator facilities infrastructure facility based services,
- specialized equipment and
- high-speed internet access
- Business incubator help in providing business services,
- assistant with business
- basics market assistant
- E-Commerce assistance
- Business incubator enhance financing and access to finance.
- accounting and financial management
- help with rising Bank finance grant and venture capital
- Business incubators maintains proper people connectivity and networking.
- access to venture capital business Angels and strategic partner linkages
- networking activities
- links to other higher education institutes
- shadows advisory board or mentors
- Education resources to knowledge through business incubators.

- human resource training
- comprehensive business training
- presentation skill training
- Business incubator supports and provide in brand building.
- strict admission and exit rules
- Business incubators provide secretarial services.
- services shared administrative or office services

Business incubator render the following services

- It helps with business basics
- It provide networking activities
- It acts as market assistant
- It helps in market research
- It boosts the high-speed internet access
- It assists in accounting and financial management
- It helps in acid to bank loan funds and guarantee program
- It helps with presentation skills
- It remained link to higher education resource
- It develop links to strategic partner
- It access to angel investors and venture capital
- It provides comprehensive business training program
- It formulate advisory board and mentors
- It helps in management team identifications
- It helps maintain business etiquettes
- It enhance technology commercialization assistance
- It helps with the regulatory compliance
- It assists in intellectual property management

Role of Business Incubator

Business incubator play an important role by following:

- Access to financing and capitalising
- Extends professional support
- Community support
- Entrepreneur net-work at regional, national and international level
- Entrepreneurial education
- Perception of success

- Selection process for tenants
- Tie up with the University organisation.
- Concise program milestone with clear policies and procedures.
- On-site learning and leverages of resources

Type of Business Incubator

There are six kinds of business incubator as follow

1. Virtual business incubators
2. Kitchen incubators
3. Public incubator
4. Bio-incubator
5. Seed accelerator
   - Corporate accelerator
6. Startup studio
   - Venture builders

According to EBV European Business Innovation centre Network incubation is a process which tends to be activate whenever there is a need to support entrepreneur in developing their own business.

Business incubation program

It is organised by different institutions such as (i) investors (venture capitalist, venture capital fund business angels, bank and private capital), (ii) Government (local state or regional and Central) Entrepreneurs venture, SMEs, University and R&D centre inventors, service provider (expert, mentor and service organisation) non-profit organisation and association, promoting entrepreneurship making competition, corporations and business, business incubation program, community private sector, and market (customers)

Business Incubation period

Business incubation poses following four period of development i.e.

A. Gestation period: it is a period of time between a business idea or a plan and its implementation.

This period includes following

a. Inception period: it refers primary goal to be achieved by entrepreneur consensus regarding the objectives for the project and to obtain funding. Under it the major activities of the phase are define project scopes, estimate cost and schedule, define risk, determine project feasibility, and prepare project

b. Prototype: it is a pre-production model of product, engineer for full-service test. Changes based on test results are incorporated into the prototype which undergoes the same test again. On achieving the desired results, the product is approved for volume production. As an inventors innovator's new product comes closer to production, a prototype is built. It is a working model made to be tests in real life situation and to be modified based on those tests.

ISBN: 978-81-946375-5-4

c. Roll out: roll out is a slang term for the introduction of new products or services to the market. A roll out often refers to a significant product release, often accompanied by a strong marketing campaign to generate a large amount of customers hype. Roll out and also refers to the mythology behind a product introduction.

B. **Growth and Expansion:** After the idea has graduated tour plan, with the team, and operation have begun. Consequently startup starts scaling and expansion. it is refers improvement in existing technology, innovation and develop new strategy etc. Business incubators help in a search of business model, business assistant, build the team, provide resources, access to networks, and capital sources.

C. **The Maturity Period:** this is where a profitable company merely seek a particular type of facility. There is basically no need of intervention by an incubator, but experience shows that incubator still help companies .for instant, many companies continue to rent space in an incubator. An author accentuate for some incubator "this relationship with mature company can be a crucial strategy to assist with and subsidize their other program." companies are mature and safe.

Stages of Business Incubation

Business incubation comprise three stages i.e. start-up creation, early state information, and expansion. All these States have different features such as **start-up creation** helps in innovation assessment, establish business plan elaboration, make business modelling and facilitate modelling training. **Early-stage incubation** assist to finance coaching and monitoring, hosting and training commercialisation, advanced business planning expansion, innovation international support technology commercialization clustering business development post incorporation

figure 10 stages of business incubation start a conversation creation business incubation help in innovation assessment established business plan in collaboration with health in developing business modelling and facilitates training early-stage information early stage of business incubation help in assessing finance for generation for organisation it offers coaching and monitoring express train hostel in and screening of entrepreneur in health and commercialization of product and other entrepreneur activity would facilitate business planning. **Expansion** in business include innovation it supports enterprise at international level, a boost up technology commercialization , helps in business development it needs to post incubation activities

Question and answer

1. differentiate between private equity fund in venture capital discuss the main advantage of private equity over that financing
2. write short note

- Limited partnership agreement
- Investment and payout structure
- Bottom line

3. The consideration for investing in private equity fund relative to other form of investment include explain it
4. Define private equity fund. How it is important over other common way of investment.
5. Define venture capitalist ages and roll it play at different positions.

6. Write down the concept feature of venture capital and factors that influence venture capital decision.
7. Briefly discuss about Angel investors in India.
8. Angel investors who are often experience entrepreneur or business people, invest in innovations more broadly than venture capital firm.
9. Explain what is business incubation define the characteristic of business incubation.
10. Write down the features and objective of business incubation along the functions and benefits of the incubation and how it is helpful in existing business?
11. Write down the role of business incubators and the services that render from the business incubators how it is helpful in rising form for the existing business.
12. Write down the types of business incubators with the process of business incubation on the method through which fund raiser for the existing business.
13. What is the business incubation period and stages of business incubation and have and how it is helpful for the expansion of existing business.

ISBN: 978-81-946375-5-4

SUPPLY CHAIN MANAGEMENT & FAMILY BUSINESS MANAGEMENT

Dr. Kamal-un-Nabi
Assistant Professor, Department of Business Studies, JMI

OBJECTIVE OF STUDIES

Supply chain management is the emerging issue to deals. Supply chain management helps family business by providing good network system. This chapter helps in learning the basic concept of SCM, how well it utilized by family businesses in order to get increment in existing business.

INTRODUCTION

Management of Supply chain refers the network of consistent of business in which provision of product and services to the end customers occur. SCM is the management of flow of goods and services through the transformation of raw material into final products. It involves the rationalization of business's supply-side activities to maximize customer value and gain a competitive advantage which are efficient and economical in the market place.

SCM involves all the efforts by suppliers that covers everything from movement and storage of raw material, work-in-progress, inventory, and finished goods from point of origin to end customers. In essence, Supply Chain Management integrates supply and demand management within and across companies.

SCM is the management of a network of all business processes and activities involving procurement of raw materials, manufacturing and distribution management of Finished Goods. SCM is also called the art of management of providing the Right Product, At the Right Time, Right Place and at the Right Cost to the Customer.

SCM is considered as backbone of present business unit to earn the revenue because it includes market coverage and availability of product at destination. Importance of SCM lies when a product is introduced in the market and advertised, the entire market in the country and all the sales counters need to have the product where the customer can buy and take delivery. Any glitch in the product not being available at the right time can result in the drop in customer interest and demand which can be disastrous. Transportation network design and management assume importance to support sales and marketing strategy. On other side, In a global scenario, the finished goods inventory is held at many locations and distribution centers, managed by third parties. A lot of inventory would also be in the pipeline in transportation, besides the inventory with distributors and retail stocking points. Since any loss of inventory anywhere in the supply chain would result in loss of value, effective control of inventory and visibility of inventory gains importance as a key factor of Supply Chain Management function.

Generally, two fundamental ideas behind the SCM are:

1. Final product that reaches to customers had cross various stage in different organizations. (organizations should be the part of supply chain)
2. It is long lasting idea in SCM, organization should take care of businesses within the four wall of organization rather handling whole supply chain that delivery the product to the final customer.

So SCM is considered active management of activities in supplying the final product to the customer to enhance the customer value and achieve sustainable competitive advantage.

SCM deals to minimize the low cost, storages, make recommendation to improve productivity, quality, information system and efficiency of operations. SCM oversees each touch point of a company's product or service, from initial creation to the final sale. Good supply chain management keeps companies out of the headlines and away from expensive recalls and lawsuits.

It is concluded that the main objective of supply chain management is to monitor and relate production, distribution, and shipment of products and services. This can be done by companies with a very good and tight hold over internal inventories, production, distribution, internal productions and sales.

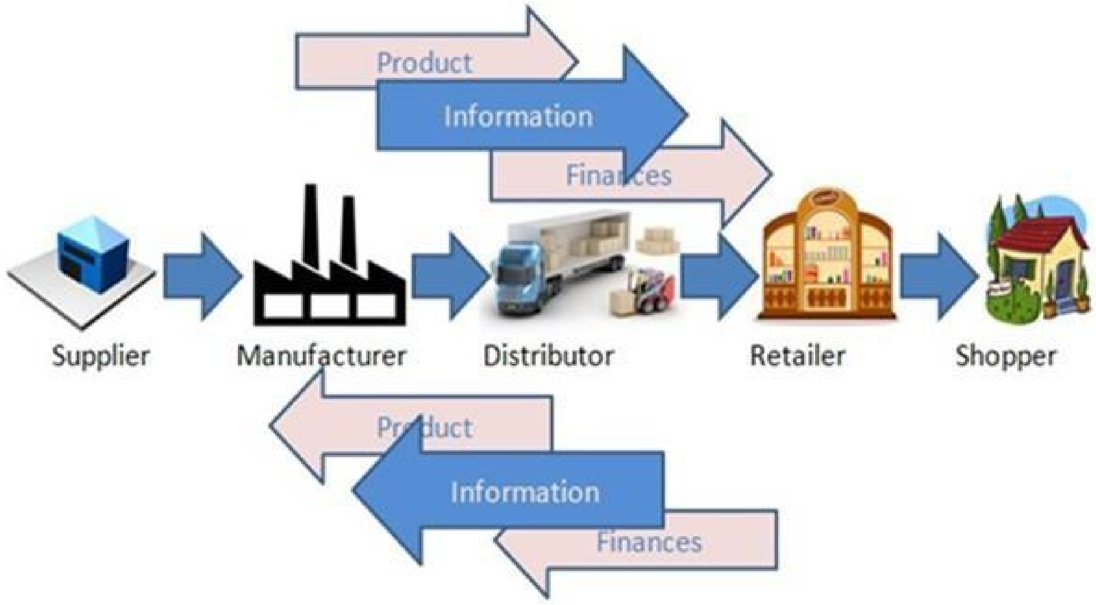


Figure 5 Supply Chain Management

Figure of SCM depicts flow of goods, services and information from the producer to the consumer. The picture depicts the movement of a product from the producer to the manufacturer, who forwards it to the distributor for shipment. The distributor in turn ships it to the wholesaler or retailer, who further distributes the products to various shops from where the customers can easily get the product.

Definition of SCM:

A supply chain is a network of supplier, manufacturing, assembly, distribution and logistics facilities that perform the functions of procurement of materials, transformation of these materials into intermediate and finished products, and the distribution of these products to customers.

According to Professor Douglas M Lambert, “Supply Chain Management as the integration of business process from the end user through original supplier who provide products, services and information that adds values for the customers.”

Essential features of Supply Chain Management:

1. SCM incorporates adapts integration of stakeholders from supplier to customers.
2. SCM entails mutual sharing of information among the channel members for planning and monitoring processes.

3. SCM requires mutually sharing channel risks and rewards that yield a competitive advantage. Risk and reward sharing should happen over the long term focus and cooperation among the supply chain members.
4. SCM involves cooperation among channel members that refers to similar or complimentary coordinated activities performed by firm in a business relationship to produce superior mutual outcomes or singular outcomes that are mutually expected over time.
5. SCM focus on serving customers through the establishment of same goal and same focus supply chain members is a form of policy integration.
6. SCM needs integration of processes from sourcing to manufacturing and to distribution across the supply chain.
7. SCM maintains long term relationship with the aim to integrates channel policy to avoid redundancy and overlap to attain the cooperation that allow participants to be more effective at lower cost levels.

Merits of SCM:
Some merits o**f supply chain management** are as follows −

- SCM helps in developing better customer relationship and service.
- It creates better delivery mechanisms for products and services in demand with minimum delay.
- SCM support and improvises productivity and business functions.
- SCM helps in minimizing warehouse and transportation costs and minimizes direct and indirect costs.
- SCM assists in achieving transport of right products to the right place at the right time.
- SCM should assistance in enhancing s inventory management, supporting the successful execution of just-in-time stock models.
- SCM assists companies in adapting to the challenges of globalization, economic upheaval, expanding consumer expectations, and related differences.
- SCM assists companies in minimizing waste, driving out costs, and achieving efficiencies throughout the supply chain process.

Objectives of Supply Chain Management
Supply chain management is concerned with the efficient integration of suppliers, factories, warehouses and stores so that merchandise is produced and distributed in the right quantities to the right locations and at right times in order to minimize total system cost, satisfy customer service requirements, face global competition and improve standardization.

1. To provide superior customer services.
2. To provide qualities and cost reduction in producer

Two Faces of Supply Chain Management
SCM has two major faces to it. The first can be called loosely as the back-end and comprises the physical building blocks such as the supply facilities, production facilities, warehouses, and distributors, retailers, and logistics facilities. The back-end essentially involves production, assembly, and physical movement. Major decisions here include:

1. Procurement (supplier selection, optimal procurement policies, etc.)

2. Manufacturing (plant location, product line selection, capacity planning, production scheduling, etc.)
3. Distribution (warehouse location, customer allocation, demand forecasting, inventory management, etc.)
4. Logistics (selection of logistics mode, selection of ports, direct delivery, vehicle scheduling, etc.)
5. Global Decisions (product and process selection, planning under uncertainty, real-time monitoring and control, integrated scheduling)

Supply chain Management flow

Supply chain management can be defined as a systematic flow of materials, goods, and related information among suppliers, companies, retailers, and consumers.

SCM flow involves three different types of flow as follow:

- Material flow
- Information/Data flow
- Money flow

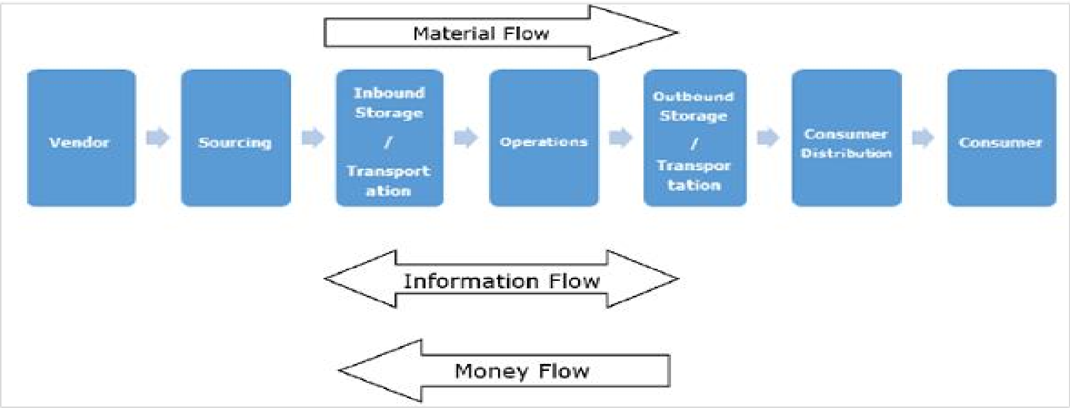


Figure 6 Supply Chain Management flow

Material flow:

It includes smooth flow of final product to the customer. It comprises warehouse among the distributors, dealers, and retailer. Good Entrepreneur in material flow has deals quick inventory arrangement without interruption at different point in chain that reduce the cost.

Information Flow:

It is flow between the producer and customer for the successful interaction in supply chain which includes flow of information distributor, dealers, retailers, logistics service providers. It is a two sides flow from produce to customer and vice versa. Information flow deals quotation request, order of purchase, schedules, quality complaints , customer's report for supplier performance to the supplier, company's presentation, offer, confirmation of purchase order, detail report of action , dispatch report, invoices etc.

Money Flow:

Money flow deals with invoice to judge the correctness of the purchase order. It requires for completion of supply chain through examine the correctness of order by the producer for the customers and customer sincerity towards the producer.

Above three flow are consider important for effective and efficient management of supply chain with minimum efforts.

Component of supply chain management

A supply chain is the collection of steps that a company takes to transform raw materials into a final product. The five basic components of supply chain management are discussed below:

1. The initial stage of the supply chain process in company is the planning stage to develop a plan or strategy in order to know how the products and services will satisfy the demands and necessities of the customers. It mainly focus on designing a strategy that yields maximum profit and for managing all the resources required for designing products and providing services.
2. After planning, the next step involves developing or sourcing to concentrate on building a strong relationship with suppliers of the raw materials required for production. This involves not only identifying dependable suppliers but also determining different planning methods for shipping, delivery, and payment of the product. Then, Companies need to select suppliers to deliver the items and services they require to develop their product. So in this stage, the supply chain managers need to construct a set of pricing, delivery and payment processes with suppliers and also create the metrics for controlling and improving the relationships. Finally, the supply chain managers can combine all these processes for handling their goods and services inventory. This handling comprises receiving and examining transport, transferring them to the manufacturing facilities and authorizing supplier payments.
3. The third step in the supply chain management process is the manufacturing or making of products that were demanded by the customer. In this stage, the products are designed, produced, tested, packaged, and synchronized for delivery. The task of the supply chain manager is to schedule all the activities required for manufacturing, testing, packaging and preparation for delivery. This stage is considered as the most metric-intensive unit of the supply chain, where firms can gauge the quality levels, production output and worker productivity.

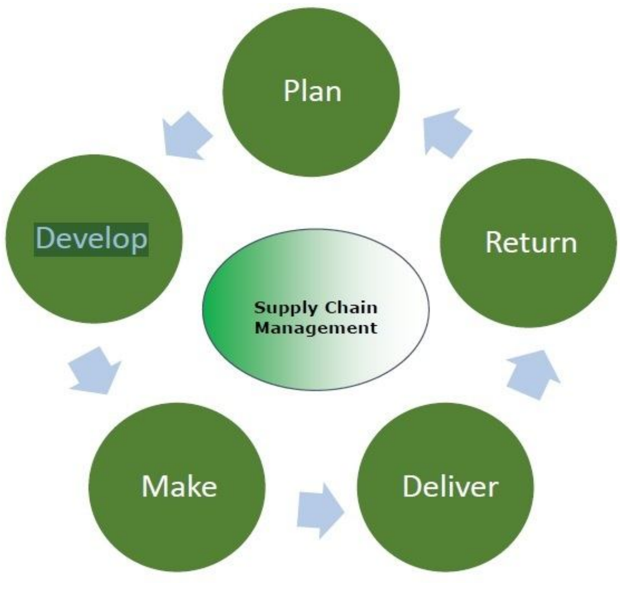


Figure 7 Component of Supply Chain Management

ISBN: 978-81-946375-5-4

4. The fourth stage is the delivery stage. Where the products are delivered to the customer at the destined location by the supplier. This stage is basically the logistics phase, where customer orders are accepted and delivery of the goods is planned. The delivery stage is often referred as logistics, where firms collaborate for the receipt of orders from customers, establish a network of warehouses, pick carriers to deliver products to customers and set up an invoicing system to receive payments.

5. The last and final stage of supply chain management is referred as the return. In the stage, defective or damaged goods are returned to the supplier by the customer. Where, the companies need to deal with customer queries and respond to their complaints etc. This stage often tends to be a problematic section of the supply chain for many companies. The planners of supply chain need to discover a responsive and flexible network for accepting damaged, defective and extra products back from their customers and facilitating the return process for customers who have issues with delivered products.

Aims of Supply chain Management

Among the many target one is to strive the equality between the supply and demand through the efficient use of resources. There are following aims of supply chain management:

1. It is necessary to maintain and collaborate efficiency in productivity, standardized processes, and inventory resources.
2. It is necessary to minimize expenses indulge in supply chain management.
3. It is necessary to provide value based service to the customer along the cheap products at efficient cost.
4. It is essential to cope up the customers' expectation on the regular basis.
5. It aims to contribute in financial success of organization.
6. It is essential to improve differentiation, increase sales, and penetrate in new market.
7. It aim is to drive competitive benefit and shareholder value.

Supply chain management effect by information technology:

In present scenario, Supply chain management has influenced by information technology because it in adaptation new distribution set up to get higher service level, lower inventory and low supply cost. It helps in broad strategic direction to increase the frequency of receipts/dispatch, holding materials further up the supply chain and crashing the various lead times. It changes our relationship with customer, suppliers, business rivals or partners etc. IT developments have supports companies with unprecedented opportunities to gain competitive advantage. It helps in improving performance, getting opportunity and to increase the revenue. It plays important role in delivering information to support the company to cater the distribution and manufacturing needs.

Functions area of SCM

Supply Chain Management have perform following four major function in regard of functional decision of supply chain management:

1) Location, 2) production, 3) inventory, and 4) transportation (distribution), and there are both strategic and operational elements in each of these decision areas.

Location Decisions

The geographic placement of production facilities, stocking points, and sourcing points is the natural first step in creating a supply chain. The location of facilities involves a commitment of resources to a long-term plan. Once the size, number, and location of these are determined, so are the possible paths by which the product flows through to the final customer. These decisions are of great significance to a firm since they represent the basic strategy for accessing customer markets, and will have a considerable impact on revenue, cost, and level of service. These decisions should be determined by an optimization routine that considers production costs, taxes, duties and duty drawback, tariffs, local content, distribution costs, production limitations, etc. (See Arntzen, Brown, Harrison and Trafton [1995] for a thorough discussion of these aspects.) Although location decisions are primarily strategic, they also have implications on an operational level.

Production Decisions

The strategic decisions include what products to produce, and which plants to produce them in, allocation of suppliers to plants, plants to DC's, and DC's to customer markets. As before, these decisions have a big impact on the revenues, costs and customer service levels of the firm. These decisions assume the existence of the facilities, but determine the exact path(s) through which a product flows to and from these facilities. Another critical issue is the capacity of the manufacturing facilities--and this largely depends the degree of vertical integration within the firm. Operational decisions focus on detailed production scheduling. These decisions include the construction of the master production schedules, scheduling production on machines, and equipment maintenance. Other considerations include workload balancing, and quality control measures at a production facility.

Inventory Decisions

These refer to means by which inventories are managed. Inventories exist at every stage of the supply chain as either raw materials, semi- finished or finished goods. They can also be in-process between locations. Their primary purpose to buffer against any uncertainty that might exist in the supply chain. Since holding of inventories can cost anywhere between 20 to 40 percent of their value, their efficient management is critical in supply chain operations. It is strategic in the sense that top management sets goals. However, most researchers have approached the management of inventory from an operational perspective. These include deployment strategies (push versus pull), control policies --- the determination of the optimal levels of order quantities and reorder points, and setting safety stock levels, at each stocking location. These levels are critical, since they are primary determinants of customer service levels.

Transportation Decisions

The mode choice aspect of these decisions are the more strategic ones. These are closely linked to the inventory decisions, since the best choice of mode is often found by trading-off the cost of using the particular mode of transport with the indirect cost of inventory associated with that mode. While air shipments may be fast, reliable, and warrant lesser safety stocks, they are expensive. Meanwhile shipping by sea or rail may be much cheaper, but they necessitate holding relatively large amounts of inventory to buffer against the inherent uncertainty associated with them. Therefore customer service levels, and geographic location play vital roles in such decisions. Since transportation is more than 30 percent of the logistics costs, operating efficiently makes good economic sense. Shipment sizes (consolidated bulk shipments versus Lot- for-Lot), routing and scheduling of equipment are key in effective management of the firm's transport strategy.

Significant sources of Supply Chain Management

In the presence of business practices, government regulations, technology capabilities, transportation infrastructures etc supply chain management is most challenging task of organization. Advancement in technology leads impact on organization sell and buy behavior.

Customer's expectation with the enhancement of technology moves the organization towards the supply chain management. So clear vision, strong planning and technical insight into the Internet's capabilities would be necessary to ensure that companies maximize the Internet's potential for better supply chain management and ultimately improved competitiveness. Internet technology, World Wide Web, electronic commerce etc. will change the way a company is required to do business. Supply chain management needs to adopt new application, internet and other networking to reduce and use best and cost effective method for warehousing it or shipping it to retailer. There are various faces and drivers of supply chain management as follow

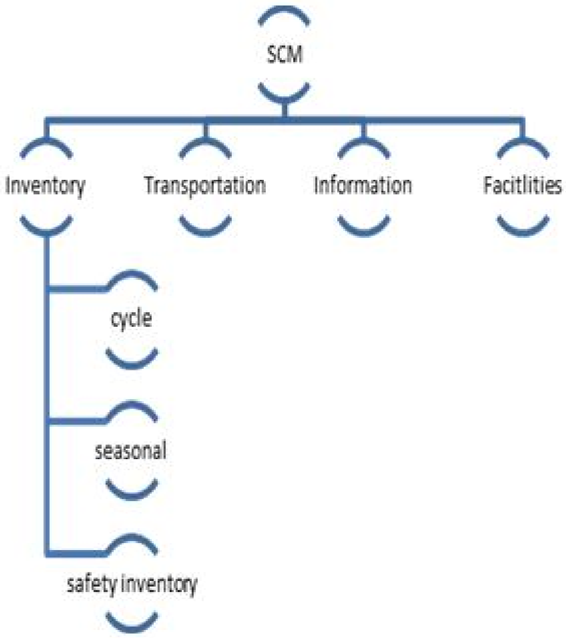


Figure 8: Sources of Supply Chain Management

Step to achieve effective Supply Chain Management:
Following steps are requires for proper management of supply chain for performing long lasting benefit between customer and producer

Producers' perspective:

1. Supply chain management adopt confirm and best business strategies requires to guide the participant.
2. Supply chain management includes the formulation of strategies to align the operational and business activities.
3. Producers establish new organization for Supply chain management.
4. Producers has specify supply chain objectives to provide the maximum satisfaction to the customer.
5. Producer has maintain and control integration between plan of work and time in customer perspective.
6. Producers need to know the culture, change adaptation and ethics of customers.
7. Producer has place it on top priority as the portfolio.

8. Producers has evaluate various supply chain technologies and determines its platform, application, and data management.
9. Producers must evaluate providers of logistics service i.e. warehouse, terminals, transportation equipment etc.
10. Producer has develop complete communication, implementation program and practice it often.

Customers' Perspective:

1. It is necessary for the producers to understand the customer values and needs to efficient operation of Supply chain management.
2. It is necessary to organize the customer management to observe order, customer information and post sales follow ups.
3. It is necessary to develop customer driven performance measures to drive the behavior of all supply chain members across the supply chain.

Supply chain management Process:

Supply chain management process is divide into two parts as

- Material Management
- Physical distribution

Acquisition and storage of raw materials, part, and supplies are part of material management. It includes from the purchase and internal control of production materials, to the planning and control of work-in-process, to the warehousing, shipping, and distribution of finished products. Services provide includes order receipt and processing, pricing, promotional support, return product handling etc. are the part of physical distribution.

Kinds of Supply Chain Management:

Vertical integration:

Supply chain management in the organization may use vertical integration to turn raw material into a product and get it to the consumer. There are four phases of the supply chain: commodities, manufacturing, distribution, and retail. A company vertically integrates when it controls two or more of these stages. Vertical integration has involves forward and backward integration. Forward integration

Forward integration is when a company at the beginning of the supply chain controls stages farther along. Examples include iron mining companies that own "downstream" activities such as steel factories.

Backward integration is when a business at the end of the supply chain takes on activities "upstream." An example is when a movie distributor, such as Netflix, also manufactures content.

CASE Study:

Excellent Supply Chain Management in Zara

Zara a height in fashion industry founded in 1975 to become world's largest clothing retail chain and is based in Galicia, Spain. Its parent company, the Inditex group, reached annual sales of 16.7 billion Euros in 2013, twice as much as its annual sales of 8.2 billion Euros in 2006.

According to Investing.com, Zara's inventory turnover ratio is 29.58, as compared to an industry norm of 5.29 in 2013. Its gross profit margin (26.57%) is substantially higher than its major competitors. Thanks to its recent achievement, Zara is on the list of the *Forbes* world most valuable brands in 2013. Zara's remarkable success is attributed to the "fast fashion" philosophy in which the latest, trendy but inexpensive fashions are quickly distributed into its retail stores based on constant dialogues with the customers. Zara focuses on "putting the customer in control" in that it monitors customer reactions carefully by noting what they buy and do not buy. This differs from the traditional method of forecasting fashion trends and then promoting the clothing line through fashion shows, news media, and magazines.

Zara constantly records customer feedback given to the staff, and that feedback is relayed to its headquarters daily. Based on such feedback, its team of in-house designers quickly introduces new designs and then its factories manufacture clothes based on those designs (Levin, 2013). Zara's key customer bases are college-age kids and young females under the age of 30 who look for inexpensive but stylish fashions. Zara also sells men's clothing lines, aiming at the stylish and youthful. In Europe, Zara has attracted a cult following from many young people. Most U.S. young adults have rarely shopped at Zara, but that seems likely to change in the near future. In 2008, Zara overtook Gap as the biggest apparel retailer in the world. Zara opened an additional 360 stores in just 2012 alone. Zara has grown from 179 stores, mostly in Spain, to more than 6,100 stores with 116,110 employees in 86 countries, including the U.S., Canada, and Russia (Reuters, 2013). With its eyes on U.S. customers, Zara can offer these customers an option previously unavailable to them, thus competing head-to-head against established U.S. brand apparel stores such as Gap, Abercrombie & Fitch, and J. Crew. It has a unique, youth-oriented, no-advertisement marketing strategy in which logistics plays an important role. Zara's supply chain process defies conventional wisdom, as illustrated in Exhibit 1.1.

Exhibit 1.1. Comparison of Zara's Supply Chain Process with Conventional Wisdom

Sequence	Conventional Wisdom	Zara's Supply Chain Process
1	Develop designs based on prediction.	Reach customers.
2	Find supply sources or contract manufacturers.	Bring customers to the store and listen to them at the point of sale.
3	Contract manufacture.	Introduce designs based on customer feedback.
4	Promote and distribute.	Manufacture, while offshoring some.
5	Reach customers.	Sell online and offline through its own chain stores.

Zara's Cool Supply Chain Practices

Zara manufactures more than half of its clothing lines in Europe (primarily Spain and Portugal), with most of the remaining lines being produced in or sourced from other continents, including Morocco in Africa, Mexico in North America, and China in Asia. These worldwide manufacturing operations pose many supply chain challenges. In particular, Zara's expanding global reach may derail its focus on its fast fashion (speed-to-market) strategy. Zara's fast fashion strategy allows it to introduce a new style from concept to store shelf within 10 to 14 days in an industry where nine months is the norm. Typically, based on the fixed distribution schedule, Zara's store managers order new clothes twice a week and expect to receive their orders twice a week. This means that the inventory changes often, with most items staying on the shelf for only a month or less. As such, a short lead time is crucial for this strategy. However, unlike its primary European markets, where its stores are located close to each other and concentrated in the center of downtown, many retail stores are typically spread out throughout the country in the emerging U.S. and Chinese markets. Also, Zara has to ship via air from Europe to North America. Ocean shipping is not a viable shipping option for Zara because it would add at least another ten days to the time it takes to get the product into the customers' hands, thus undermining the speed-to-market ("quick-response" logistics) and "rapid-fire" fulfillment strategies. In an effort to reduce order cycle time and enhance supply chain efficiency, Zara's store managers utilize handheld electronic ordering devices that relay the order information to its distribution and manufacturing sites on a real-time basis. Such electronic ordering practices helped Zara's headquarters update and maintain spare transportation, warehousing, and production capacity (e.g., unfilled trucks, a mega distribution hub, and extra manufacturing capacity). This kind of strategy enhances Zara's supply chain visibility and allows it to introduce a new line of apparel following the latest fashion much faster than its rivals. For example, it takes less than two weeks for a new skirt to get from the Zara design team in Spain to a Zara store in Paris or Tokyo, as much as 12 times faster than its competitors, as of 2001 (Newsweek, 2001).

In addition to this practice, Zara's supply chain edge lies in the vertical coordination and integration of the supply chain by owning several layers in its global supply chain and performing flexible manufacturing practices. For instance, nearly 60% of Zara's merchandise and 40% of its fabric are produced in-house or purchased from its own subsidiaries, including subcontract manufacturers, to reduce the risk of supply disruptions and quality failures. In other words, Zara wants to control all the steps of supply chain operations involved in the sales of stylish clothes: from design and sourcing to fabrication, distribution, and sales. This controlled manufacturing environment allows Zara to experiment with new technologies and leverage them for its productivity. One of those technologies includes robotics that Zara uses in cutting and dyeing fabric in 23 highly automated factories. Another distinguished feature of Zara's manufacturing is a limited production run, which bring several benefits. First, limited runs allow the Zara-branded product to cultivate the exclusivity of its offerings and give its customers a sense of prestige because their clothes never look like someone else's. Second, limited runs pressure customers to buy instantly at full price, because the clothes on its store shelf will be quickly out of stock or removed from the shelf to make room for something new. Finally, limited production runs allow Zara to minimize a risk of stockpiling unwanted clothes. Artificial scarcity created by limited production runs mean that there is not much to be disposed of at discounted prices or written off as obsolete inventory when the season ends or the fashion changes. Indeed, Zara sells 85% of its stock at the regular price, compared to the industry norm of 50% (Booz & Company, 2007).

Challenges of Supply chain in Zara:

Despite the proven success of the aforementioned supply chain strategy, Zara is not problem free. To elaborate, its production is still heavily concentrated in Spain, where average wages are relatively high as compared to low-cost sourcing countries such as Bangladesh, and thus the current manufacturing practice may undermine its philosophy of offering affordable clothing lines. Any weather, labor, or terrorist disruptions to the area will have a serious impact on its global distribution, because there are few alternative distribution centers in Europe. Because production is carried out mostly in a small radius of Northern Spain, Zara is also vulnerable to financial instabilities in Europe as most of its cost base is denominated in Euros, which has been devalued due to recent financial crisis in Europe. Finally, unstable oil prices resulting from the political unrest in Middle-Eastern countries will affect profits because twice-weekly air express deliveries mean higher transportation costs.

Another challenge stems from its diversified product lines with multiple channel sales: online sales through its website (www.zara.com) or brick-and-mortar retail store sales. In comparison to its competitors' 2,000–4,000 items, Zara puts 11,000–12,000 different items varying in color, size, and fabric on the store shelves in a single year (Ghemawat and Luis Nueno, 2006). Putting a variety of goods on the shelves in worldwide store locations requires an unusual (though not unique) logistics strategy for the company. Zara ships goods from its single distribution center (or hub) in Spain to other foreign markets via air express, usually in small batches. In the 1970s, The Limited used a similar logistics strategy to support its test marketing, air expressing small quantities of new styles from Asia to U.S. stores. In Zara's case, however, the speedy shipments (e.g., 24- to 48-hour delivery to its stores from the distribution center) are its core business/supply chain strategy of "fast fashion," not just test marketing. Under its Just-In-Time delivery and manufacturing principles, Zara also ships frequently, allowing lower inventories while serving its multinational market from a single distribution center in Spain. However, with rising fuel cost, this air express delivery strategy may backfire. To make this strategy more challenging, Zara's products have multi-country labels and can be redistributed to another store in another country where they may fare better, if any particular product line is not selling well in any particular country. Although Zara used to trade higher transportation costs for lower warehousing and inventory carrying costs thanks to the compact density of Zara's store locations in Europe, it would not be feasible for the company to achieve the same level of logistics efficiency in less condensed store locations in North America. Notice that Zara's small, boutique-type store that specializes in clothing lines with short shelf lives needs much faster turnaround time than others. Without any doubt, Zara's fast transportation supports its speed-to-market strategy, which is the heart and soul of its new product development and market penetration strategy. However, the recent disruption of air express services resulting from unexpected events, such as a volcano eruption in Iceland in 2010 and 2014, has created another headache for this strategy

Supply chain management and family business

Supply chain management has emerged as a vital capability of operational excellence for companies in India, which is currently one of the fastest growing emerging economies. Indian business is dominated by small and medium sized enterprises (SME). With a smaller size, narrow span of operations, and scarce resources, these businesses tend to be less advanced in their supply chain management (SCM) capabilities compared to large organizations. SMEs are predominantly owned and managed by families. Owners make strategic decisions, control and manage operations and therefore their attitude towards growth, risk appetite, and level of professionalism has a huge impact on the business.[1]

Speci cally Indian companies are increasingly recognizing the strategic contribution that suppliers bring to firms and yet are lacking in supply chain performance in the areas of cost, quality, time, delivery, and flexibility increased outsourcing, a renewed focus on SCM as a strategy has become vital to success. Thakkar et al. (2012b) argue that SCM has been considered an effective strategy for integrating suppliers and customers with the objective of improving responsiveness and companies have the resources and ability to manage interlinked supply chain networks (Blome and Schoenherr, 2011). In contrast, SMFBs have not developed SCM capabilities to match this capability for global competition

Salient features of Supply Chain Management in Family business:

In the present scenario of digitalization both customer and producers wants quick, efficient service so as family business development and prospers future depends on it. It is necessary for the family business to adopt supply chain software to improve the productivity and process. Milliken & Company (Textile Company) use this supply chain software to synchronize data from its retailer to manufacturing facilities. It can reduce lead time between initial order and retail order delivery according to David and Edith Simchi that has been written in their paper "The Effect of E-business on supply chain strategy".

Recently family business moves towards new face of business world i.e. supply and demand analysis, logistics, manufacturing, procurement etc. as separate entities in which improper supply chain management lead destruction. Supply Chain Management have create a back and forth flow of information through the various department.

Presently, centralized supply chain management have optimized the company's inventory and replenishment activities. E.g. product marketing manager Danielle Elliott on intelex.com. said, Coca-Cola provides The installation of radio frequency identifier (RFID) technology in its newest vending machines (which offer 126 different flavor combinations) measures the amount of remaining flavor syrup in the machine. That data is then transmitted back to the corporate headquarters, and replenishments are immediately scheduled for delivery, according to "3 Characteristics of The Modern Supply Chain".

Family business is in need of Supply Chain management because it's three essential features:

- Technology can brings simplify business process, lower costs, increase customer satisfaction, and provide greater control over the entire supply chain.
- Supply Chain Management involves continues improvement by continuous elimination of unimportant activities through the problem solving tricks.
- Resilience supply chain management helps the organization to improve their efficiency and quality.

Supply chain management is essential obtaining the right supplies, at the right price, in the right quantity and of the right quality is a major business activity, many medium sized and large business will have a supply chain management function in order to make sure this is organized effectively and meets the needs of the business.

Supply Chain Management integral part of family business

SCM is well known integral part of family business because success and customer satisfaction depends on it. There are following area where importance of SCM reflects

1. SCM helps in enhancing customer services because it helps in fulfilling Customers expectation the correct product assortment and quantity to be delivered. Customers expect products to be available at the right location. (i.e., customer satisfaction diminishes if an auto repair shop does not have the necessary parts in stock and can't fix your car for an extra day or two). Right Delivery Time – Customers expect products to be delivered on time (i.e., customer satisfaction diminishes if pizza delivery is two hours late or Christmas presents are delivered on December 26). Right After Sale Support – Customers expect products to be serviced quickly. (i.e., customer satisfaction diminishes when a home furnace stops operating in the winter and repairs can't be made for days).
2. SCM can reduce operating cost by (i) reducing **purchasing cost** with quick supply chains to deliver expensive products that help in avoiding the holding cost of inventories in retail

stores. For example, electronics stores require fast delivery of 60” flat-panel plasma HDTV’s to avoid high inventory costs.(ii) **reducing production cost with the** reliable supply chain that deliver materials to assembly, unexpected delay leads material shortages in plant or shut down of the production in manufacturing unit. For example, an unexpected parts shipment delay that causes an auto assembly plant shutdown can cost $20,000 per minute and millions of dollars per day in lost wages. (iii) **Reducing total supply chain cost** with efficient network design of supply chain by manufacturers and retailers that meet customer service goals at the least total cost. Efficient supply chains enable a firm to be more competitive in the market place. For example, Dell’s revolutionary computer supply chain approach involved making each computer based on a specific customer order, then shipping the computer directly to the customer. As a result, Dell was able to avoid having large computer inventories sitting in warehouses and retail stores which saved millions of dollars. Also, Dell avoided carrying computer inventories that could become technologically obsolete as computer technology changed rapidly.

3. SCM helps in improving financial position of the business by (i) Increasing profit leverage with help to control and reduce supply chain costs. This can result in dramatic increases in firm profits. For instance, U.S. consumers eat 2.7 billion packages of cereal annually, so decreasing U.S. cereal supply chain costs just one cent per cereal box would result in $13 million dollars saved industry-wide as 13 billion boxes of cereal flowed through the improved supply chain over a five year period. (ii) **Decreases Fixed Assets** with the decrease the use of large fixed assets such as plants, warehouses and transportation vehicles in the supply chain or redesign the network to properly serve customers from warehouses rather than the firm will avoid building very expensive buildings.(iii) **Increases Cash Flow** with the speed up product flows to customers. For example, if a firm can make and deliver a product to a customer in 10 days rather than 70 days, it can invoice the customer 60 days sooner.

4. SCM plays good societal role though efficient supply chain of health care (i) to support medical missions, conduct disaster relief operations, and handle other types of emergencies. For example, medical rescue helicopters can save lives by quickly transporting accident victims to hospitals for emergency medical treatment. In addition, the medicines and equipment necessary for treatment will be available at the hospital as a result of excellent supply chain execution. (ii) SCM ensure human survival through the supply chains to deliver basic necessities such as food and water. On contrary, human life badly effect on the any cut of supply chain. For example, in 2005, Hurricane Katrina flooded New Orleans, LA leaving the residents without a way to get food or clean water. As a result, a massive rescue of the inhabitants had to be made. During the first weekend of the rescue effort, 1.9 million meals and 6.7 million liters of water were delivered.(iii) **SCM Protects Humans from Climate Extremes** such as humans depend on an energy supply chain to deliver electrical energy to homes and businesses for light, heat, refrigeration and air conditioning. Logistical failure (a power blackout) can quickly result in a threat to human life. For example, during a massive East Coast ice storm in January 1998, 80,000 miles of electrical power lines fell resulting in no electricity for 3,200,000 Montreal, Quebec residents. Due to extreme cold, 30 died and 25% of all Quebec residents left home to seek heated shelter. In addition, economic costs included $3 billion in lost business, $1 billion in home damage and $1 billion in government expenditures.

5. SCM support in improving quality of life because it is bases of economic growth as good or develop supply chain shows well develop infrastructure that helps in fast delivery and exchange of goods at low cost which lead growth in economy and high standard of living.

For example, it is estimated that supply chain costs make up 20% of a product's cost in the U.S. but 40% of a product's cost in China. If transport damage is added in, these costs make up 60% of a product's cost in China. The high Chinese supply chain cost is a major impediment to improving the standard of living for Chinese citizens. Consequently, China has embarked on a massive effort to develop its infrastructure. SCM helps in **job creation** through professionally design and operate supply chains in a society and manage transportation, warehousing, inventory management, packaging and logistics information that lead increase of jobs in the supply chain field. For example, in the U.S., logistics activities represent 9.9% of all dollars spent on goods and services in 2006. This translates into 10,000,000 U.S. logistics jobs. SCM deals pollution reduction with helps of supply chain professionals to develop more sustainable processes and methods. For example, paper and paperboard accounted for 34% of U.S. landfill waste in 2005. Only 50% of the 84 million tons of paper and paperboard waste were recycled. Also, carbon dioxide emissions from transportation accounted for 33% of total U.S. CO_2 emissions in 2005. SCM also reduce use of energy by human and product transportation. For example, currently transportation accounts for 30% of world energy use and 95% of global oil consumption. As designers of the network, supply chain professionals have the role of developing energy-efficient supply chains that use fewer resources.

6. SCM use to Protect Cultural Freedom and Development i.e. **s**uperior military logisticians strategically locate aircraft, ships, tanks, missiles and other weapons in positions that provide maximum security to soldiers and other citizens. For example, the B-2 Stealth Bomber is able to deliver bombs to target without being detected by enemy radar.

7. **SCM enhance protected delivery of necessities** or which Citizens of a country depend on supply chain managers to design and operate food, medicine and water supply chains that protect products from tampering. Sophisticated packaging techniques, state of the art surveillance cameras, global positioning systems and RFID inventory tracking are some of the methods used to deter terrorists from accessing these vital logistics systems.

ISBN: 978-81-946375-5-4

FAMILY OWNED BUSINESS AND CORPORATE GOVERNANCE

Dr. Abdul Wahid Farooqi
Assistant Professor, Department of Commerce, Zakir Husain Delhi College, University of Delhi

OBJECTIVES

- After studying this chapter, students will be able to
- Understand the meaning of Ethics, Governance and Corporate Social Responsibility.
- Know the features and nature of family business
- Learn the problems and challenges of family business
- Understand the challenges and issues of Corporate governance in family owned business
- Know the relevance of Corporate Social responsibility in family business

MEANING OF BUSINESS ETHICS:

Generally, business ethics means equal and fair treatment of all stakeholders of the business. Ethics are basically code of conduct of doing a particular task. In business point of view, business ethics are moral was of carrying business activities or operations. It includes high degree of loyalty, honest, quality, justice and compliance of various business norms. Business activities are carried out within the prescribed limits of the Society. Ethics is concerned with study of morality and the application of reason to expound explicit conventions and principles that establish right or wrong for a given situation, hence generating its theories from the same. It is a conscious stepping back and reflecting on morality. (Crane, Andrew and Dirk Matten). Therefore ethical values are based on morality. For the better understanding of business ethics, it is relevant to know the relationship between ethics and morality. Ethics is the subject that concerned with what is right and what is wrong within the set limits of moral obligation and responsibilities. Whereas morality is a set of principles, values and norms which are universally accepted by the society as a whole. It signifies the principles that in individual or group has about the rightness and wrongness of the act.

The moral definition of Business Ethics is “It is specialized study of moral rights and wrong’ [Fleming]. Practical definition of Business Ethics is “Business Ethics is the art and discipline of applying ethical principles to examine and solve complex moral dilemmas (Good plaster).

Through the concept of ethical responsibility of family business, the relationship between family business and CSR (Corporate Social Responsibility) can be examined effectively. Every family business has an ethical responsibility to each of its stakeholder’s viz. Shareholders, suppliers, employees, customers, bankers and community in general

MEANING OF CORPORATE SOCIAL REPSONSIBILITY

CSR is generally philanthropic activity of a corporate or business concern. CSR is voluntary activity rather than legal or mandatory obligation. There is sufficient legal provisions and regarding CSR in Companies Act 2013.

CSR consist of four important areas: -

1. Corporate Financial Responsibility
2. Corporate Governance
3. Corporate Environmental Responsibility
4. Corporate Disclosure Responsibility

According to the Institute of Corporate Responsibility, Malaysia, CSR means ad-hoc doing good to do well, whereas, CR means sustainable doing good to do well. CR deals with the issue of social, environmental, governance and financial whereas CSR deals only with social issues. CR is about taking business actions to build an environmentally friendly, people-sensitive, safe and ethical business capable of generating socially responsible profits.

CSR AND CORPORATE SUSTAINIBILITY

Corporate sustainability is a business approach to create long term shareholder value by embracing opportunities and managing risks deriving from economic, environmental and social developments (Tom and Heap: 2008).

The Brundtland Commission's Report, Our Common Future, described sustainable development as, "development that meets the needs of the present without compromising the ability of future generations to meet their own needs".

According to Price Waterhouse Coopers (PWC) - "Corporate sustainability means meeting society's expectations by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local community and society at large".

According to KPMG report, corporate sustainability is defined as: "adopting business strategies that meet the needs of the enterprise and its stakeholders today while sustaining the resources, both human and natural, that will be needed in the future".

According to Banerjee (2004), an examination of corporate sustainability literature indicates that the rationale and assumptions behind this discourse are : (1) corporations should think beyond making money and pay attention to social and environmental issues; (2) corporation should behave in an ethical manner and demonstrate the higher level of integrity and transparency in all their operations; (3) corporations should be involved with the community where they operate in terms of enhancing their social welfare and providing community support through philanthropy and other means.

Corporate sustainability is a multidimensional benefit scenario, achieved through a combination of improved resource-accessibility, cost-reduction, marketing and recruiting benefits. Further, clear sustainability strategy help to provide confidence and reassurance to stakeholders that a company has a solid foundation for future success. "There are three principles that ground sustainable development. All three principles listed and defined below are necessary conditions for corporate sustainable development. These principles are described below (Bairsal, 2005):

1. ENVIORNMENTAL INTEGRITY: The environmental integrity principle ensures that human activities do not erode the earth's land, air and water resources.
2. SOCIAL EQUITY: The social equity principle ensures that all members of society have equal access to resources and opportunities.
3. ECONOMIC PROSPERITY: Economic prosperity involves the creation and distribution of goods and services that will help to raise the standard of living around the world.

Family owned business is very old and traditional form of business organization where the control and ownership vests with the head of the family or family members. Normally the family business have four stages viz, entrepreneurial stage, Functional stage, Process driven stage and Market driven stage. It is estimated that near about 98% of business in India are family owned business. The typical examples are Tata, Ambani, Birla, Godrej, Mahindras, Bajaj etc.

According to Credit Suisse Report, India is the third highest family business with 108 public listed family businesses, where as China has top with 167 of such companies followed by US which has 121 of such companies.

Family owned business are those businesses houses where the power of taking and making decisions vest with the owner of the family. There are few definitions of family business which are as follows. In the words of Donelly 'A Company is considered a family when it has been closely identified with a least two generations of a family and when this link has had a mutual influence on company policy and on the interests and objectives of the family'.

According to Bernard "An enterprise which in practice is controlled by the members of a single family".

"Controlling ownership is rested in the hands of an individual or of the members of a single family" – Barenes & Hershan.

"A family business is a company that is influenced by one or more families in a substantial way. A family is defined as a group of people who are descendants of one couple and their in law as well as the couple itself". - Klein

The strategies for family owned business for their survival and growth are as follows

a. Family owned business are ready or willing to adapt new markets, technologies and new product.

b. There is ample scope of research and development in family business which leads to creativity and innovations.

c. Family business are in a better position to raise seed and base capital because of their social network, connections and associations.

d. Indian family business are non consolidated by selling non-viable and non core businesses, such as Raymond's sold their steel division to Thyssen of Germany.

e. Family businesses owned professional managers who have expertise in managing family business, decision making, plans formulation and implanting strategies.

g. Since family business comprises of persons who are member of a family by birth, that's why they carry values such as Loyalty, honestly, trust, dedication and sincerity etc. This all contributes in good Corporate governance practices.

The clashes of interest in family business includes lack of proper direction, prompt decision fixation of responsibilities, adequate compensations and rewards, competitions and accountability sibling rivalries, adequate succession planning lack of clarity on estate plans are some other hurdle of effective running of family owned businesses.

A very few family businesses which have started professional management have not been able to adjust with the transition issue. Family members willing to continue to keep certain crucial position with them. The performance of professional is greatly disturbed because of non cooperation and lack of acceptance on the part of family members in that business.

EVOLUTION OF STAGES IN FAMILY BUSINESS

1ST GENERATION: Controlled by Founder / Promoter

This is the first step of the family business in which it is completely controlled and managed by its founder or promoter. It is presumed roughly 75% of all family business are managed by only one person or other family members.

They act as a Board of Directors but their say in the control is nominal, rest of the decisions are taken by family members. In this stage family values, customs, traditions etc are imbibed in the family business and responsibilities of ownership imbued is the next generation.

IIND GENERATION: Sibling Partnership: In this stage the overall management and ownership are transferred to the dependents, generally children of the founders or promoters. Now a days family members are involved in the company that's why governance of these business trends to be more complex and complicated. Some family shareholders may not by so active in the working for these business. BOD may be active with the help of family advisors or councilors. The leader has to balance the requirements of the various families, not all of whom get their livelihood from these business.

IIIrd GENERATION: Cousin Confederation: At this stage, family governance becomes more complex because many family members are directly or indirectly involved in the business. Corporate governance norms are applicable to very selected Indian Companies. The Survey conducted by Grant Thomton International felt these norms will have adversely impact their businesses. This survey was conducted in India among near about 54 medium sized family owned business houses employing 50 to 500 persons / employees. Following are the outcomes of the study conducted.

ACTION GOVERNANCE NORMS	INDIA %	INTERNATIONAL %
Have already tightened up internal control from the safety point of view	66	71
Have already appointed independent directors on the Boards and introduced formal policies on directors honorarium	25	28
Have constituted any audit committee	46	34
Any future plan for Internal control	14	17
Any future plan for audit committee	12	13
Any future plan for appointment of non-executive directors	8	11

Which includes siblings, cousins and inlaws of family. Since many of them belongs to different generations and different branches, they might have different outlooks, ideologies and thinking relating to running of the business. The BOD (Board of Directors) may play an active role in the family business of this stage and trying to formalized governance issues.

SOME MAJOR GOVERNANCE ISSUES OF FAMILY BUSINESS

Most of the family business have made remarkable contribution in the Indian Economy. The successful stories of Tata, Ambani is no exception to this. It was revealed from various studies that family owned business houses are loosing their importance and relevance in today's 21st Century Because of poor and faulty governance and control system, the corporate houses dominate these family owned business. The crucial governance issues are

a. Ownership Patterns: Family owned business plays a vital role in the Indian Corporate Sector. Nearly 60% of these companies are part of these business groups. The ownership patterns in India depicts major concentration in the hands of promoters. One study revealed that 47.74% of the shares in a sample of almost 2500 listed manufacturing companies and held 50.78% of the shares of group companies are held by promoters. Till 1980 majority of the big business houses in India were family owned business and founded by first generation entrepreneurs. Tata, Birla and Bajaj practiced voluntarily all good corporate governance practices. Indian Companies Act

1956 and 2013 contains some legal obligations to the companies which are pertinent to good corporate governance practices.

ISSUES IN FAMILY CONTROLLED BUSINESS

Because of huge intervention of promoters in the family owner business, the business performance become better. Due to implied concentration of ownership among family members, they fails to take prompt decisions in accordance with market demands. Promoters are constantly controlling and preserving the assets of the company, because of their stake in the business of the company. Conflict of interest among members and lack of tendency to take immediate actions or decisions, corporate governance practices affects greatly.

ROLE OF AUDIT COMMITTEE: Audit Committee plays a crucial role in ensuring integrity in the functioning of family owner businesses. The Annual Report of the company shall disclose the constitution of the Audit Committee. There is a provision of clause 49, Section 292 A of Companies Act 2013 in this regard. The Committee shall act according to this provision as per terms and conditions conferred by the Board. If any non-compliance occurs, then the company and every officer shall be liable for fine of 50000 or imprisonment of One year which can be extended or both.

FAMILY OWNED BUSINESSES AND CORPORATE GOVERNANCE

In a typical non family business, an individual can be an employee, a manager, an owner, a director etc. In a family owns business, the matters becomes more complex in the sense that they have various functional roles as promoters, decision takers, as managers etc. These multiple roles are normally attached with different incentives which maximizes the challenges of family business.

Globalization has also affects the family business and family business has to respond to these challenges effectively in order to avoid shrinking in size and decreasing accordingly. Family business faces many challenges because of their nature of business, operational aspect, legal formalities, market expectations, financial matters and other business development strategies issues. Because of ownership and structural models, family owned business and trying to complete with the demands of the market.

It is the strength of the family business is the vision, values and good ideas and developed to the benefit of all relevant stakeholders. One of the most fundamental challenge of these companies are overlooking the importance of communication with the public and community other major challenge includes that family members goals, expectations, jealously and interference of some disgruntled family members.

Studies shows that the stronger a country's corporate governance, the higher its level of external financing as a percentage of GNP. Following are the main features of these family owned business.

1. Wealth and Power diversification
2. Transparency in the functioning
3. Implementing good Corporate Governance practices
4. Family Council, value and Governance

CORPORATE GOVERNANCE

Certain provisions of Corporate Governance in a family owner business have been mandatorily incorporate in the Companies Act 2013, such as

i. Independent Directors and Women Directors. Public Companies with paid up Share Capital of Rs. 10 Crores or turnover, exceeding Rs. 100 Core and statutorily required to have atleast 2 directors as Independent director and atleast one woman Director on the board.

ii. Corporate Social Responsibility: Every company having net worth of Rs. 500 Crore or more or turnover exceeding Rs. 1000 Crores or net profit of more than Rs. 5 Crores is required to constitute CSR Committee (under section 135).

iii. Audit Committee: An audit committee must comprising in of 3 or more non executive director out of which half shall be independent directors.

TATA APPROACH TOWARDS CSR

TATA group has chosen the following channels to drive its CSR initiatives:

- Building ground-breaking solutions to address large-scale societal problems by applying core competence of the organization.
- Volunteering for assignments that address the felt requirement of society in which TATA operates, while associating with the core themes of TATA's CSR.
- Contributing in community improvement program.
- Associating with select non-government and civil society organizations and other government bodies.
- Accompanying large-scale reasons such as disaster assistance or any other reason as unwavering by the Corporate CSR Association.
- Thus, as far as India is concerned, the relationship between CSR and sustainability can be summarized as follows:
- Tata Steel has embraced the Corporate Citizenship Index, Tata organization Superiority Model and the Tata Index for Sustainable Development.
- Women empowerment programs in association with Self-Help Groups have been protracted to more than 700 villages. From the year 2003 to 2006, the motherly and toddler endurance project had an exposure area of 42 villages in Gamaharia block in Seraikela Kharsawa and a limitation project was taken up in Rajnagar block. For delivering moveable water to countryside communities 2600 tube wells have been mounted for the assistance of more than four Lac public.
- Tata Steel assists numerous social welfare establishment which are "Tata Steel Rural Development Society, Tribal Cultural Society, Tata Steel Foundation for Family Initiatives, National Association for the Blind, Shishu Niketan School of Hope, Centre for Hearing Imparied Children Indian Red Cross Society and East Singhbhum.
- The Tata Steel Centenary Project has been started on the completion of the 100th year of the TATA group. The healthcare projects of Tata Steel comprise enablement of child learning, vaccination and childcare, farmstead actions, creation of consciousness of AIDS and many more healthcare projects.
- Tata Group also contributing in the field of economic development. The group is working for economic development. The group is working for economic empowerment with the help of innovative agriculture techniques, TATA group is spending INR 100 crore to establish the agriculture development centres in Jharkhand, Orissa and Chhatisgarh. This program is spread over 400 villages and impacts 40 thousand lives.

- Tata group is also spending on the National Horticulture Mission program which is a joing project of the TATA group with the government of Jharkhand. This program focuses on the non-conventional energy and the renewable energy. This particular project impact more than 5000 lives.
- TATA Motors has implanted 80,000 plants in the works and the communities and more than 2.4 million plants have been rooted in Jamshedpur district. Over half a million plants have been ingrained in the Poona area. The plants have been ingrained in the Poona area. The organization instructed the suppliers to use alternate materials at the place of woods.
- The Tata Motors Grihini Social Welfare Society provide assistances to the employees women dependents; they make a various number of products, oscillating from pickles to electrical cable connected, thereby securing them financially in the city of Lucknow TATA group created the healthcare facilities for countryside improvements & for delivering healthcare to the countryside zones.
- Human Capital of TATA motors provides the scholarships 211 students under the Vidyathanam program.

QUESTIONS

1. Corporate Social Responsibility is about giving back to Society. "In view of this statement explain the various dimensions of CSR.
2. Define 'Business Ethics'. Explain the relationship between business ethics and morality.
3. What are features and nature of family owned business?
4. What are various challenges and issues of Corporate governance in family owned business?
5. Write short notes on evolution of stages in family business?
6. What is role of Corporate governance and Audit Committee in family business?
7. Write brief account of TATA Company approach towards CSR.

REFERENCES

1. Report of Monopolies Enquiry Committion, Government of India, Delhi 1965, P.122
2. Donnelley, R.G. 1964, The family Business, Harvard Business Review, XL 11.4 July-Aug P. 93-105
3. Ram Chandran, Indian Family Business: Their Survival beyond three generation.
4. Gadjil, D.R. 1954, Origin of the Moden Indian Business class, Newyork, Institute of Pacific Relation
5. Shukla, M.B. 'Entrepreneurship and Small Business Management, Kitab Mahal, N.Delhi 2016.
6. Kumar Pradeep, Aggarwal S.P. 'Business Entrepreneurship and Management, wisdom Publication, Delhi 2013
7. Poornima M. Charantimath 'Entrepreneurship Development and Small Business Management Pearson Publication, 2016
8. Kumar Arya, "Enterpreneurship: Creating and Leading on Entrepreneurial Organisation" Person, 2017

9. Jyotsna, Shifali, Latika, 'Enterpreneurship (Concepts and Fundamenals), Kitab Mahal, N.Delhi, 2018
10. Mathur, Abha, "Enterpreneurship' Taxman Publication, N.Delhi 2019.
11. Priyanka K.Sharma "Governance, Ethics & Social Responsibility of Business" Galgotia Publishing Company.
12. Gagan Deep Sharma & Jagmeet Bawa, "A case study on CSR in TATA", GGSIPU.

ISBN: 978-81-946375-5-4

RECRUITMENT AND SELECTION PROCESS IN FAMILY BUSINESS

Mrs. Samar Fatima
Senior Consultant

Mr. Sheikh Mohammed Farhan
Transearch India Entrepreneur

OBJECTIVE OF STUDY

Recruitment and Selection process in Family Business. In the following chapter learners are able to explore the meaning of Family Business along the use of Human Resource Management and significance of Recruitment and Selection in Family Business with the help of case studies.

INTRODUCTION OF FAMILY BUSINESS

A family business is a meeting point of two social institutions; business and family. Both of the institutions contain conflicting values and purposes. Relation in business institution is rather rational compared to relation of family which is more emotional. Family membership is based on heredity and it runs in almost unlimited range of time. Meanwhile, business membership is based on competence and only runs in specified terms. The main function of family is to fulfil the needs and to grow love and care for each member in the family.

The importance of human resources (HR) for businesses is undisputable. This is especially true for family firms in which people are the foundation of creating the infrastructure. This enables the company to live past any individual founder (Denison, Lief, & Ward, 2004). Family businesses distinguish themselves in many ways from nonfamily firms and are in many cases not fly-by-night operations (de Vries, 1993). This means family firms do not exist for a short while, but have proven to be around long-term (Sharma, 2005). They often face many challenges and opportunities in relation to managing their human resources and therefore, this paper explores specific HR challenges with an emphasis on the recruitment process to create a deeper understanding of the applied strategies in family firms.

Meanwhile, the main function of business is to generate products and financial benefits through planned and organized structure, system and process. Those contradictions in values and purposes of family and business is often affect effectiveness of Human Resources management in family business. As generally known, Human Resources planning in a company includes some policies such as recruitment and selection, compensation, performance assessment, career development, and training and development. However, in family business, emotional relation factor in the family often affects those particular policies. As a consequence, there is an enormous growth of nepotism practices.

A well-supported HR function in any organization is vital and provides the context for an overall better performance in the broader spectrum of the organization (Becker & Gerhart, 1996). Albeit human resource management (HRM) finds itself always located in an economic context, a superior challenge that managers are facing is how to secure the economic viability of their firm in the markets in which it competes (Boxall & Purcell, 2003). In order to accomplish this challenge and successfully maintain the well-being of the respective organization, managers have to make sure that the business has continuous access to human capital and that it can afford the people which it employs (Boxall & Purcell, 2003). Thus, given the differences in size of family companies, cost-effective systems for managing and recruiting new people are necessary.

HRM also plays an important role for the organizational context due to the challenge of recruiting as well as hiring skilled people who share the same culture and values of the family firm and hence, fit to the organizational climate. A family business often has a unique culture because the family founder's rich core values and performance-enhancing behaviours are likely to be ingrained in the firm (Denison et al., 2004) and employees are often treated as family members (Ransburg, Sage-Hayward, & Schuman, 2016). Many scholars share the belief that family firms outperform non-family firms (McConaughy, Matthews, & Fialko, 2001) through culture and a long-term perspective (Anderson & Reeb, 2003). However, some scholars also oppose this assumption by saying that family businesses tend to operate and manage unprofessionally, practice nepotism, are vulnerable to entrenchment, and thus, will underperform (Lansberg, Perrow, & Rogolsky, 1988). While procedures to measure firm performance exist, measures for families do not (Chrisman, Chua, & Sharma, 2005). The phenomenon of families is invisible and not directly observable. It is rather a construct embodied by the individual family founder or members and may be experienced through instrumentation (Cliff & Jennings, 2005). Considering that families is a key feature of family firms, its utilization by instruments such as the families-power, experience, culture (F-PEC) scale, which will be explained later on, classifies the business (Rutherford, Kuratko, & Holt, 2008). A strong culture can help family companies to foster and even strengthen their organizational performance as well as long-term orientation (Denison et al., 2004). In order to sustain the survival of the organization, ambitious employees have to work for the company, although finding well skilled people who also fit to the underlying culture is a growing challenge (Fallon Taylor, 2016).

FAMILY BUSINESS

A family business is an organization with major functions to operate decisions and plan for leadership (Handler, 1989). It is stated that, a family controlled company can comprise a large complex dynastic public company, but equally able to be sole proprietorship, partnership, incorporated entity or any other form of business association where the focus of ownership and / or management control is in the hands of a specific family or collection of families (Balshaw, 2004). Stuart Rock (1991) defined family business as a firm where the family holds a majority of voting shares; where a proportion of the senior management post are held by members of one family and where their children are expected to follow suit.

FAMILY BUSINESS TYPE

According to Susanto et al. (2007) there are two family business which are:

Family Owned Enterprises (FOE)

A family owned company managed by professional executives who come from outside the family circle. In this case, the family acts as the owner and does not involve themselves in operations in the field for the management of the company to run professionally. By dividing this role, family members can optimize themselves in the supervisory function.

Family Business Enterprises (FBE)

A company owned and managed by the family of its founders. So both the management and ownership is held by the same person which are the family. Companies of this type are characterized by the important position in the company held by family members.

Definition of Human Resources Management

Human resources management includes aspects of planning, organization, implementation and control. Due to the fact than human resources are considered as a more important role as the time goes by in the achievement of organization goals, various experiences and a number of research in human resources field are gathered systematically. Management term refers to a set of knowledge on how people should manage human resources (Rivai, 2009:1).

"HR is truly the beating heart of your business, as it is all about enhancing the experience, engagement, and performance of what is considered the most valuable asset of most companies: your people" (Ransburg et al., 2016, p. 1). As this quote shows, without having an ongoing access to people who possess the required talents and skills, an organization will not be able to survive in the long-run. Consequently, every company needs to establish a strong HR function in order to stay competitive in the market (Boxall & Purcell, 2003). However, existing literature has not always considered the HR department as a source for value creation, but rather just as a way to manage labour costs (Becker & Gerhart, 1996; Hamel & Prahalad, 1994). A new perspective on HR only emerged after rapid technological, social, and economic changes influenced businesses and hence, more authors became interested in researching HR as a strategic lever (Bas, 2012; Sparrow, Brewster, & Harris, 2004).

Ulrich (1996), for instance, was one of the first authors to name HR as a strategic partner in firms. This new perspective moves away from a traditional functional HR orientation to a more strategic one by pointing out that HR has a direct effect on an organization's operating as well as strategic objectives (Bas, 2012). Furthermore, successful HR management is nowadays seen as a move away from treating the workforce as a necessary expense of doing business to considering employees as an important investment in the companies' performance and future growth (Cleveland, Byrne, & Cavanagh, 2015). Hence, HR management contributes to an organization's strategic planning and also influences other managerial functions such as logistics, marketing, or sales (Bagheri, 2016). While there are variations in every company, an HR department generally consists of four interrelated areas (Ross, 1981). These are firstly HR planning and forecasting, which identify and meet future HR needs. The second area entails an organizational analysis and should focus on designing jobs that fulfill individual and organizational requirements. The area personnel utilization is responsible for maintaining the general HR system through functions like recruitment, selection, compensation, and appraisal. Lastly, the personnel development area deals with training and development opportunities which help employees to acquire new knowledge, skills, and abilities. (Ross, 1981). When employees perceive certain HR practices as actually supporting their own development, the turnover intention and thus, voluntary turnover can be reduced. It should be kept in mind though that these developmental HR practices do not necessarily lead to an increase in the work performance of employees if there is no high quality employee-company relationship (Kuvaas, 2008). Therefore, a firm should not view investments in HR practices as way to compensate for a poorly managed employee company relationship (Saunders, Lewis, & Thornhill, 2009).

Role of HRM in Family Business

Hiring, training, appraising and compensating the right people in the right way is a crucial element to the success of any organization. It is commonly assumed that many growing family firms are not as sophisticated as larger corporations in establishing human resource rules and practices for selecting and developing employees from inside and outside the family. However, research indicates that forming and implementing these rules and practices can have a positive effect on family firm performance. Formal practices have been shown to have a positive effect on human resource management effectiveness, alignment with company strategy, and firm profitability relative to the industry.

Some, but not all, family firms have formal rules and practices that relate to recruiting and selection procedures, training and development of employees, performance appraisal, compensation criteria, and standards of employee behaviour. Without formal human resource management (HRM) rules, an informal people management system may develop and grow in their place. Both family and non-family members, and other organizational stakeholders, may view this arbitrary approach as unfair and capricious. Without rules that govern hiring, training, compensation and behaviour, the outcomes could be financially costly to the family firm: grievances, lawsuits, ambiguity, increased employee turnover, decreased motivation and performance by disgruntled employees, and serious interpersonal conflict within the business family.

An exercise can be used to demonstrate to family businesses or students in family business classes the importance of establishing an effective HRM system in their own family firms by designing formal human resource practices. The well-being and performance of family members, non-family employees and the family firm itself depend on having appropriate HRM practices and rules that treat employees and family members fairly.

The purpose of this exercise is to help family business members and students understand the importance of creating and implementing clear policies and practices for human resource management. These guidelines include several key issues:

- Who can join the company
- Criteria for promotion and career development
- Compensation
- Termination
- Behaviour standards

This exercise is integral in strengthening an understanding of the unique challenges and opportunities that arise in family businesses. Additionally, a formal set of guidelines will help inform young family members about expectations for employment and how they can best prepare for employment in the firm. Such practices should be implemented before younger family members begin educational and career choices. It is also best if they are developed before issues arise and through a participative process.

To achieve successful learning outcomes, participants should take an organized approach that allows them to understand their priorities and their relationship to the family business. These guidelines communicate to all family members that there is commitment that surrounds their employment and formalizes the business practices. When shared with all employees, the standards also demonstrate the business's commitment to fairness and equality.

Although each family business should establish guidelines that best fit their family culture and business type, common elements should be considered. Successful family businesses tend to address the following issues in their human resource management practices:

- Defining expectations for education and outside work experience for family members and non-family members before joining the firm on a full-time basis
- Avoiding situations in which family members ask non-family members to do tasks that they won't do themselves
- Creating reporting relationships whereby family employees do not report to a supervisor who is a family member
- Compensating all employees at "market" value and ensuring internal equity
- Establishing regular performance reviews that include the gathering of anonymous feedback, and if possible, 360-degree assessments
- Establishing measurable goals that are tied to performance reviews

This exercise can be performed either individually or in small groups, over as many sessions as necessary to cover the material as deeply as needed. If necessary, students who are part of a family business should be given time to research and understand their own family's approach to managing others.

If all students come from a family business, it is often worthwhile for each student to perform this exercise; they can either do this individually or in small groups that discuss each family business in turn, then create unique human resource practices to suit the needs of each family and business. However, if only some students in the class come from a family business, this exercise works best if small groups are formed around these students. Group members then work together to create human resource practices for the student's family business, after s/he has described the firm's current practices and any human resource issues that it faces.

Definition of Recruitment

Recruitment is an important aspect in the procurement of workforce. Recruitment can be considered as success, if many of the applicants came to submit their proposals to the company, so the chances of the company to get a good workforce or resources in high quality is getting bigger. A process of seeking by stimulating employee candidates who are capable to apply as an employee. This process begins when the job vacancy is started to be announced to public and ended by the submission of the applications. The result shows that there are groups of job seeker of where the candidates shall be selected. Success or failure of recruitment process can be seen from the existing recruitment ratio i.e. the ratio between the number of accepted applicants and the total number of applicants. A greater ratio between the accepted and the total number of applicants will lead to more successful recruitment process being implemented (Swasto, 2011:44).

Purpose of Recruitment

Purpose of Recruitment (Simamora, 2004:214):

a. To attract a large set of job applicants so that the organization will have a greater opportunity to conduct elections upon the candidates who are considered as the workers who meet the qualification standards of the organization.

b. The purpose of post appointment (post-hiring goals) is the income of employees who are implementing good-implementation and will remain to stay with the company until a reasonable time period.

c. Recruitment attempts should exhibit some spill over effects which refers to the public image of the organization that shall improve, and those applicants who fail must have positive impressions of the company left.

Definition of Selection

A process of choosing candidates who possess the appropriate classification according to the requirements of the job. Selection activities is carried out to reduce the greatest number of applicants, in order to obtain the best candidates. Without qualified employees, it is difficult for the company to achieve their success (Bangun, 2012: 159).

Purpose of Selection

The purpose of selection is to generate workforces who is most appropriate for a particular position (Martoyo, 2007: 41). Selection process aims to obtain the required workforce for the company. Selection is a two-way process in which the organization offers job positions with proper compensation, while the applicants evaluate the organization and the attractiveness of the position as well as the rewards offered by the organization. However, in reality, the selection process is still a one-way process, where applicants can only accept the position in any way of any organization who offers job positions, while the organization has a stronger position to bargain applicants.

Process of Selection

To begin the process of selection of employees, it all starts from the three conditions,

Namely:

a. Set the effective withdrawal method by selecting one appropriate method of multiple methods of recruitment.

b. Implement human resource planning to determine the number and quality of candidates selected.

c. Setting standards or requirements of the job instead of the qualifications of candidates.

Requirements of Selection

Gomes (2003: 117) stated that the effectiveness of the selection function may run well either by the presence of some important terms in the selection process, and even depending on the information obtained through these requirements. The information obtained through the terms will be used as input for a manager to make decisions by himself/herself regarding the acceptance and placement of the employees.

The terms referred to:

a. Job analysis information: which provides a position description, job specification, and standards of achievement required in each position.

b. Plans for human resources that provide information to managers about availability or unavailability of job vacancy in the organization.

c. The success of the recruitment function, which will ensure that the manager provided a group of people who will be elected.

Recruitment Process within Family Business

As demonstrated by existing literature, there are several explanations why recruitment appears to be especially relevant for family firms. Most family companies tend to consider their family members as potential employees, especially when they intend to maintain their family ownership over several generations. This is the reason why in many cases, family candidates may have been somehow involved in the business from an early age on (Couture & Matajira, 2015). In other cases, families have tried to prevent next generation family members from joining the company. Dealing with these sensitive issues appropriately is key since failing to develop good recruitment practices for family members can negatively impact the family trust and relationships (Kidwell, Kellermanns, & Eddleston, 2012). A second reason why implementing appropriate recruitment systems is even more important for family firms, is that they often treat their employees as family. Thus, recruiting and hiring the right people is important for all stakeholders (Ransburg et al., 2016). As demonstrated by Van Gils, Dibrell, Neubaum, & Craig (2014), family firms often also have strong reputations in their communities where they are located. They may have employed several generations of staff from the same family and it can be that their names are featured on products or foundations. This means that family firms, especially when they have a high family involvement, are “more likely to have a stronger commitment to their community, greater community support, and a deeper sense of community within the community where their business is located” (Van Gils et al., 2014, p. 196). As a result, recruiting new workers can have a positive or negative effect on a family firm's local reputation, which makes it a more sensitive issue for them. Furthermore, family businesses tend to have a deeply ingrained culture which is influenced by highly personal family values. Hence, having an alignment between the culture and values among the firm and workforce is very important for the individual and organizational performance (Edwards, 17 2008). That means recruiting practices have to consider the culture and values of the organization to ensure an employee fit (Cruz et al., 2011). The compatibility between the employees and the organization they work (P-O fit) (Kristof, 1996) is a highly relevant concept when researching recruitment within family businesses. As a final argument, Tanova (2003) indicates that many family businesses, even though their overall HR function might be better organized, take a more reactive approach to recruiting as they do not invest sufficient effort, time, and money into the recruitment process and then often have to suffer the consequences. This is because many family firms are convinced they can fill vacant positions with family members which can lead to the negative consequence of hiring someone who does not possess the required KSAs for the job (de Vries, 1993). In order to take a more proactive approach to recruiting, Ransburg et al. (2016) suggest that family firms should make use of a reverse-funnel approach (see figure 1.1). They claim that the traditional recruitment approach, such as the one by Barber (1998) which was illustrated above, is often a funnel-like process where there is a large pool of potential candidates, the recruiters use a set of criteria to arrive at a smaller number of applicants who are then interviewed or put through other assessment exercises, until one applicant is finally hired. Instead, the authors' reverse-funnel approach puts emphasis on upfront thinking by firstly acquiring an understanding which candidates are the right ones to assess and then opening the process for potential workers. This involves posing questions about what is best for the business and for the family, and afterwards making use of these answers to identify potential employees from the two pools of family and nonfamily candidates. Even though these two pools of family and nonfamily candidates differ from each other, the recruiting approaches to them are related and they should support each other (Ransburg et al., 2016). Approaching the pool of family candidates means attracting family members who have the right skills for the job but it also means managing family members who would like to work for the company yet lack the necessary skills for the job. It is important to avoid any form of nepotism which is defined as a "preferential selection in which family members of those who are employed by an organization are given preference in the hiring process" (Padgett et al., 2015). Approaching the pool of non-family candidate's means understanding which candidates fits to the family firm's culture as well as values and knowing where to find such candidates. The overall goal is to create an effective and efficient recruitment process that focuses on both family and nonfamily candidates without only relying too much on either one of them (Memili & Welsh, 2012). This is because relying too much on family candidates can bear the risk of having to hire someone who is unqualified for the job, which is not only harmful for the business, but can also reduce the motivation and performance of other nonfamily employees as their justice perception of HR practices is reduced (Barnett & Kellermanns, 2006). On the other hand, avoiding to hire family members can unfairly exclude qualified family candidates and means missing out on family employees who understand the firm's culture as well as values and can help to preserve these features over several generations (Anderson & Reeb, 2003; Cabrera-Suárez et al., 2001). Consequently, the best recruitment approach appears to entail a mixture of both family and nonfamily candidates, as long as they fit to the family firm's culture and values (Memili & Welsh, 2012) and thus, guaranteeing a PO fit. There are generally two sets of empirical studies in existing literature which examine HRM within the family business context. These sets deal with HR practices in family vs. nonfamily firms as well as differences in HR practices among family businesses and can be connected to individual HR practices (Cruz et al., 2011). Research about recruitment within the first set also addresses the issue of family vs. nonfamily

ISBN: 978-81-946375-5-4

employment, as it was done by Ransburg et al. (2016). This paper indicates that family businesses have a tendency to lack clear criteria for recruiting employees, especially for management positions and thus, friends and family are often employed based on personal referrals (Gersick et al., 1997). Also research from authors like Cruz, Justo, and De Castro (2012) as well as Dyer and Mortensen (2005) highlights the importance of family employment. Nevertheless, as Cruz, Gómez-Mejia, and Becerra (2010) show, the level of nonfamily employment for management positions increases with the size of the company. When examining individual HR practices like recruitment, empirical studies have also identified differences among family businesses. For instance, there can be differences in addressing individual needs of family employees while the needs of nonfamily employees might strictly be treated as firm-specific HRM issues (Cruz et al., 2011; Matlay, 2002).

"Person-organisation fit is the compatibility between people and organisations that occurs when: (a) at least one entity provides what the other needs, (b) they share similar fundamental characteristics, or (c) both (Kristof, 1996)."

It is important that new recruits' values and attitudes align strongly with the organisation's culture. Explore case study evidence across different sectors and consider practical application advice for successfully implementation.

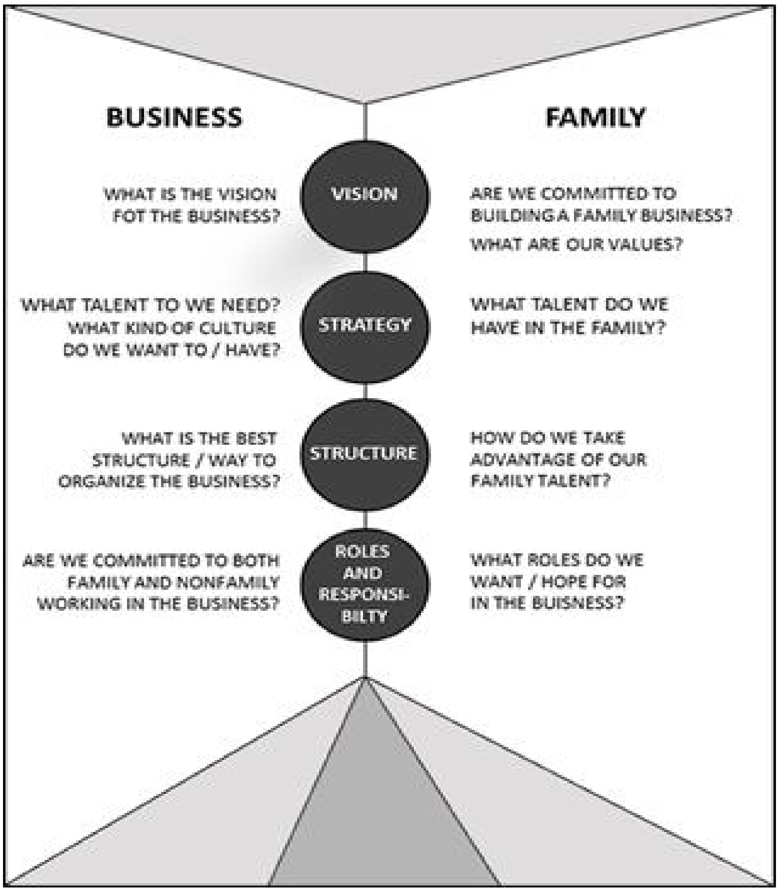


Figure 1.1

As discussed in the paper, recruitment and selection process plays an important role in the growth and success of family business.

Case Study

Company A

Background Information

Company A specializes in offering consulting services about punching as well as forming machinery and also distributes these machines in the Western part of Germany. After the father left the company in 1998, our interviewee took over as CEO and shareholder. He was already working for the business part-time while still going to university. Through this, father was able to transfer his knowledge to his son, although our interviewee explained that it would have been better to work for another company first to get an unbiased overview of how a business should be managed.

"We have informal processes and do not have any ISO certifications because this would not make sense for a business of this size". Today, the business counts on four employees, which is why the need for recruiting new employees is not as high as in larger firms. Nevertheless, the respondent emphasized that he is also dependent on having an effective recruitment process in place, even though this process might be more informal than in other companies.

HR Department

Due to the small size of the company, it is not necessary to have an HR department. Instead, the CEO handles all HR issues himself, which is why this section is kept quite short for company A. Generally, the business requires at least two other people in management positions, next to the CEO.

To retain employees, company an offers trainings to its employees, for instance about sales and negotiation techniques, so that they can constantly further develop their skills. A fair compensation with regard to industry standards and a company car are guaranteed. Allowing employees to work independently and trusting them to make the right decisions is taken for granted by the CEO. "I think that it is more rewarding to employees to have a certain freedom in their actions and decision-making than monetary rewards." Furthermore, our interviewee emphasized that having open dialogues is necessary to build trust between all employees and that he as the CEO also has to be open to receive critique.

Family Business

The family firm is characterized by allowing employees to work completely autonomous and independent. The family CEO highly emphasizes the values of reliability and honesty. "Doing what you promised to do is very important. In case you are really not able to do something, you should be honest about it and come talk to me." Actively practicing these values himself helps our interviewee to transfer them to the behaviour of his employees. Most of the firm's competitors are big corporations, so being a family business makes the company unique. They also promote this family aspect to customers because "[…] this shows them that we represent the values of reliability and loyalty, and we are always available to personally talk to them." Being embedded in the local area is also considered as an advantage of the family business. The CEO explained, "Many big companies outsource their main business to cheaper countries but we only distribute machinery which was produced here locally in Germany. This means that we can guarantee the highest quality to our customers. Outsourcing your business is definitely easier when it is not your own family business because then numbers are more important than emotional connections to the company." Even though the father was the one who founded the business, the interviewee has a very strong personal connection to the firm. "When your own name is shown, then you definitely feel more responsible for the company and you probably take different decisions than a nonfamily CEO who might be working for a different business in five years from now."

Recruitment Process

The interviewed CEO emphasized his need for an effective recruitment process, even though it is more informal than in larger firms. As an example, he mentioned that he had to hire four new employees over the last 10 years for the same position and is also currently searching for someone. "In our technical sector, it is quite difficult to find good employees with the necessary skills and knowledge, so it definitely happens that I have to let someone go and recruit someone new." One of the employees has worked with punching and forming machinery for 20 years and since the interviewee personally knew him beforehand, he was sure that this person had the required technical skills and personal characteristics to work in his business. Especially since the company only has a few employees, the CEO wishes to retain them for a long time. "Having trust and a certain familiarity between the employees is very important and this can only be established over some period of time."

The main channels to search for new employees are to place job advertisements in local newspapers or on internet platforms. Company A usually does not make use of recruitment agencies since the size of the business does not require this.

There is no formal recruitment process in place, instead a lot of the recruiting decisions "[…] depend on my gut feeling. Of course, I ask applicants about their education, social environment, and hobbies to get a good overview of who this person is. But I do not believe that it is useful, at least for my business, to have special personality assessments." Another aspect that the CEO pays attention to is the number of job changes that the candidate already had in the past. "Many people underestimate the importance of not having too many job changes. Changing your job can be useful, of course, to get new perspectives and acquire new skills. However, it also shows me as an employer that this person is not interested in working for a company for a long time. I highly value the aspect of long-term commitment, so I would not hire someone with too many job changes in their CV." During the job interview, the CEO also tries to analyse the body language of the candidates and their personality. "Apart from having technical knowledge and skills, it is also important to hire someone who can work with other people. Selling machines to customers means that my employees need to have a social personality, are able to listen, and are able to adapt their behaviour to the different characters of our customers." Age is not a determining factor in the hiring decision, as the knowledge and skills of the person are more relevant. However, our interviewee also tries to recruit younger people to adapt to customer needs. "There is a change in our market and people are always getting younger. My generation thinks completely different than yours and I think it is important to have employees who understand the needs of these younger generations." The P-O fit is another aspect that is important during the recruitment process. "We have certain values as a small family business and it is absolutely necessary that our employees share these values. Otherwise, no one would be happy. For instance, keeping promises and being honest with each other is highly valued here and when you are not able to openly criticize someone but also to accept critique yourself, then you could not work here."

When asked about distinguishing between nonfamily and family members during the recruitment process, the CEO explained that he and his brother did not possess the necessary skills to start working for the company but since they were the sons of the founder, they were hired for management positions anyway. Today, it is necessary that also a family member who wants to start working for the business, possesses the required skills. However, since the firm's recruitment process is informal in nature, there are some differences made between family and nonfamily members. For instance, during the interview, less critical questions are asked to family members because the people and their personalities are already familiar, so the CEO already knows if they would fit to the company culture. “As long as a family member has the right personality and possesses the necessary skills, he or she will always be preferred to a nonfamily applicant.

Questions:

1. What is the importance of HRM in Family Business?
2. How can basic of HRM help, family business to grow better.
3. Importance of Recruitment and Selection process in Family Business.
4. Write the important point to achieve the success in family business through recruitment of non-family members.
5. Draft and explain different strategies adopted by family business to achieve the success through different recruitment strategies.

PLANNING THE FAMILY BUSINESS - LAW AND GOVERNANCE

Prof. Qaiser Hayat
Ex.Dean, Law Department AMU, Aligarh

OBJECTIVE OF STUDIES

This paper aims at to explain the nature of family businesses and its beneficial outcomes, operation of good structure governance and legal setup strong built up of family business.

INTRODUCTION

William O Hara, An eminent scholar observes: "Before the multinational Corporation there was family business. Before the Industrial, there was family business. Before the Industrial revolution there was family Business…

It is an oldest commercial organisation, not only in India but allover the world, it is the best source of employment and developing the economy of the country, a distinct and significant categorising of commerce, recognised as significant and dynamic participant in the world economy. Family business sustains and perpetuates a business through family value.

Family business is more entrepreneurs in nature then non-family business. Ethos, values, and culture is much strong in family business.

In Phase of domestic and International changes family business remains resilient and has the potential to withstand businesses and Economics adversities. Family business have been able to weather systematic changes better.

In America, to quote the bureau of a census, about 90% of America business are family owned or controlled. Family business ranges from micro, small, medium or big size from 2% persons to large numbers of persons engaged in pattern-ship.

These businesses are best source for half of the national employment and has national product. Almost same position and prospects exist in India as well. In India according to report of Monopolies enquiry commission 1965, 75 largest businesses India controlled business houses in India control 1536 companies accounting for 47% of assets and 44% paid up capital of non-governmental in Non-banking Company. According to Dutta 1997 more than 70% of the 100 largest corporations and 99.9% of all enterprise in India are either family owned or controlled." This is signifies that family business has come to occupy a significant place in Indian industries. Family business exists all over the world for centuries from shoe maker to confectioner to farmer and to most modern technological industries. Family and business are coeval. Family business significantly employment and total export of the country. In India 95% of the registered firm are family owned companies. Company with founding family participation perform better than non-family business (study of standard and poor 500).

India industry is largely dominated by family business. Family business has always been a matter of great curiosity as they are distinctively different from other forms of business such as public enterprise, joint sector enterprise and cooperatives in more than one term such as their entrepreneurial, managerial, organisational behaviour and styles.

Family business focusses on long term transaction commitment to quality, take great precaution, care and concern for associated employ.

Because it relates to the good will and good name of the family. Family business also faces unique set of issues in governance and management.

When a family member joins the business, he is benefitted with range of advantages which often don't find in other enterprise. Family business are governed by common value, extra sense of purpose and pride, competitive edged, strong commitment, a person puts extra effort of work to make the business success. Family business are benefitted with loyalty and strong personal bond to meet the hard time business phases. Long-time family business visualises thinking to establish business for future generation.

However, family business adversaries differ. They point out the lack skills, training and experience lead to stressful working condition and have negative effect on the business success. Family conflicts, bad feeling and resentment among members destabilise the businesses transaction. Favouritism and lack of succession, planning are other draw back which reduce the prospects for promoting and flourishing the business in competitive business Erna.

No, it is miserable thing, nothing to be disappointed, family business benefit both the families' as well local and global economies in a big way.

It is best source of meeting the unemployment problem, either in underdeveloped countries. In order to be successful the advantages and meritorious achievement of running family business must be appreciated capitalised upon and challenges overcome.

Family business trust equipped with planned economy, legally structured with corporate to laws efforts be devoted to reconciliation of family conflict, well planned structured governance meeting possible issue and challenges, removing nepotism and constituting a strong succession plan to make family business viable and strong.

Definition of Family business:
A commercial organisation whose decision-making is under the influence of family generated is called family business. Family must be related by marriage, blood and adoption. Members of family may have following ability:

1. To influence the vision of the business
2. To willingness use the ability to perform distinctive goals.

Ownership and leadership are the uniquely identify quality of family businesses members. If enterprise is, govern by owners- manager is not family business. Family business reflects involvement multilayer of generation in business whom creates unique dynamic and relationship of family business.

Family business is defines as, A business diligently owned - manage by the

- Multilayer of generations in family or
- Various member of the same family.

Legal definition of Family Business:
When more than two family members are involves in any business whose control and ownership majorly within the family.

Goode (1982) define, Family business as a oldest surviving economic system where the business are under the control and ownership of family members. It significantly contribute in Gross Domestic Product, total employment and export of the country.

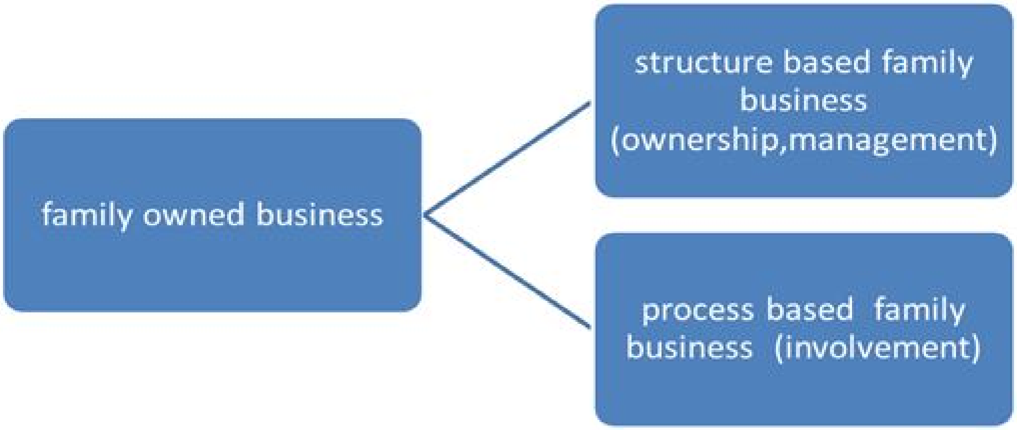


Figure 9 (definition of family business depend on)

Family owned business defined on the basis ownership, management and family involvement as of structure and Process are as follow:

Structure Definition:
According to the Barry, family business is defining as "ownership control by the members of single family."

Resenblatt,deMik, Anderson and Johnansn said, "majority ownership by a single family and direct involvement by at least two members in its operation."

Leacheetal further contribute a "single family effectively control firm through the ownership of great than 50%. Of the voting share: a significant position of the firms' senior management is drawn from the same family."

Process definition:
R.G. Donnelay (1964):93-105) define family business on the basis of how the family is involves in the business. E said, "Family business is a firm which has been closely identified with at least two generations of a family and when this link has had a mutual influence on company policy and on the interest and objective of the family."

According to P. Davis, "Family Business are those where policy and decision are subject to significant influence by one or more family units. This influence is exercise through the participation of family members in management. It is the interaction between two sets of organisations family and business that establish the basic character of the family business and defines its uniqueness."

Shanker and Astrachen(1996) define family business on the following criteria

1. Percentage of ownership
2. Voting control
3. Power over strategic decisions
4. Involvement of multiple generations
5. Active management of family members.

According to litz, Family business is the business whose ownership and management are concentrated within a family unite where family members must strive to achieve, maintain increase the relatedness in the intra-organisational family business.

Family business means descendants or founders can hold at least 20% indirect share or 20% voting rights are held by the founders or descendants to generate more revenue than non-family business in the world. It reflects superior financial performance which appreciates share price as well.

Characteristics of Family Business:
There are following characteristics finds in family business on the basis of above definitions:

1. Family Business are run by various members of one family.
2. Hierarchy in the Family Business is influence by the relationship among the family members.
3. Family members always occupied key position in the business hours.
4. Family build firm's policy in interest of family and business on the mutual understanding.
5. The succession of family based business has to go to the next generation.
6. Indian Family Business are classified on the basis of caste system, or caste system defines on the basis of family businesses.

Nature of Family business:
Thomas Morn define the saga of three generations of family in his book hudden brook where he discuss about up and downs of family business in different generation reign.

First generation, patriarch work hard in scruffy and astute manner to earn money,

Second generation, who born in money, should wants power,

Third generation, after getting money or power nothing has left to achieve except to opt at activities that brings great fall in family business.

There are 111 families owned business is found in India in 2018 due to which India has places at 3rd largest number of family –run business in the world with India has to capitalise the family business with $ 839 billion.

Indian family owned business had generated an average annual return of 13.9% since 2006. Indian based family firm contribute highest absolute cash flow return on investment.

Family Business in International Perspective all over the world Family Business spread a wide and supplying major product to economy and contributing GDP and growth of countries.

Countries	No. of family business
China	159
USA	121
India	111
Hong Kong	72
France	45
South Korea	43
Germany	42

Figure 10 No. of Family Business in all over the world

The credit Suisse family 1000 rating 2018, indicates that more than 15 firm out of 30 comes under the top unit of family-owned business.

The china, India and Hong Kong combined comprised nearly 65% of the business unit in term of market capitalisation. These countries have track record of out performing at the local level in

2017 among the peers. But India has significant number of family-run business i.e.97% of these do not family constitutions or succession planning documents → BAF consultants.[2] Indian Family businesses has added nearly 60-70% of GDP in the organised sector and much more in the unorganised sector due to family values that leads family dynamics, family identity and culture legacy through its business.

Next generation family Business survey 2018 on the changing attitudes and action against the new business ecosystem in family business. Find new business ecosystem is on opportunity for growth along limited behaviour, more collaboration would be happened. There is great opportunity of innovation. On other hand many people said family owned business like to work under close long standing relationship, stable operations and old tied network collaborations and follow digitalisation had disrupted most business, family business suffers from new technology and finance for which they need experts.[3]

Meaning of Family business:
Family business has been commonly found in all over the world and India occupies 3rd place in having large number of business house. Synonymous of family business are industrial house, family controlled, business houses, family managed, and family owned.

There are different views about the family business while other said it as community business and home-based business.

Planning and Governance:
A good governance and family enterprise need a plan structure for long term lasting success.

For better operation of the family business, productive and profitable. One has to recognise and understand both the strength and weakness of family business.

For better and effective governance, family involvement, highly close personal relationship, inheritance, loyalty and commitment, nepotism and favouritism are some hindrance make the business challenging in the competitive business environment to sustain in long term.

Therefore, it requires effective plan and some key consideration.

Firstly, a long-term vision for family business to achieve the purpose and goals for what business is being at.

Secondly pros and cons of types of business is being establishing which may last long.

Thirdly ensure all strands necessary to develop a successful business and have knowledge how to weave those strands together to ensure a business stable and enduring.

A business plan visualises and contemplates all the challenges that may arrived in conceiving a future plan and how to deal with in fact, action without preconceived consideration, contemplation and pondering there upon is a futile exercise.

Entrepreneur without thinking and planning land themselves in challenging problem that ultimately result in failure. Planned operation improves the chance of success and response to challenges which comes up in their future rolling.

A well planned business venture for good governance takes into consideration a well calculated capital investment, appropriated good team staffing, production and services which they business venture aims to render a in view market demands and a good price set up and keep up breast with market business environment. Assumption of cost and price should not be our estimated which make the entrepreneur non-viable and non-workable. Apart from an identified target market envisage a good margin for sustainable money making. A committee the constituted in processing of thinking analysing the data related to entrepreneur in a systematic way to arrive at logical conclusions. So that risky and dangerous, costly mistake may be avoided for a good governance of the venture.

A venture to the successful is to take into consideration also the increasing environmental hazardous, high technological software and ailment problem solution associated with financial markets so that innovative business may avoid difficulties in the way of smooth and good governance.

A basic requirement of a good plan for good governance of the family business should align with vision and mission statement and also have an effective implementation of strategic effective communication and clarity of issues with members of the family.

A business plan should also have clarity in understanding the implementation of various legal requirements and compliancy their off for smooth running of business.

Family Constitution:
A well-articulated constitution ensures the continuity of the family, and business brings good governance and acts as a guiding document for succeeding generations.

Family business had drafted the constitution to inculcate the value and legacy of the family for the generations to come, set principle and framework will guide the family to be responsible steward and continue for generations.

For the successful business it is necessary to live with this draft constitution should not be static document and needs to be flexible as the family and business evolves. There is always a need to refresh the family business constitution due to availability changing business land scope, inclusion of new members and generational change within the very -5-7 years.

Family business constitutions are as follows.

1. The vision of passing on the legacy of family business for generations with proactive planning, governance tools and willingness of current generation to accept change to build next generation family business leaders. It includes preparation of an organisational chart along the description of proper positions of family members in the business houses. It clearly indicates duties and responsibilities of family members. It reflects performance goals to which they will be held accountable. This can be done on the basis of educating, merit and commitment.

2. Family constitution pressurises that family members should get experience outside the family firm to acquire the specific skills the family business needs because it a vital to enhance the experience for achieving leadership position or career development.

3. Family owned business constitution reflected the development of the strategic plan for succession process is an opportunity to modernise the business, and it plans built strategic plan, developed jointly by both the current and incoming generations, and in consultation with all the shareholders.

4. Family owned business should broaden the decision making process from one generation to next generations through the creation of an organisation structure. All the members of family owned business took decision collectively and with proper information and preparation.

5. Constitution specifies the current generation’s needs to have a clear plan for their life after retiring this will prevent misunderstandings, roles outside the family business in the community.

6. Family business planning involving vital planning to start the process and tells us what to expect from district members of family, timetable for business, as well misunderstanding and unspoken tension that had outright conflicts. It is deciding the executive role of family members in the future or lifetime of current generation.
7. Planning suggests, decision should be made by a process of consultation and discussion which could further communicate in proper manner.
8. Planning knows the tax and legal implication of succession plan in family business.
9. Planning of family business is to invest in condition. The people who are going to be running the business need the right expertise to do that but ownership demands specific skills too. All currents and prospective specific skill too.
10. Planning includes purchase of the additional asset to fulfil the demand of retiring generations without the enhancement of a burden on the company.
11. Planning involves training of next generations to make them future leaders, more competitive and able to face every innovation. Training should be formal as well as in formal to impart knowledge, experience and trade secrets.
12. Planning includes hiring of the expert, advisers (accountant, attorney, board, and advisor) for peaceful current management structure and succession planning and smooth transition management plan.
13. Family owned business needs to plan or constitute the establishment of the family council or family assembly depending on size of family to handle the succession issue in advance and create a good culture.
14. Stakeholder of family owned business should be able to understand the business strategy and how to bring success, develops necessary structure, decision-making process and management style that communication the vision of business. Constitution has made to plan for a regular meeting at an annual family forum, plan, personal discussion, business and family aspiration and create a family charter, communication with non-family employees and shareholders, discuss the workforce perspective under the communication strategy.
15. Constitution to adopt a fair approach (on the basis of academic qualification) of recruitment for outside side or family member regardless creates the unnecessary Job. Once people had recruited, convey them rewarded and earn promotion, to appraise the senior management and family members.
16. In case company is force to hire less desirable employees of family, Constitution is made to provide special training to develop a useful talent, enlisting the help of a non-family employee in training and supervising and assigning special project that minimise negative contact with other employees.
17. Constitution should ensure that salaries are distributed fairly among the family and non-family employees which had to be matched with company guideline for each job description, additional compensation for extraordinary workers, fringe benefits or equity distribution should provide for all employees.
18. Constitution to address or make agreement about the ownership and management issues which comprise management structure, developing stages, split of ownership into separate business, setup of trusts, family investment plan for a commercial, succession and tax purpose and control dividend policy against the family members. It includes issues of share

to non – family employees, and seek external investment. It also includes a plan to sell the business to the third party if right offer come along or go public.

19. Constitution to build the ideal plan that allow the company to balance family and business needs that should be advantages to everyone.
20. Constitution regarding the mission, vision statement to describe family members' commitment and guidance for the future dealing towards the business. It includes long-term goals and objective, identifying opportunities that family hold in integration of business.
21. Constitution to provide stabilizing force, fair and impartial perspective on business issue against non-family member. Family business leaders can conduct exit interview with departing non family employees to determine the cause of turnover and develop a course of action to prevent it.
22. Constitution regarding succession,a well define plan and define hierarchy for decision-making, family retreat or meeting on neutral ground without distractions or interruption, made open discussions on family goals and future plan, timing of expected transition, preparation of current generation for stepping down and future generation for taking over. Problem of status quo should be eliminating by business leader through the step of gradually removal from daily operation i.e encouraging family member for outside work, arranging the sale of their stock or convert it to preferred shares or possible restriction or dilute the influences in the companies. It is clearly communicates to family member that their rights and responsibility are different at home and at work means success comes first at work and relationship comes first at home.
23. Constitution for estate planning to deals the financial and tax aspects of transferring ownership of family business. A family leader should heir the professional experts such as lawyer, accountant, financial planner, insurance agent, family consultant to minimizing their tax burden at the time of owner's death. Estate plan should be update from time to time or adopt "estate freeze" policy.
24. Constitution that family members must be coordinates by including employees, customers, products and services and qualities of product and define human capital with skill.

Management and legal challenges in planning a family business:
In comparison to traditional business, family business establishment faces various legal and strategic challenges are as follows:

1. How do you handle the firing of the key employee of family who has become obsolete or unproductive?
2. How do a husband and wife effectively manage a business after separation?
3. How ownership is separated from control when a founder is ready to step down and his two heirs are completely uninterested in running the family business?

Family business faces the challenges of selection of descendent who will ensure the continuation of the business. Members of family should provide participating roles for the remainder of the family and accomplish all of this while maintaining family harmony.

The key objectives of the plan are to provide smooth and seamless transition of the ownership and control of the business, to provide liquidity for the retiring generation, minimize estate taxes, preserves capital in the company for future growth, and whenever possible, maintain family harmony.

Another problem is day to day management of the Family Business. The leader or founder often must separate issues of ownership and wealth from issues of management and control when developing a business.

In the family business, founder have need to plan the current business from multiple perspectives. There are four groups of family members whose career planning are conflicting as follow:

Group1 → Sons and daughters who enters the business need manages the issues of career and financial planning

Group2 → Sibling who do not enter the business need manages the career opportunity and career satisfaction.

Group 3→ The spouses of the founder's children manages fairness of treatment by the founder.

Group 4→ the founder's employees manages family relations and old-fashioned polities and greed.

Family business focus the issue of delegation and allocation of responsibilities for managing and operating the business.

Family Business faces other challenges also deep-seated psychological problem, sibling jealousy and rivalry and marital problem, etc.

The owner of family business and operators deals with business as a responsibility for current and future generations but not as the group of members of family as gift or entitlement.

Family Business owner spanning multiple generations must be prepared to accept the decision made by their parents and advice of their parents' professional advisors. If heirs of family business are flexible and respectful of their parents' decision, make smooth transition of ownership.

Family Business are set up with the objective of continuity and take a long-term view of business. Due to the make-up of family business, issues that can put the business at risk are monthly internal and need to be managed with a combination of tact and formal structure to ensure stability.

To tackle the issues of family business:

There are various legal frame to solve the issues of family business. Some of them explain below.

Family Business legal framework:
Having a clear succession and a governance plan which is crucial for sustain the perpuchating a business in view of family values based on the principle of great goods and altruism that selfless concern for well beings of others, sound legal structure, including regulatory mechanism of a country is to be ensured for successful operation of the business.

The legal aspect for running the business reflects the policy framework and the mind-set of the government that governs business operation in any country, ensuring that business complies it and operation within statutory structure.

Family Business start with registration of the business with prescribed authorities, progress comply with labour laws and other regulations, also comply with taxation laws and statutory environment stipulation.

In addition, to the above, a significant and vital modern dimension relates to legal aspects relating to intellectual property right which provides the entrepreneur or inventor a negative right to take advantage in a knowledge economy of the business that functions on strength of IPRS.

Intellectual property right includes literacy, grammatical or musical work or artistic work, cinematographical and sound recording. Further, it include Patents, trademark, and copy right and trade secrets of the entrepreneurs.

IPRs created interest conflict between developed countries and developing countries. the developed nation had invested consideration fund in research and develop but were unable and helpless in protecting their invention and innovation because of absence of appropriate relevant law. Hence developed countries started the campaign for enacting the Intellectual property law.

Some of the law governing the business micro, small, medium or big entrepreneur are: factories Act, Contract Labour(R&A)Act, payment of wages Act, minimum wages Act, payment of Bonus Act, employment exchange Act, provident fund Act, Profession Tax Act, workmen Compensation Act, Maternity benefit Act, Industrial Employment(standing orders)Act, Payment of Gratuity Act, Shop Licensing Act, Industries disputes Act, state insurance Act, Industries (development & regulation) Act,1941, the trade union Act 1926, the competition Act 2002, the arbitration and conciliation Act 1996, and foreign exchange management Act 2002.

For Governing IPR Act, there are other Act and statute such as Patent Laws , trademarks Act, Copyright Act, trade secrets Act, India Contract Act, licencing , Cinematography etc.

These some of the act and statutes which equal regulate, general category business and as well family business except Hindu joint family business which govern by Hindu Law.

Factories Act (1948):- it establish for the purpose to regulated the labour force in factorise, this act provides for major tenants and lists the basic rules and regulations for starting a new factory and maintaining it consistently under the conditions prescribed in the act for the safety, health and welfare of the employees.

The act also prohibits the appointment of young persons at dangerous machines without

1. Fully instructing them regarding the dangers arising in connections with the machine and the precautions to be observed
2. Giving them sufficient training to work at a machine
3. Putting them under the adequate supervision of the person with through knowledge and experience of a machine.

Contract labour (R& A) Act (1971) it is also known as contract labour (regulation and abolition Act) 1970 to recognizing the need for protecting the interest of contract labour, to regulate the employment of contract labour in certain establishment and to provide for its abolition in certain circumstances and for matters connected therewith.

This act also applies to establishments of the government and the local authorizes as well.

Payment of wages Act:-

Objective of Act:- To ensure the regular and prompt payment of wages

To preventing the exploitation of wage earner by prohibiting arbitrary fines and deductions from their wages.

The scope of the act extends to the due payment of wages to persons employed in any factory.

This act covers various rules regarding payment of wages.

Minimum Wages Act (1948):- It is passed by Indian Dominion legislation. This act provides for fixing of the minimum rates of wages in certain employments central and state government fix revise the minimum rate of wages for employment covered by the schedule to the Act.

It covers the rules and regulations regarding minimum wages applicable to the nature of industry.

It also covers the index for dearness allowances and house-rent allowance rules.

Payment of Bonus Act (1965):- it provide for payment of bonus to employees. This act provides for the payment of a bonus to the persons employed on the basis of profits or on the basis of production or productivity and provide for matters connected therewith.

This act applies to all factories or establishment that have completed five years or to the year in which it earns profits, whichever is earlier. A register is to be maintained and returns are to be submitted regarding the application of this act.

Employment Exchange Act (Compulsory Notification of Vacancies) Act (1959):

Aim: To provide for the compulsory notification of vacancies to the employment exchange and for the rendition of return relating to the employment situation by the employers.

Provident Fund Act (1952):- its amendment did in 1997.

Aim:- to provide for the institution of provident fund (PFs) for employees and employer in factories and other establishment

Amendment

1. Employees and employers contribute to the fund at the rate of 12% of basic wages, dearness allowance and retaining allowance if any, payable to the employee per menson.

The rate of contribution to fund is 10% in case of establishment with less than 20 employee, sick industrial companies (special provision) Act 1985, Industries engaged in jute, bread, coir and guar-gum.

The rate of interest is fixed by central government in consultation with central board of trustees, employees' provident fund every year during March/April.

All factories and establishment falling under Act have to a registrar. The principal employer is responsible for deductions and remittance of Provident fund contribution under this act, even for contract employees.

Monthly and annual return are required to be submitted in the prescribed format. Amendment of employees' provident fund and miscellaneous provision Act 19995

Purpose

1. Factories with at least 10 workers will be covered under employees provident fund organisation from 20 new
2. Government will have the power to reduce contribution of employers in factories with 10-20 workers from 12% to 9% towards Employees Provident fund organisation.
3. In factories with up to 40 workers, penalties and recovery norms will be relaxed.
4. An appellate officer for employers so they don't have to come to Delhi to file appeal against order.

Profession Tax Act (1975):
Registration under Profession tax Act is mandatory for all. The principal employer is responsible for deduction and remittance of professional tax under this act even for contract employees.

In prescribed format return submitted monthly and annual. This tax is levied by state government and differs from state to state in India.

It is tax on all kinds of profession, trades and employments.

Worker's Compensation Act (1923):-
Aim: to provide for the payment of due compensation by certain classes of employers to their workers for injury by accident.

To provide compensation for personal injury if cause by workers accident arising out of and in the course of his or her employment. But workers should be drunken, disobeying.

The Employees' State Insurance (ESI) constitute insurance of worker's to take care of the compensation.

Maternity benefit Act (1961):
Aim: To regulate the employment of women in certain establishment for certain periods before and after child birth.

To provide for maternity and certain other benefits.

It extends to whole India and applies to every factory mine and plantation where 10 or more persons are employed on any day of the preceding 12 months.

This act clearly describes the maternity benefit available to working women in certain establishments by way of pay and other associated benefits.

Amendment 2017

1. The maternity benefit Act has increased the duration of paid maternity leave available for women employees to 26 weeks from 12 weeks. However, after having two children, the duration of the leaves remains unaltered in 12 weeks.
2. The amended act makes it compulsory for the employer to educate women about the maternity benefit available to them at the time of their appointment.

Industrial Employment (standing orders) Act:
Application: the act applicable to every industrial establishment where in 50 or more workers are employed on any day of the preceding 12 months.

Purpose: It requires employers in Industrial establishment to formally define the conditions of employment with sufficient precision and make the said conditions known to the workers employed by them.

The employer can get its rules and regulations certified from a competent authority or the model standing orders describes in the act are applied to the establishment.

Payment of Gratuity Act (1972):
Aim: to provide for a scheme for the payment of gratuity to employees engaged in factories, mines oilfield, plantations, etc. for matters connected therewith or incidental thereto. The gratuity is payable to an employer on the termination of his or her employment after he or she has rendered continuous service for not less than five years on their superannuation on their retirement or resignation or on their death or disablement due to accident or disease.

After Death, termination period may or may not be 5 years. The gratuity has paid to nominee, if no nomination or nominee should be minor them deposit amount for the future generational minor get finance at age of majority.

Shops and establishment Act (1948):
Applicable: to every shop and establishment i.e. shops, commercial establishment, residential hotels, restaurants, eateries, theatres and public amusement or entertainment which are not covered under the factories Act.

Enact: state Government legislation enacted to take care of interest of labourers of the unorganised sector and to regulate their conditions of work and employment.

The employer has to obtain a licence from the authority under act and renew it regularly before the expiry.

Industrial dispute Act (1947):
Applicable: allover the India.

Act: it relates to a situation arising as a result of any employer discharging, dismissing, retrenching or terminating the services of an individual worker, or dispute or difference between that worker and the employer connected with or arising out, such discharge, dismissal, retrenchment or termination, notwithstanding that no other worker or any union of workers is a party to the disputes.

The specific provision of an act enables the investigation and settlement of industrial disputes.

The act describes the meaning, legality and rules regarding strikes, lockouts, lay-offs and retrenchments.

It also describes the procedure of making complaints to the competent authority and the settlement thereof.

Employees state Insurance Act (1948):
Applicable: To whole of India in all the factories also belonging to government or seasonal factories.

Act: To provide for certain benefits to employees in case of sickness, maternity and employment injury. It covers all the rules and regulations related to safety and health issues of employees.

Patents:

The instruments by which Grants of some privileges, property or the authorities made by Government or the sovereign of the country to one or more individual.

Application: it prevents give the entrepreneurs a right to prevent anyone else from making, using or selling the defined invention.

Intellectual Property rights:
IPR are the rights granted by the government to creators and owners of works to satisfy the human intellectual creativity.

Aim: It helps in providing due safety and security to the original work of an innovator. IPR depository with the patent offices of each country helps in channelizing research efforts by duly avoiding duplication.It helps in understanding the availability of competitive technologies and practices and their implication to new technologies that may emerge as an outcome of R&D. IPRs provide an edge to start-ups for building and developing successful ventures.

Purpose:the purpose of filling patents lies in the transfer of technology to the entrepreneurial ventures that can yield commercial gains to the patent holder.

Various legislations covering IPRs are as follows:

Patents Act 1970 (amended 2005) and Patents Rules 2003 (amended 2006), Design Act, 1911(amend 2000) and Design rules 2001, Trademark 1958 and Trademark rule 2002, Copyright Act 1957 (last amended 1958), Layout design of integrated circuits 2000, Protection of undisclosed information, Geographical indications of goods (registration and Protection)Act 1999(amended 2002) and the Protection of plant Varieties and Farmers rights Act, 2001.

Patents:
Patents refer to a grant of some privileges, property or the authority made by the Government or sovereign of the country to one or more individuals. The instrument by which such grant is made is known as 'patent.' The patent gives the entrepreneur a right to prevent anyone else from making, using or selling the defined invention.

Trademark:
Trademark Act,1999 defines, Mark includes a device, brand, heading, label, ticket, name, signature, word, letter, shape of goods, packaging or combination of colours numerical shape of goods, packaging or combination of colours or any combination thereof.

Aim: The Act seeks to provide for the registration of trademarks relating to goods and services in India.

Application: the rights granted under the act are operative in the whole of India. Company register the trademark in foreign countries to seek protection.

Copyright: The Copyright Act (1957) in India amended 1999. Copyright ownership can arise automatically or by means of transfer of ownership through an assignment, assignation or license. It is a unique kind of intellectual property. The right which person acquires in a work which is a result of his intellectual labour

Aim: A copyright protects the expression of ideas, labour, skill or test. For a work to get copyright protection, it has to be original and should be expressed in material form.

Purpose: A copyright means the exclusive right to do or authorize in relation to literacy, dramatic or musical works, artistic work, cinematograph film and sound recording.

Applicable: the owner of the copyright in an existing work or the perspective owner of the copyright in a future work may assign to any person the copyright, either wholly or partially for the entire world or for a specific country or territory for full term of copyright.

Geographical indicators and biological diversity:
GI (2002) covers any association of persons, producers, organisations or authorities established by or under the law that can apply for GI provided the applicant represent the interest of the producers. It includes Biological Diversity Act 2002 that provides for conservation of biological diversity, sustainable use of its component and fair and equitable sharing of the benefits arising out of the use of resources and knowledge with the country and its people.

Industrial Design: It is an ornamental, aesthetic value or shape of design that can be applied to a utility article and is mainly concerned with the appearance of a product. The registered owner of the design shall have the exclusive right to apply the design to any item in the class in which the design is registered. Registration of design under the Design Act.

Design Act: to protect the aesthetic features of an innovation. However, it does not help in protecting the technical features of an innovation that fall under the category of patents and distinguish features that fall under the category of trademarks.it followed by New Design Act 1911 that enforce in 2001.

The register designs can only be cancelled in India, in case a petition for cancellation in forum 8 is submitted with a requisite fee to the controller of design due proof and reasons.

Layout design of integrated circuits: In India, the semiconductor Integrated Circuits layout-Design Act 2000 along with Semiconductor Integrated Circuits- Layout Design Rules, 2001, governs the protection of such circuits by Law. Registering the layout design under this Act provides the exclusive rights to the holder to obtain relief in respect of infringement. Any infringement of layout design is considered a criminal offence in India.

Plant varieties:

Plant Variety Protection and Farmers Rights Act, 2001 India has put in place a law to grant plant breeders rights on new varieties of seeds for the very first time. It has simultaneously provided a farmer right. There are five main criteria distinctiveness, uniformity, stability, novelty and appropriation denomination which are used to determine whether a plant variety is really new or not.

CONCLUSION:

Basic requirement for good, successful planning, and smooth governance of the family based business is the need for transitioning the management from founder generation to the next generation. Up-to third generation conflicts and discontent arises.

Well structure process of succession planning well thought of farsighted, prepared constitution of family business, the decision-making by the board and key members of the management, involving more people in the business ensure smooth transfer from the existing to the generation, smooth continuity of the business and harmonious and amicable relationship are issue which should be adequately answer in the business plan.

Clarity and transference, avoiding the conflict of interest, earlier conciliation of conflict, best suits the interest of the business.

Business competition makes the business in the open market vulnerable. The best is to find out solutions to overcome the problems. Competitive advantage is a position of superiority. This is an advantages gain by offering consumer greater value, either through lower price or by providing more benefit that justified higher prices more than superior enhances more chance of great advantage to enjoy in the market.

If competitive advantage, production factors, human resources factors, research and development facts, financial resource factors are property articulated and manipulated the business flourishes.

The success of the business is also associated with marketing analysis, marketing planning, marketing implementation and market control.

The lack of promotional measure and week bargaining power are also to be met with adequate planning.

Professional training and education of members of the family, engaged professional expertise from outside are other tools of successful business.

As per the business objective, manpower planning is another area to be well though planned. The venture ensures that it has the right and kinds of people with appropriate skill at the right and right time to do plan enterprise work. Failure to plan for manpower is to plan to fail.

A general notion in business survival of the fittest in all spheres of business activities. Improvement of performance correspondence to quality in goods produced and service of offered which indeed become the hall mark of business success. Therefore, greater attention is to be paid to quality of goods and service for future marked progress. Continuous improvement in all aspects of business organisation with a view to consistently satisfy consumer needs is necessary for success.

For the smooth operation of business laws have been enacted by the centre and state government. It is necessary for the business owners to have enlightening legal awareness of this law.

Legal issue in setting up the modern technological organisation, patents, categories of patents, patents application patent infringement, trademarks, trade makers registration, categories of trade mark, copy right, infringement of copyright, trade secrets, licencing should be planned in a way which do not infringe intellectual property rights of innovator and reserves in no commercial. It is also necessary that text complex exploitation must be optimism, planned and greater attention to be paid for text calculation so that family may have, maximum benefit from tax payment.

For achieving the above objective the service of expert professional and legal advisor be maximum of utilising. Legal advisor and text attorney be a part of permanent business set up, if possible, so that family business may have sound legal structure, legally regulated for maximizing the business profit. Further effort for greater good and welfare of all family members, honesty, integrating, transparent transactions to create confidence among the members which good lead to progress and success of the family business. It would also create new zeal, enthusiasm and spirit work with devotion will open new door for remarkable, profitable achievement.

QUESTION/ANSWER

1. Define the legal family business.

2. Write down the characteristics of family business.

3. Write down nature and scope of family business.

4. Explain the meaning and importance of planning and Governance.

5. Write down the various family business constitutions.

6. What are the different management and legal challenges in planning a family business?

7. Write down the various legislations covering IPR.

REFERENCE:

1. India fast forward, budget ET 2019," 97% of family run business in India Don't have succession plan document, study by PTI, August 03,2018.

2. Fortune India, "helping GenNext succeed in Family Business by RomalShetly, July 8,2018.

ISBN: 978-81-946375-5-4

CHALLENGES OF A FAMILY ENTREPRENEUR IN COVED 19 SCENARIOS – A CASE STUDY

Dr Asim Ray
Guest Faculty, Cluster Innovation Center, DU, Centre for Management Studies, Jamia Millia Islamia, New Delhi

OBJECTIVE OF STUDIES

We have traveled about six decades since independence. The objective of all our policy has stated as promoting rapid and balance economic development with equality of social justice. India since independence has made a significant progress with an integrated approach towards improving the quality of life of rural people and ensuring equity and people's participation. Planners and policy makers of the country framed various development program in such a way that maximum benefit should go to the people .But due to the diversified nature, widening regional disparities and social cultural differences in many cases programmers become ineffective at grass root level. The objective of this case study is to show a long path in policy making and generate noble ideas and look at the existing problem from new perspective .It gives user an opportunity to see how guide line apply in context of an actual lab.

This case is developed according to the real life circumstances. The case tells the story of a challenging management situation. In real life there is neither one absolute correct answer nor a single correct course of action in many situation... This case will promote discussion and stimulate competing opinion .Participants can be organized into group and given 45 minutes to 90 minutes to discuss the case. In this case there is circumstances for which clear cut rules do not apply.

INTRODUCTION

Family businesses include first-generation companies with new ideas on one hand on the other hand they include third-generation enterprises spread across multiple sectors in different geographical area. In Family Business decision making process is influenced by multiple generation of family related by blood marriage or adoption. Family entrepreneur have to make many challenging decision specially when competition emerges or change in environment take place potential successor leave the firm. Picking team member under consideration of cost and cultural fitness is a challenging task. Infancy of business can be managed during week night and weekends but for growing firms entrepreneur may have to put effort for something which is unpredictable. The Covid-19 pandemic is having a deep impact on the Indian economy due to lack of positive demand. Jobs are at risk. Migrants are trudging miles to be back home, lost their daily wages and depend on either the government support or private charity

Mr. Alamgir is an enthusiastic and energetic young man who is always in search of new opportunities. His initial life was full of struggle and begins from the suburbs of U P and Bihar. He enters into a family business and give the business new dimension. He wants to exploit the Post Covid 19 scenario and want to be vocal for local. He continuously engage in thinking forward and engage in day to day firefighting to solve a recurring problem.

Mr. Alamgir was 18 at the time when his father passed away in a in a construction site accident in university premises. Mr. Alamgir born and bought up in the suburbs of Delhi which is 40Km away from Delhi .Earlier this was an industrial belt but now most of the industries are sick and non-profitable. This area is sugar belt of western U P with fertile agriculture land and plenty of water with irrigation facility. Alamgir belongs from a poor family. After the closer of Industries

ISBN: 978-81-946375-5-4

his father becomes unemployed but for the survival he worked as a labor in construction site. His father migrated from Bihar to Delhi.

University authorities any way manage the things Mr. Alamgir does not get a hefty compensation. Mr. Alamgir was given an employment by the university authority at the temporary post of peon. Mr. Alamgir who was pursuing intermediate commerce at that time has a self-respect for himself he did not like the job at all. Gradually he win the trust of the higher authority due to his etiquette, interest in learning of official work his initiative to improve his spoken and written English .Although he was appointed as a peon still he was given the task of office clerk at the same pay scale where his duty was to type letter at associate dean office . After some time Mr. Alamgir realized that although this job is respectful but growth potency is very less .He will remain as an acting clerk for the whole life .He should do something which is completely innovative and new which give him a growth.

One fine morning while he was travelling by a local train a legal professional befriended him. After interaction legal professional impressed with Alamgir personality. Legal professional convince him to join his family business. Legal professional give his visiting card and ask him if you are interested come and meet me .He also show a dream package which is four times higher than his current package. Legal professional convince him to be his business associate. He wants to give Mr. Alamgir operational freedom and financial aspect will look by him.

Mr. Alamgir was enthuastic about this package .He was also in search of new opportunity. But it is difficult to make decision .Mr. Alamgir try to get idea about this proposal from different sources .He contact different professors of his university those who have a sympathy for him .One of the professor Mr. Sant who is a social worker and a preacher said that legal profession was not good. People often speak lie. It is against ethics you should not join this project. You should always happy with you what you have. Mr. Alamgir decided to meet with another professor Mr. A P Thusku. Mr. Thasku always engage himself in ear phone listening .He little bit annoyed. He give a lecturer that now our country is suffering from terrorism and antinational activities .You should not believe on unknown person. You should drop this kind of evil idea. Mr. Alamgir often remember that conversation and dramatic scenario when he is alone because it is full of hummer

Mr. Alamgir visit to A K Thuskus Chamber

Alamgir- Good Morning Sir. I want your help to be an entrepreneur. Can you guide me?

Thusku – A K Thusku without listening to his need start lecturing. I will develop a true passion for the subject and a desire to share the knowledge .I will teach you with variety of strategies like active learning, lectures, group work. I will use assessment to understand your grasping over the subject and give you opportunity to ask question. I will accept you where you are and help you to go forward.

Alam – What is your plan for me?

Thusku-I will arrange conference which has the participation of various international universities. I will promote Center Of Excellence to establish clear focus on particular area of research. I will bridge the gap between the need of industry and B School

Alam-Sir, Can you guide me regarding funding agencies

A K Thusku –I will submit research project to external funding agencies in current focus area .I will emphasis on collaboration through developing connection. I think on research plan which is based on out put something different such as documentary a series of public lecturer or data base apart from traditional output.

Mr. Alamgir did not disappoint with this idea. He is still in search of good guide and philosopher. Suddenly he come across with Dr Lala Ram a less speaking person but full of energy and creative ideas .Dr Lala Ram carefully analysis the situation and ask Mr. Alamgir to meet with the legal professional and give him the minutes of meeting.

Mr. Alamgir meets with the legal professional. He wants to start up a new project stamp vendor dealership. His son is not interested in expansion of their family business. To lure Alamgir he wants to use Mr. Alamgir name. Vendor ship will be on the name of Mr. Alamgir But he has to submit all the revenue to concern person. Initial investment will made by him. Mr. Alamgir again gets confused. He made with three professors again .Mr. Sant and Mr. A P Thusku again suggest him not to go ahead .Dr Lal suggest him to go ahead but to maintain professional ethics .Mr. Alamgir join the project. He gives business new idea and energy. He dedicates long hours. Turn over begin to rise. After a year Mr. Alamgir realize although he is putting too much efforts and performance to the enterprise but he is not getting recognition in terms of monetary gain.

Different ideas are coming in his mind. He again meet with Dr Lal. Finally Mr. Alamgir decided to get rid of legal professional. But he decided that whatever the investment made by the legal professional on his project that should be return to him .Mr. Alamgir meet the legal professional and explain about his idea. Legal professional was not happy with this initiative but he has no option. Finally he give him a counter offer to be his partner in the business.

Business grows very fast. His saving also increased. Suddenly Mr. Alamgir decided to invest in his old house which is an unauthorized colony .Dr Lal opposes the idea. But Mr. Alamgir did not listen to his advice. After renovation of his house family disputes arise. Many of the relatives ask for their share. False cases were lodged against .Any how Mr. Alamgir settles the matter with a hefty payment.

In the meantime many competitors enter into the market some are big business houses. Government policy change due to technological change .E Stamp come into picture Mr. Alamgir turnover reduces. .Mr. Alamgir decided to diversify his business and enhance his qualification. He started documentation work like admission documentation making different kinds of deeds –partnership deeds property deeds at a cheaper rate .He takes admission in law and started admission counseling for P G and UG students for different universities.

The battle against COVID-19 began in mid-March. 0n 22 March everyone except those providing essential services were required to stay home from 7 am – 9 pm. Prime Minister Narendra Modi announced a nation-wide lockdown on March 24 lasting until April . This 21-day lockdown has been extended with some sort of reopening now.

. India’s lockdown to combat the corona virus has had an unusual side-effect: It is important at every level to use this opportunity as a wake-up call. 120 million Indian are estimated to travel seasonally every year from rural areas to work in cities farms or industrial areas. Without their contribution factories, farms and construction sites would not be able to operate. These informal, seasonal workers have to work in the low-paying, hazardous conditions. Their lives are stripped of form of political voice or agency in the urban destinations

Social distancing is a central point of the campaign; to fight the virus the impossibility of it in slums was overlooked. Without work, savings or food, migrant workers and their families would want, and attempt, to rush home. NSSO (National Sample Survey Office) data, asserts there are 65 million inter-state migrants, of which a third are workers. Wave after wave of the poor undertake journeys of a thousand miles on foot, to reach home. A reverse migration, forced people due to loss of livelihoods. Lucky ones, are on special trains organized by the government; some are on buses organized by the states; others have hired trucks or stowed away on them; some are cycling back home -- or simply walking. A report by Stranded Workers Action Network said that 79% of the workers returning are daily wage factory or construction workers and another 8% are domestic workers and drivers.

As India takes steps toward economic recovery after Covid-19, there's room to also take action for long-term sustainable development and improved resilience. Atmanirbhar Bharat Champaign is a launch pad for fostering entrepreneurship, nurturing innovation and creation of an ecosystem for rural-urban symbiotic development. Atmanirbhar Bharat campaign want to transform 'local' India into 'global' India. Mr. Alamgir want to be vocal for local. He focus on the business opportunities of his native state Bihar which is also one of the most effected state by reverse migration.

Migrant workers return to Bihar from Punjab, Haryana, Gujarat, Maharashtra, and other places. Several newspapers have reported that around 25 to 30 lakh migrant workers have returned to Bihar. A CMIE survey pegged unemployment in Bihar for April 2020 at 46.6%. The occupational structure of Bihar shows that 56% of the labor force is engaged in agriculture (India 44%), 8% in industry (23% India) and 36% in services. Garib Kalyan Rojgar Abhiyan launched to provide employment to migrant worker and create infrastructure in rural area. These workers build gram panchayat bhawans and aganwadi centers, National Highway works, railway works and water conservation projects.

Around 80 per cent of population employed in agricultural in Bihar. It is the fourth largest producer of vegetables and the eight largest producers of fruits in India. Food processing, dairy, sugar manufacturing, and healthcare are some of the fast-growing industries in the state. Principal food crops are paddy, wheat, maize and pulses. Main cash crops are sugarcane, potato, tobacco, oilseeds, onion, chilies and jute. The principal fruits are: Mangoes, Banana, Guava and Litchis the vision of the agriculture policy is to increase productivity of major crops Draught and floods, play a role in decreasing products

Local entrepreneurs were being encouraged to prepare edible items like pickle, papad, sattu, atta (flour), spices and even herbal products made of tulsi, neem and haldi. Bihar Start up Policy 2016 was amended and a corpus of 500 crore was built for startup venture capital. Bihar produces at least 80% of the makhana (fox nuts) in the world. PM has identified makhana as a global health food in 2005 & 2019

The Bihar Government has implemented a single window clearance system for the benefit of the investors. A subsidy of 25 per cent on investment in plant and machinery for all Food Processing units in the State is given. Total Foreign Direct Investment (FDI) for Bihar and Jharkhand stood at US$ 119 million between April 2000 and March 2020.

Agriculture provides ample supply of raw materials for the establishment of Agro based industries. Farmer's willingness to accept modern cultivation technologies and contract farming practices provide encouraging trends for investment in Agriculture sector. Necessary legislative changes to promote contract farming and private investment in marketing are being undertaken. Agricultural growth in the state is supported by institutional infrastructure of Rajendra Agricultural University, Pusa (Samastipur) and its network of KrishiVigyan Kendra, ICAR eastern zone complex at Patna, National Research Centers for Litchi, Makhana and Pan. Small Farmer's Agri-business Consortium (SFAC) and Agricultural Technology Management Agency (ATMA) are others institutions supporting Agricultural growth in the State. Public sector

Agricultural extension system is creating enabling ground for Public–Private partnership for rapid Agricultural growth in the state

The state government has developed 54 market yards with the help of National Bank for and Rural Development (Nabard).Bihar Agriculture Marketing Board facilitates farmer to take their product directly to retailer

Migrant worker problem put the spotlight on lack of industrialization and fewer job opportunities in Bihar and Uttar Pradesh .8.73 lakh budding entrepreneurs enrolled themselves on the central government's Udyog Aadhaar Portal according to the latest

Name of the State	**Total M S M E Registered**	**Share of state in %**
Maharashtra	15,26,098	18.23
Tamil Nadu	9,46.89	11.31
Bihar	8,73,241	10.43
Uttar Pradesh	8,06,185	9.63
Gujarat	7,49,306	8.95
Rajasthan	5,13,178	6.13
A P	3,16,177	3.78
Karnataka	3,85, 659	3.41

Table 1: Total MSMES Registered On Udyog Aadhaar Portal between October 2015 and December 2019

Table -1 data compiled by the MSME Ministry. People want to avail Mudra loan, land allotment at concessional rates and subsidy under various schemes. Bihar ranked number 3 leaving behind many industrial states

The Ministry of Minority Affairs, an initiative of the Government of India has established the National Minorities Development and Finance Corporation (NMDFC) to offers concessional loans to minorities. Minority Business Loans are concessionary loans offered to the minority people for business purpose. Muslims, Christians, Zoroastrians, Buddhists, Sikhs and Jains are counted as minority communities. After considering the annual income it will be given to those who need it most. Term Loan Scheme is available for any commercially viable and technically feasible venture in Agriculture & allied small business

Minority Loan for business at a glance

Minority Loan	Line Of Credit	Maximum Limit	Interest Rate Per Annum
Term Loan	Credit Line-1	20 Lakh	6% P A
	Credit Line -2	30 Lakh	6 % Female Beneficiaries 8 %Male Beneficiaries

Table -2

A credit line, also known as a line of credit (LOC), is a type of standing loan that allows individuals, businesses, or other organizations to borrow cash when they need it.

Credit Line- I.NMDFC provides loan up to 90% of the project cost up to a maximum limit of Rs. 18.00 lacs. Project costing is up to 20 Lakh. The remaining cost of project is met by the SCA and the beneficiary. Beneficiary has to contribute minimum of 5% of the project cost. .

Credit Line - 2 Projects costing up to Rs. 30.00 Lakhs are considered for financing. Loan is provided up to the extent of 90% of the project cost maximum limit of Rs. 27.00 lacs. The remaining cost of project is met by the SCA and the beneficiary. Beneficiary has to contribute minimum of 5% of the project cost.

CONCLUSION -

Every business organization has a unique set of challenges and problems. The family business is no different. Many of these problems exist in corporate business environments, but can be exaggerated in a family business. Being a successful entrepreneur is tough especially in this extremely competitive world of business.

All of the challenges are important, but the continual failure to think forward and to engage in day to day firefighting is a recurring problem.

QUESTION

1 Is Mr. Alamgir a Family Entrepreneur?

2 Should Mr. Alamgir proceed for business opportunities in Bihar?

3 Draw a Business Plan for Mr. Alamgir?

4 What are the funding agencies that can help Mr. Alamgir?

REFERENCES

1 https://www.pwc.in/assets/pdfs/research-insights/fbs/2019/pwc-india-family-business-survey-2019.pdf

2 http://www.ficci.in/ficci-in-news-page.asp?nid=21687

3 https://scroll.in/article/957742/indias-seasonal-migrants-have-been-invisible-for-too-long-this-crisis-should-be-a-wake-up-call

4 https://www.hindustantimes.com/india-news/in-long-walk-back-home-migrants-battle-hunger-scourge-of-disease/story-TizRfUz69osJQ0Uqmm6jZN.html

5 https://www.financialexpress.com/industry/atmanirbhar-bharat-campaign-is-a-call-to-foster-entrepreneurship-not-protectionism-venkaiah-naidu/2013875/

6 hehindu.com/news/national/other-states/bihar-migrants-going-back-to-other-states-for-livelihood/article31755553.ece

7 https://thewire.in/labour/rs-50000-cr-job-guarantee-scheme-for-migrant-workers

8 https://thewire.in/labour/bihar-economy-reverse-migration-challenge

9 http://foodprocessingindia.gov.in/state-profile-replica?id=18&stateid=734&name=BIHAR

10 https://www.ibef.org/states/Bihar.aspx

11 https://state.bihar.gov.in/krishi/CitizenAboutUs.html

12 http://timesofindia.indiatimes.com/articleshow/75781374.cms?utm_source= contentofinterest&utm_medium=text&utm_campaign=cppst

13 http://www.udyogmitrabihar.in/rural-incubation-centres-to-promote-startups-in-bihar/

14 https://www.businesstoday.in/current/economy-politics/bihar-up-outperform-most-states-maharashtra-tops-with-15-26-lakh-msme-registrations/story/405036.html

15 https://www.paisabazaar.com/business-loan/minority-business-loans/

16 http://nmdfc.org/index1.aspx?lsid=70&lev=3&lid=43&langid=1

ROLE OF FAMILY BUSINESS IN DEVELOPMENT OF WOMEN ENTREPRENEUR

Dr. Mohsina Hayat
Guest Faculty, Centre of Management Studies, JMI, Delhi

OBJECTIVE OF STUDIES

Women entrepreneurs are emerging as business profile for the socio-economic development of the country. Women entrepreneur has been considered important due to its own skill of time and financial management, leadership quality, self-employment and ability to generate employment and idea generation, etc. which remain hidden earlier. In India, where lack of capital is major problem faced by Entrepreneur. It has been solved by the Family business. This Chapter explores importance of women as entrepreneur, why women emerges as entrepreneur and role of the Family business in the development of women entrepreneur. Further, it discusses various scheme, initiative taking by the government to boost up women Stand-up.

INTRODUCTION:

Development of women leads movement in family, village and nations. Women empowerment ensures society stability that makes it prerequisite to a construct fine nation. Success makes women synonymous to men. Free flow of entrepreneur skill is worth of life. Right attitude towards the stand-up makes the person entrepreneur which mostly prevail in village or small town in women.

Women Entrepreneur encompass approximately 1/3 of all entrepreneurs worldwide. In present scenario, all the successful women entrepreneurs start their businesses as a second or third profession at age around 40–60 years old.

Government of India has defined: "Women entrepreneurs as an enterprise owned and controlled by a women having a minimum financial interest of 51% of the capital and giving at least 51% of employment generated in the enterprise to women."Women participation in an entrepreneur is not only based on equity and employment in business. Women entrepreneurs are owner of business enterprise who takes initiate, coordinate, sales and made financial arrangement in business.

Enterprise made women Empower: Empowerment the women refers women's influence to one's own life, to make one's own choices and to act upon these choices in decision making.

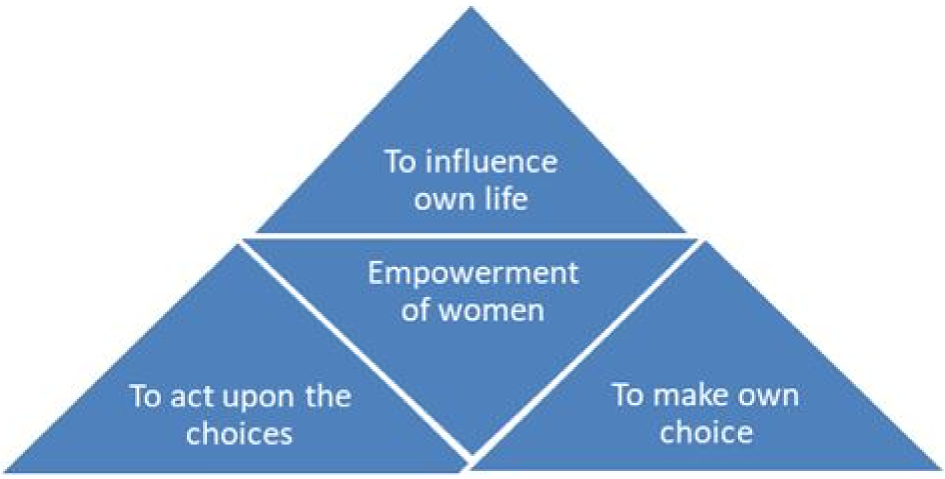


Figure1: Empowerment of Women

Enterprise makes women empowerment that leads women development, economic growth and social stability that not only help the women's family but also nation. Empowerment of women involves access to resources and markets, actual ownership and active control.

Following competency-development exercise helps in self-development and empowerment of women.

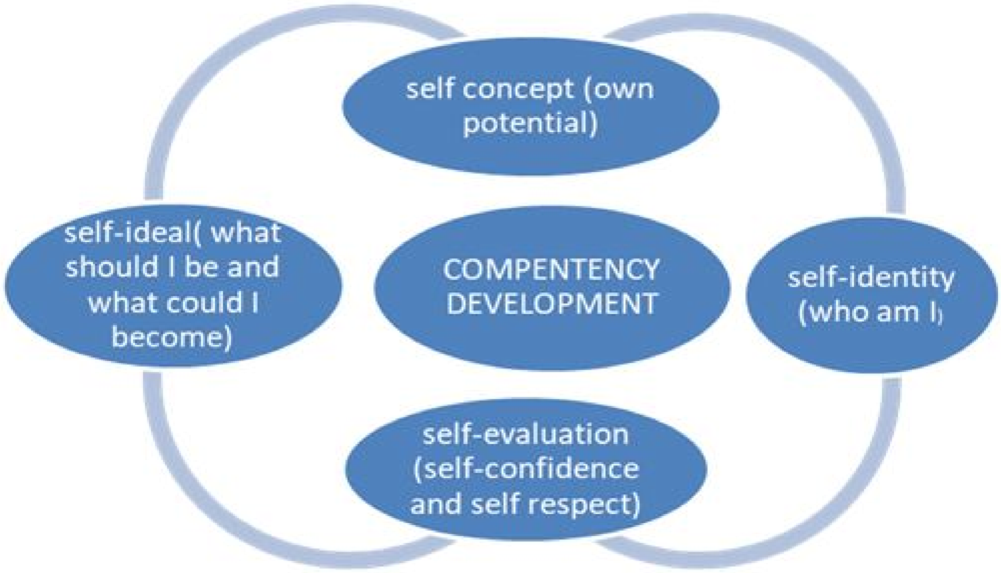


Figure 2: Competency-Development Exercise for Empowerment of Women

Women empowerment is the process of recognising strength, weakness, opportunities and threats of women for the Self- development to meet their goals. In the present scenario, women have enjoying leading position. Disparity between man and women reduce due to technological innovation and modern way of thinking that bring proportion of equality and equity or both through provision of employment and enterprise creation. Above all has been possible when women empower own-self in four steps first identifies self-concept means inner potentialities of women. Secondly recognise self-identity means knowing herself. Thirdly it is necessary for the women to evaluate own Self- confidence and self-respect and finally forecast own future on the basis of own capabilities.

Features of Women Entrepreneurship

Following changing attributes leads emergence of women entrepreneurship:

- Push-pull factors are main cause of emergence of women entrepreneur. Where pull factors includes women entrepreneurs choose a profession as a challenge and as a wish to do something new, low risk in small and medium types of industries and government schemes, NGOs and financial support from banks and other sources and push factor includes family coercion and responsibility drive upon them.
- Rural women entrepreneur start business with low capital, low risk, less skill labour and modest infrastructure e.g. dairy products, pickles, fruit juices, papads and jiggery making.
- Women entrepreneur of self-employed are, belong very poor family, have, establish tiny enterprise to earn livelihood. e.g. vegetables and fruits vendors, broom making, wax candle making, providing tea coffee to offices, ironing of clothes, knitting work, tailoring firm, etc.

- New attitude of society towards the women that realised women contribution in economic growth and development, etc.
- Globalisation brings new idea and tremendous opportunity that benefitted o women also.
- Innovation and research activities in technology leads women to come up and establish new enterprise.
- Social media continuously effort to highlight the issue of women stand-up.
- Past experience proves women are courageous whenever needed that contribute a lot to motivate the women stand-up.
- Self-realisation of women encourage the women to establish enterprise with little men assistance.

Government Policy for Women Entrepreneurship Development:
Women Entrepreneur in India is having great opportunities to start own business and add in new wing in family business. Women entrepreneur has usefully tapped less explore sectors, manage to provide solutions in business era. Various steps was taking by the government during the five-year plan to assist in solving the problems and challenges face by the women enterprise and to enhance women entrepreneurship:

- "Integration of women in development" in the seventh five-year plan by treating women as special target group, formulates vocational training and skill development, assist in marketing the products and involve decision-making processes in women enterprise.
- Employment generation for rural women in eight plan through developing the qualities of women.
- In Ninth Five year plan, introduce various schemes to promote the women entrepreneurship i.e. Trade Related Entrepreneurship Assistance and Development (TREAD) scheme through qualities development, Women Component Plant to assist the women entrepreneurs, Swarna Jayanti Gram Swarozgar Yojana and Swaran Jayanti Sekhari Rozgar Yojana for women reservation and encouragement in future, Women Development Corporations, Women Development Corporations to arrange the credit and marketing and State Industrial and Development Bank of India (SIDBI) establish Mahila Udyam Nidhi, Micro Credit Scheme for Women, Mahila Vikas Nidhi, Women Entrepreneurial Development Programmes, Marketing Development Fund for Women.
- Women self- employment training programmes are as Support for Training and Employment Programme of Women (STEP), Development of Women and Children in Rural Areas (DWCRA),Small Industry Service Institutes (SISIs), State Financial Corporations, National Small Industries Corporations, District Industrial Centres (DICs).
- Women entrepreneur training programme for first-generation women entrepreneur organize through the EDP. Government establish three entrepreneurship development training institute namely National Institute of MSME, Hyderabad, National Institute of Entrepreneurship and Small Business Development (NIESBUD), Noida and Indian Institute of Entrepreneurship (IIE), Guwahati and NISC, Delhi in 2007-08. As per NSIC - 2016-17, 21313 women got trained under various training programmes.

Scheme of training	Total number of women gets training 2012-13	Total number of women gets training 2016
NIESBUD, Noida	2786	

NI-MSME, Hyderabad	2598	4,818
IIE, Guwahati	16,668	
NSIC	23,319	27,557
MSMEs tool room		17008

Table1: Scheme of Training

Source: Annual report MSMEs 2011-2016

- In 2017, Department of Science and Technology, Government of India take initiatives to strengthen the ecosystem for women entrepreneurs particularly in technology domain. These women entrepreneur specific programs include identifying and awarding, providing knowledge and skills, mentoring and networking, incubation and acceleration support, international exposure, etc. to women entrepreneurs. The programme aims to create platform for self-employment and livelihood generation.
- Biotechnology Research Assistance Council (BIRAC) introduce tofacilitating women empowerment to discuss barriers that women entrepreneurs face while starting and scaling their businesses in India.
- NITI Aayog establish Women Entrepreneurship Cell (WEC), in NITI Aayog to promote and support established as well as aspiring women entrepreneurs in India in 2017.
- Women Entrepreneurship Platform has been formed and officially launched on 08.03.2018 in NITI Aayog. Women Entrepreneurship Platform (WEP) will work in collaboration with public as well as private sector organizations and help to bring them on a single platform by listing their women focused entrepreneurship development schemes and programmes, so that women entrepreneurs can derive benefits from such existing schemes and use networking and partner connect to increase the effectiveness of the existing initiatives in the entrepreneurial space.
- Biotechnology Research Assistance Council (BIRAC) focused on women empowerment such as SPARSH and various other programs under the Grand Challenges India through BIG, SBIRI, BIPP, PACE, etc. Women Biotech Park develops to provide incubation space and mentoring specifically to women students/scientists/entrepreneurs, a woman focused entrepreneurship award called WER Award (Women in Entrepreneurial Research) announced in 2018.
- The Micro, Small & Medium Enterprises Development Organisation (MSME-DO), the various State Small Industries Development Corporations (SSIDCs), the nationalised banks and even NGOs are conducting various programmes including Entrepreneurship Development Programmes (EDPs) to enhance skills and education, training in TV repairing, screen printing, printed circuit boards, leather goods,etc.
- "Outstanding Women Entrepreneur" award of the year to provide incentives and to recognise achievements made by women entrepreneurs
- Women Cell have opened by The Office of DC (MSME) for women facing specific problems. It is to provide assistance and coordination to women entrepreneurs.
- Department of Women and Child Development establish the Income Generating Scheme to implement assistance for setting up training-cum-income generating activities for needy women to make them economically independent.

- The Small Industries Development Bank of India (SIDBI) introduce Mahila Udyam Nidhi to deals with equity to women entrepreneurs and the MahilaVikas Nidhi deals with developmental assistance for women in income generation.
- The SIDBI start up an informal channel for credit needs on soft terms to women.
- SIDBI also provides training for credit utilisation skills for women.
- Socio-economic Programme of Central Social Welfare Board grant for setting up a production unit.
- Under e-learning platform, ni-msme has developed a dedicated portal for different modules targeting mainly women entrepreneurs for their career progress from home. Under this initiative, around 5,901 entrepreneurs have enrolled in 17 trades up to 31/03/2017.
- Presently women entrepreneur are getting 3Es i.e. engineering, electronics and energy through training. Government introduce the promotional packages for capacity building of women in 2007.
- Government introduce skill development programme through enhancing training capabilities of tool room of women entrepreneur at free of cost.
- The Mahila Coir Yojana is a woman oriented self-employment Scheme for rural women artisans. One artisan per household is eligible to receive assistance and training under the Scheme (75% subsidy and 2 months training).
- Credit Guarantee Trust Fund for MSEs provides free credit (no collateral) up to 80% credit women MSMEs.
- Government has to introduce Cluster Development Programme (MSE-CDP) for enhancing productivity, capacity building and competitiveness among the women MSEs.
- Government has built common facility centres (CFC), Common Display Centres (CDC) for funding women entrepreneur and ‘Infrastructure Development Projects (new/upgradation)’for women.

Financial Schemes for women entrepreneur

India is having successful women entrepreneur i.e. Indra Nooyi, Ekta Kapoor etc. these women encourage other women but financial constraint hinders them. To over this hurdle Govt. of India announced financial boost specially design for women entrepreneurship. Various such scheme are mention below:

- Annapurna Scheme **i**s offered by the State Bank of Mysore for setting up food catering industry by women entrepreneurs to fulfil the working capital needs of the business like buying utensils and other kitchen tools and equipment. The maximum amount of money that is granted is ₹50,000 for that interest rate is determined depending upon the market rate.
- Stree Shakti Package For Women Entrepreneurs for50% share in the ownership of a firm or business and having interest in Entrepreneurship Development Programmes (EDP) is offered by most of the SBI branches the loan of ₹2 lakhs or more is offers a discounted rate of interest i.e.0.50%.
- Bharatiya Mahila Bank Business Loan/ the Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), to support new ventures in the fields of the retail sector, loan against property, MICRO loans, and SME loans by women. There is no collateral

security for a loan of up ₹1 cr. to 20 cr for manufacturing industries at 10.25%-12.25% interest rate.

- Dena Shakti Schemeis provided by Dena bank to agriculture, manufacturing, micro-credit, retail stores or small women entrepreneurs. Maximum loan amount being ₹20 lakhs for retail trade; education and housing whereas ₹50,000 under the microcredit at 0.25% interest rate.
- Udyogini Scheme to supportagriculture, retail and small business women enterprises is offered by Punjab and Sind Bank. Bank offer loans for ₹1 lakhs to18-45 years old women but your family income is also taken into consideration and special concession for SC/ST women i.e. ₹45,000 per annum.
- Cent Kalyani Scheme to support in venture/expansion/modification of existing women village and cottage industries, micro, small and medium enterprises, self-employed women, agriculture and allied activities, retail tradeandgovernment-sponsored programs is offered by the Central Bank of India. Maximum Rs. 100 lakhs with no collateral security or guarantor and charges no processing fee is offered.
- MahilaUdyamNidhi Scheme or soft loan schemetosupport the women entrepreneurs involved in the small scale industries (beauty parlors, day care centres, purchase of auto rickshaws, two-wheelers, cars, etc.) is launched by Punjab National Bank ₹10 lakhs is the maximum amount granted at market the interest rate.
- Mudra Yojana Schemehas been launched by the Govt. of India for individual women to start beauty parlors, tailoring units, tuition centres, like small business and venture of women group with no collateral security under 3 schemes mention as below –

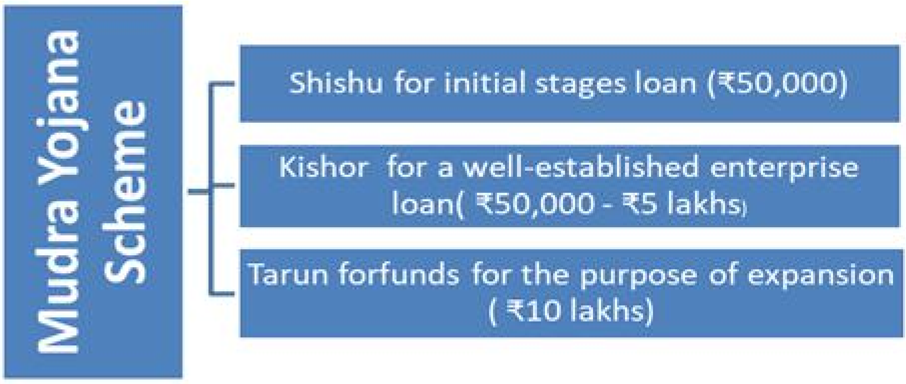


Figure 3: Government Mudra Yojana Scheme

- If the loan is granted, a Mudra card will be given to the applicant which function as the same way as a credit card however the funds available are limited to 10% of the loan amount granted to the applicant.
- Orient MahilaVikasYojana Schemeis provided by Oriental Bank of Commerce for holding a 51% share capital individually or jointly in a proprietary concern by women. For small-scale industries with (₹10 lakhs up to ₹25 lakhs) loan reflect no collateral security is available at an interest rate of up to 2% that is repayable in 7 years.
- To develop the potential of women, Entrepreneurship Development Programmes (EDPs) creates that enhance education and skills of women. Women cell has to develop for the women enterprise coordination and assistance.

- Prime Minister's RozgarYojana (PMRY)has given relaxation for womento facilitatewomen participation in the scheme.
- Prime Minister Rojgar Yojana and EDPs, train women for agriculture and allied activities, specialized KVIC activities, women co-operative for agro-based industries of women and integrated Rural Development Programs (IRDP), Training of Rural youth for Self-employment (TRYSEM) to the women for alleviating the poverty.

Year	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18
Women Beneficiaries under PMEGP	13612	13448	13394	11356	14768	8464* provisional

Table 2: Under PMEGP higher subsidy is provided to women beneficiaries

Source: PMEGP report 2017

- MSE Cluster Development Programme i.e. hard intervention in women entrepreneur has upto 90% of the project cost.
- Credit Guarantee Fund Scheme for Micro and Small Enterprises covers guarantee up to 80% in women enterprise.

Major Initiatives DC-MSMEs

India MSMEs faces overflow of innovative ideas and creative solution in term of women entrepreneurship development but still number of women entrepreneur and business owner is much lower than male entrepreneurs. According to the survey by startup India (2019), 13.76% of total entrepreneurs in India are women[1].

- To increase women participation in International Trade Fair, Government reimburse economy class air fare and 100% space rent to North eastern regions women entrepreneur.
- In North eastern and Hill states, GOI assistant in term of 90% grant for CFCs and more than 50% for clusters of micro/women/SC/ST business units under MSE CDP scheme.
- Under MSE CDP scheme, Grant for infrastructure development to the women owned stand-up where government limit of the assist up to 60% i.e. Rs.10.00 crores.
- Government conduct various 2 weeks and 6 weeks Entrepreneurship Development Programme for weaker section and SC/ST/Women/Physically Handicapped respectively at free of cost with a stipend for attendees.
- Government creates an Internal Complaints Committee under Prevention and Redressal Act, 2013 to prevent women from sexual harassment where online complaint management system develops for central government women employ.
- Government provides 500 new model eight-spindle charkhas to the women spinners of nine State of the Country to enhance the productivity and their wages.

For example, Yashodhara Bajoria and Neha Goenka's CAXpert provides simple, convenient, and economical accounting solutions to small and medium enterprises. The startup helps record sales, expenses, orders processing, and time utilisation, and then recommends ways to optimise operations. The company has partnered with government think tank NITI Aayog's Women Entrepreneurship Platform (WEP), and regularly conducts webinars for women.

Facts of Women Entrepreneur in India

- Between age the 20-30, 58% women entrepreneur find in India that business in family business.
- Women entrepreneur contributes in revenue generation i.e.73% nearly Rs.10lakhs in one financial year.
- More than 50% women have courage to start the business alone, and 35% have co-founder, 3% venture capital.
- Women entrepreneur has a capacity to employ more or less 5 person in a unit.
- Above facts has change the picture of women from home maker to economic contributor especially in medium and small scale enterprises. According to the World Economic Forum, Global Gender Gap Report 2018, India ranks 142nd out of 149 countries in the economic opportunity and participation sub index with few achievements.

Indian Women entrepreneurs are suffered low level skill in organizing and running businesses.

Sangeeta Gupta, Nasscom, said, “Women have always been a significant part of the Indian IT-BPM (information technology-business process management) sector. With the launch of the GIT initiative, we hope to inspire more women to join the tech community, use their creative technical expertise and encourage them to join other active women leaders in creating unique solutions and technologies. We are also organising the ‘Tech Makers’ event, in partnership with Google, to sustain the momentum on empowering start-ups. We have already received great response from women entrepreneurs across different cities in India.” Nasscom has announced the launch of ‘Girls in Technology (GIT), to promote women entrepreneurs in India.

WOMEN AND FAMILY BUSINESS:

According to the Ashodhara Basuthakur and Nupur Pavan Bang, research tells us women participation Indian family businesses have witnessed a systematic rise that boost up women leadership and empowerment. With the decreased family size and increased education and ambitious women, the family business has increased women participation. According to The amendment in the Hindu Succession Act in 2005 also played an important role in bringing up the women participation in business. The amendment allowed the daughters or other female members of the family to be an equal heir. Other than this, Daughters-in-laws have now come to play pioneering roles in their family business. However, traditionally restricted to domestic space, women require training and support ecosystem to take up responsible and challenging roles and bring a significant change in gender equality.

According to mandated in the enforcement of the Companies Act 2013 that the participation of at least one woman in all the firms of India. After that ACT enforcement, Indian firms actively contribute in increasing the gender diversity.

Govt. of India has announced Health and Family Welfare in the 1960s, that was lead the increase in women participation in the family business because the size of the family became smaller, the number of sons in the joint family capable of running the business decreased. Families with only daughters or those with one son and one daughter started focusing on nurturing and training their daughters for the family business.” the current.

Most Powerful Women, the article published in business today 2003, in business today show 24% women leaders involve in family business in association to the father or spouse. Researcher also fond women have certain qualification like hard work, the quest for knowledge, business acumen, eye for quality that boost up the courage to go against the socio-culture biases and propelled them to subsidise successfully to the family business.

Research suggest women needs training for efficient management before starting in the business, women need to overcome the myth that they cannot deal with calculative, social and systematic business environment.

Researcher suggest families and male counterpart need to take supportive measures to encourage the women because women restrict themselves to travel, extended working hours and out of sense of responsibility due to the societal pressure. By share household responsibilities, male can boost women to focus on the business and achieve great heights.

Women's participation in family business increased after mandated of companies Act 2013 that the participation of at least one woman in all the firms of India. This loophole makes it easy for the promoters of smaller firms to comply with the Act by appointing their female family members without foregoing their administrative power." Besides, the family business takes up women members of the family with the strategy and vision to preserve and sustain the business for future generations.

Therefore, in conclusion, "Family business decisions on succession, inheritance, the CEO or board member appointment should be based on capabilities, interests, and willingness instead of gender or kinship". Furthermore, it is important that women are provided significant positions and trained to deal with challenging roles.

The research says, "The role and responsibilities of women as independent board members are enormous, as they represent the interests of minority shareholders." If women are mentored and trained today to take up challenging roles and perform efficiently, they will open doors to include more women in the business. Since the tenure of a family business is approximately 20 years, women can adapt to management skills, achieve more and take the lead in making changes in the organisation "creating a conducive environment to achieve a gender agnostic, equal opportunity work environment." Hence, the responsibility of encouraging the future generation of women to take up leadership roles lies in the empowered women of today.

Family forces mobilization are fundamental guiding principle of entrepreneurship because family and business are consistently and indivisibly intertwining and overlapping elements to create interaction and sustainability. Family is act as fuel of combustion in business because the sharing of resources, including social networks, between the family and business is a major influence on the business ability to thrive along with its family remaining viable.

Characteristics of female influence family business:
There are following female characteristics due which female can be able to perform good in family business:

- According to Hollander & Bukowitz, 1990, women are having productive environment because women are carriers of the family culture.
- Salganicoff, 1990 said, Freedom and access to potentially better jobs; women have loyalty, flexibility, and sensitivity – help keep the peace.
- Marshack 1998 tells us Women's invisibility may be due to developmental differences.
- According to Daily, Certo, & Dalton, 1999, women reflects Better leadership opportunities than in the corporate world.

- Gillis-Donovan & Moynihan-Bradt, 1990 said, women have a capability to organize life around their family's needs that employ unacknowledged influence.
- Lyman, 1991 tells us, women have greater opportunities for advancement in family business because of their patient. (ref: Small business Institute @researcher review, vol.35,2008. Women in family firms: characteristics, roles and contributions.

Indian women in family business:

Indian women has attain remarkable landmark in female entrepreneurship development. Indian business is reflecting positive attitude towards women by appoint them as heirs to the family business. These women does not only raise existing business but also contribute in new directions. For example :

Roshni Nadar Malhotra is the CEO and Executive Director of $7.5 billion corporation, HCL. A successful leader of HCL's IT services arm – HCL Technologies, Roshni is responsible for HCL's healthcare business and launched HCL Talentcare. While Roshni seeks to grow the business, her real passion lies in the foundations – ShivNadar – which seeks the future leaders of India and Vidyagyan- which supports education for the deserving underprivileged kids.

Vinita Gupta is the CEO of Lupin Pharma, India's 3rd largest and the world's seventh largest pharmaceutical company**.** Her biggest achievement is widening the horizons for Lupin by acquiring a pharmacy company in Japan and since then, expanding to Germany, Australia, USA to name a few. Vinita aims to make Lupin a $5million revenue enterprise by 2018.

Apollo is one of Asia's largest hospital chains, established by Dr. Prathap Reddy in 1983.Preetha, Sangita, Sunita and Shobhana have defined roles to play and each of them has found success in their own share of work**.** Preetha, the eldest of them, is the MD and manages the day-to-day work of the hospital; Suneeta is the joint MD and is in charge of the balance sheets, Shobhana looks after pharmacies and insurance while Sangita takes care of clinics, education and telemedicine. It is believed that one of the most important reasons for Apollo's success story is the unity in the family, clarity of goals, and frank and regular communication.

Types of women involvement in Family business:

There are four kinds of women involvement in family business at three level which leads various outcomes that arise because of the various sources. Four types of women's involvement in family business are entrepreneurial entry, succession, career dynamics, and presence. Fig. 1 shows the classification of these topics, consistent with the importance attributed to the temporal dimensions in family business research (Sharma et al., 2014).

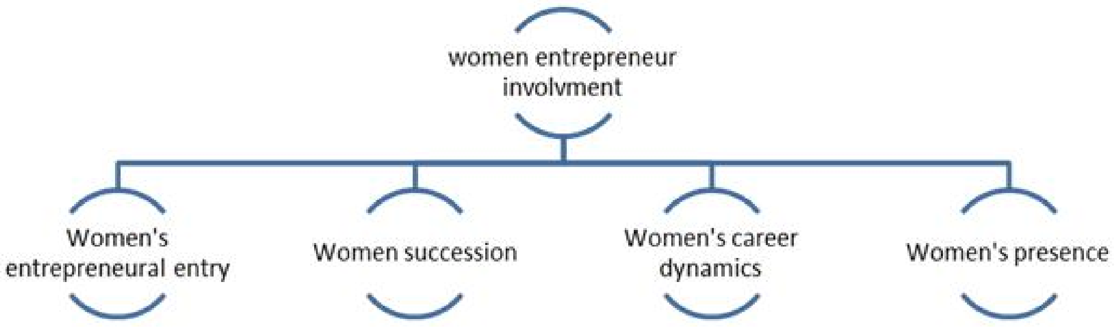


Figure 11. Types of women's involvement in family business

The first three types of women's involvement in family business (i.e. entrepreneurial entry, succession, and career dynamics) are characterized by dynamism: the entrepreneurial entry refer to women starting up a business with their husbands and/or other family members. The succession refer to women who obtained a leadership role by succeeding an incumbent leader. The career dynamics refer to the progressive involvement of women in the family business. Conversely, the last type of women's involvement in family business (i.e. women's presence) is static, referring to the presence of women who had already entered the family business.

The sources and outcomes of the four types of women's involvement in family business are studied at the business, family, and individual level.

1. Women's Entrepreneurial entry

Sources of women's entrepreneurial entry in family business: At business level

According to the Blenkinsopp &Owens 2010, the spousal support, family culture and ethics are the main sources of entry in family business for women's entrepreneurship. Spouse support may be either emotional or practical (combination of both). Further according to Van Auken & Werbel, 2006, women can launch an entrepreneurial project when spouses share business goals, risks and objective all together. Nikina, Shelton & Leloarne 2015 said, family and business improve when the husband's willingness to bring and adopt change that wife's business will be required. Welsh, Memili, Kaciak, & Ahmed, 2013; Welsh, Memili, Kaciak, & Al Sadoon, 2014 said, Female entrepreneurship is strongly supported by the family of origin, especially in some cultural contexts, such as Sudan and Saudi Arabia. Family tradition and culture are further factors that highly affect the probability of a woman becoming a family entrepreneur (Robinson & Stubberud, 2012; Gundry & Ben-Yoseph, 1998). Burt, 1997; Sirmon & Hitt, 2003; Pearson et al., 2008 tells family moral support is indeed a key source and form of social capital.

Sources of women's entrepreneurial entry in family business: At Individual level

Women's personal characteristics are measured the main sources of entry in family business as women entrepreneur. According to the Barrett, 2014 said, entrepreneurial imagination, empathy, modularity, and self-organization are factors that act as a sources women's entrepreneurial entry in family business. Hisrich & Fülöp, 1997 tells, these factors are supplemented by human capital variables, such as education level and area, previous entrepreneurial experience. Kickul, Jianwen, Gundry, & Iakovleva, 2010 added, alertness, i.e. the ability of women to identify opportunities and exploit the 17 resources needed for their entrepreneurial strategy. Accordingly, Gherardi (2015) distinguishes different women's roles, such as business creators, "co-authoresses" of the firm, responsible wives, and second-generation owners. Depending on the role played, different types of resources are mobilized, such as passion (business creator), ability to share decisions (co-authoress), be the helpmate (responsible wife), and follow in the father's footsteps (second-generation owner). In terms of human capital, both male and female founders benefit from higher education and experience (O'Connor, Hamouda, McKeon, Henry, & Johnston, 2006). Dhaliwal 2000 mentioned that indeed, "independent women" who take the lead in making decisions are in control of the business, care about external relations, and are more likely to become entrepreneurs than "hidden women" who instead mix domestic and market relations that are usually exploited by men. But women invisibility" is one of source that hinder the women's entrepreneurial entry in family business i.e. lack of recognition of their critical role in the business said by Karatas-Özkan, Erdogan, & Nicolopoulou, 2011. Hoffmann et al., 2015 said an additional driver affecting women's entrepreneurial entry in family business is the gender of the parent who is self-employed, as only when the father is self-employed does the likelihood of the daughter becoming an entrepreneur increase.

Outcomes of women's entrepreneurial entry in family firms: At firm level

There are few outcomes despite sources either foster or hamper the women's entrepreneurial entry in family business.

Zapalska, Bugaj, & Rudd, 2005 said the performance of female-controlled family business is positively affected by the female entrepreneur's age. While Welsh, Memili, Kaciak, & Ochi, 2014 add-on women's ability to obtain family support, a relevant condition for coping with personal and business problems. Cole & Johnson, 2007 said couple may work together after divorce if copreneurship gives good governance structure, trust engendered and commitment to the business. According to the Smith, 2009, 2014, women's strategic choices are to start family businesses in familiar area, focus on one industry rather than men do. Kuschel & Lepeley, 2016 said, women's goal are growth oriented in spite of lively hood.

Outcomes of women's entrepreneurial entry in family firms: At family level

Wu, Chang, & Zhuang, 2010 said women's work-life balance became the bases of success marriage. According Marshack, 1994, further outcomes are marital equity and equality constitute i.e. how satisfied each spouse is with the division of responsibilities. Millman & Martin, 2007 tells us about equality that relates to how equal the efforts, roles, and rewards among the partners. Hedberg & Danes, 2012 mentioned, Copreneurial businesses where spouses are equal partners engaging in collaborative power interactions are likely to result in a more productive team. Deacon, Harris, and Worth (2014) discuss equality between copreneurs, asserting that the skills, responsibilities, and roles of the female and male partners are often complementary and 19 thus create value not only for the business but also for the family

Outcomes of women's entrepreneurial entry in family firms: An individual level

Lakshmi Bala, Kavitha, & Suresh Kumar, 2016 said there is only one outcome i.e. female entrepreneurs' satisfaction in family business.

2. Women's succession in family firms

Sources of women's succession in family firms: At business level

According Overbeke, Bilimoria, & Perelli, 2013, Primogeniture i.e. the presence of automatically activated gendered norms may impede female succession.

Sources of women's succession in family firms: At family level

There are few souces that hinder female to opt as successor of family business. Ahrens et al., 2015 said family composition i.e. intra-family successions are considered important sources when predecessor has a son, although female family successors seem to be equipped with significantly higher levels of human capital. Glover, 2014 tells the father's preference for male family members as successors is an additional factor that may inhibit female succession.

Although, Smythe & Sardeshmukh, 2013 explore early socialization in the family business, better communication, and the quality of the relationship between incumbent and successor are sources that father and daughter. Galiano & Vinturella, 1995 said Father-daughter relationships are generally not as competitive as father-son relationships, thus building a good relationship with fathers/husbands should be easier for daughters compared to sons.

Sources of women's succession in family firms: At Individual level

According to the Schröder et al., 2011, female succession required personality traits i.e. caring, altruistic, and trusting, the more she would prefer a job outside the family business. On the contrary, the tougher and less open she is, the more she would prefer taking over her parents' business. Dumas, 1990 explain Individual identity (harmonious and stable) in addition to personality traits means care taker of king's gold that reflects she is able to take care of herself, her father, and the business. Mathew, 2016 added, strong motivation and a growth orientation may increase her likelihood of being selected as the family business' designated successor.

Vera & Dean, 2005 said, work-family conflict could the source of impede the female succession. Salganicoff, 1990 defining their own identity, and meeting the expectations of their close community. Cadieux et al., 2002 reflected the problems of women in raising a family requires too many working hours per day. Gherardi and Perrotta (2016) also find that women's perception of gender inequality affects the way female leaders prioritize familial rather than industrial engagement, and may lead to less legitimacy with respect to males in the eyes of relatives and firm stakeholders. According to the Vera & Dean, 2005, women's rivalry with non-family employees could also negatively affect father-daughter succession. (Cicellin, Mussolino, & Viganò, 2015 said Incumbents can deeply influence the succession process. In the case of male predecessors, the incumbent's leadership style may play a relevant role: a benevolent paternalistic style may increase the possibility of successful succession for a daughter rather than a son.

Cadieux, Lorrai, & Hugron, 2002 tells lack of planning may hinder succession but Sharma, Chua, & Chrisman, 2000; Chrisman et al., 1998 initiated need of the right skills and high credibility of women. A female CEO faces the problem to choose the only son/daughter-in-law as successor when he/she is not ambitious, assertive and competent: when a daughter-in-law becomes the successor, it is usually because she has outstanding skills said by Kaslow, 1998.

Outcomes of women's succession in family firms: At family level & individual level:
There are some outcomes which define by Haberman and Danes (2007), women in a father-daughter succession experience feelings of inclusion, an individual level factor resulting in fewer conflicts and higher levels of shared meaning, collaboration, and integration among family members at the family level.

3. Women's career dynamics in family firms
There are various sources for women's career advancement in family business yet no insights emerge on the outcomes of such career progression dynamics.

Sources of women's career dynamics in family firms: At business level
Federal Glass Ceiling Commission, 1995 mentions, Glass ceiling i.e. unseen yet unbreakable barrier are found in large, small and medium-sized family business that prevent women to raising at higher ranks . but Songini & Gnan, 2009 tells family-owned SMEs seem to provide a more favorable environment for women to attain a position on the board of directors. GillisDonovan et al., 1990 define another hinders factor i.e. women's invisibility means women with low or no physical visibility in the workplace, sharing a lack of acknowledgement, title and compensation. Frishkoff & Brown, 1993 has change the view by defining Women's invisibility manifests when their job is not properly formalized, articulated, and acknowledged, potentially leading to slow and unsatisfactory careers despite their crucial contributions, in some cases, to family business success. Fortuitously, women increasingly play more active and successful roles in family business.

Sources of women's career dynamics in family firms: At Individual level
According to the Fisch, Lau, Obschonka, and Presse (2016) and Vadnjal & Zupan, 2011, women are more risk-averse than men and that family firms are particularly attractive for risk-averse employees. Women find working for the family firm more attractive and rewarding compared to non-family firms, although they are challenged by a masculine environment that makes them conceal their typical feminine characteristics when they become CEOs. According to Dumas (1998), when a daughter enters the business, her individual characteristics may affect the career dynamics, as she may have a reactive, proactive, or evolving business vision in the "participation" phase which communicate she is ordinary employee, clear image of the business and a desire to improve or aware of the business and her own potential in managing it respectively.

"Leadership" phase is at peak when parents select her to recognize her skill, education, ability and experience in business. Family moral support, solidarity, and love are other source in this phase. Lyman, 1988 said interpersonal networks are also found to provide greater opportunities for career stability and guidance in the individual sources. Kilkolly-Proffit (2013) shows that daughters become acquainted with the family business earlier and easier when the leader is their mother rather than their father.

4. Women's presence in family firms

There are various sources and outcomes of women's presence at business, family and individual level as mention below:

Sources of women's presence in family firms: At business level

Heinonen & Stenholm, 2011) said that higher formalization and a clear division of labor helps clarify women's roles in business and their contributions.

Sources of women's presence in family firms: At Family level

Rothausen, 2009 suggest families with rigid rules and norms in terms of gender roles may prevent women's presence in the family firm. Salganicoff, 1990 said women generally have more advantages than men in family firms, especially flexibility in work schedules and job security for maternity leave.

Sources of women's presence in family firms: At Individual level

According to the Singh, Point, Moulin, & Davila, 2015, one of the main drivers of women's presence in family firms is their higher educational level and being members of the owning family. Rowe & Hong, 2000 defines bad health of husband boost wives participation in family business.

Outcomes of women's presence in family business:

Women's presence effects the family business that lead positive result at different level are as follow:

At business level: Mínguez-Vera & Martin & Amran, 2011 said, women are more risk-averse that leads women's presence on boards seems to have a negative impact on family firm performance. Galbraith, 2013 said the financial performance of small family firms may decrease substantially after the divorce held. Conversely, Amore et al. (2014) find that female-led companies perform significantly better at high levels of female directorship (i.e. percentage of female directors), especially when female directors do not belong to the family. Cruz et al. (2012) find that women managers know how to handle conflict between socio emotional and financial goals better than men, thus improving firm performance. Vandebeek, Voordeckers, Lambrechts, and Huybrechts (2016) define gender as a fault line in the board of directors that may affect board control and service performance positively or negatively depending on the adoption or absence of board evaluations, thus providing additional evidence of the dual nature of women's involvement in family firms. Organizational size and formality have a stronger effect on female-led businesses than on male-led businesses define by Harveston, Davis, and Lyden, (1997)

At individual level: Aygören & Nordqvist, 2015 finds women are often more likely to question their authentic self and their identity in the boundaries among family, work and the individual's own spaces.

Women Owned Enterprise Contribution in Different Sector:

According to the MSME ministry, the 4th census, the MSME sector underwrites about 45 per cent of India's total manufactured output and nearly 40% of its exports. Which gave livelihood to 60 million people. Nearly 13.7 % were women enterprises out of the total1,564,000 registered enterprises.

Mostly women in MSMEs or small scale family business are engage in home-based entrepreneurial unit for example milk vending, goat rearing, butter and ghee making,, home-grown vegetables, poultry farming, money-lending, pawn brokering, etc. it has been found effective in socio-economic development by providing employment to 3.68million in agriculture based a unit and 3.95 million opportunities in non-agriculture the units. Now the scenario has been changed women entrepreneur shift towards more on tech-based industries as follow. In the non-agriculture unit, major contribution comes from manufacturing, education food services, retail, trade and soon.

CONCLUSION

Women entrepreneur in India continuously shown landmark in the field of business but still lag behind due some social-economical reason. Family business involves female members of family in business as new wings of existing or addition of new product which influence and improve socio-culture image of business in market.

QUESTION/ ANSWER

1. Prove that why women entrepreneur is necessary for development of nation.
2. Explain the women empowerment and how it influence decision-making process.
3. Write down the various features of women entrepreneurship.
4. Write down various Govt. policies to empower the women entrepreneur.
5. Explore the financial policies/ scheme provided by Govt. to the women entrepreneur.
6. Write down the initiative /scheme launched by DC-MSMEs.
7. Women and family business are interrelated and overlapped to each. Prove it.
8. Write down the characteristic of female that influence family business.
9. Explain the source and outcome after the women involvement in family business.
10. Write down the various types of women involvement in family business and what are the sources and outcomes of it.

REFERENCE

1. https://www.google.com/search?q=govt+secheme+for+women+entrepreneurship+in+family+business&rlz=1C1CHBF_en&oq=govt+secheme+for+women+entrepreneurship+in+family+business&aqs=chrome..69i57.24535j0j7&sourceid=chrome&ie=UTF-8
2. Claiming economic empowerment, http://www2.unwomen.org/-media/annual%20report/attachments/sections/library/un-women-annual-report-2017-2018-economic-empowerment-en.pdf?la=en&vs=2848
3. Https://msme.gov.in/sites/default/files/msme-ar-2017-18-eng.pdf
4. https://www.ifc.org/wps/wcm/connect/a17915804336f2c29b1dff384c61d9f7/womenownedbusiness1.pdf?mod=ajperes
5. Https://dipp.gov.in/sites/default/files/lu3801.pdf
6. https://msme.gov.in/sites/default/files/msme%20achievement_english%202014-18.pdf
7. http://indpaedia.com/ind/index.php/female_entrepreneurship_index:_south_asia

8. https://www.business-standard.com/article/news-cm/women-constitute-around-14-of-total-entrepreneurship-in-country-118071600642_1.html

9. https://www.indianweb2.com/2017/06/22/9-women-entrepreneurs-india-indian-startup-ecosystem-regressive/

10. https://www.nettyfeed.com/the-rise-of-women-entrepreneurship-in-india/

11. //economictimes.indiatimes.com/articleshow/57520712.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

12. //economictimes.indiatimes.com/articleshow/67145220.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

13. https://pdfs.semanticscholar.org/a839/9756d4faf59373852a9b905b1159947a93e3.pdf

14. http://www.ijecbs.com/January2017/1.pdf

15. https://www.womensweb.in/2018/04/12-indian-women-in-family-businesses-creating-path/

16. Women's involvement in Family Firms: Progress and Challenges for Future Research, https://eprints.lancs.ac.uk/id/eprint/128992/1/Accepted_paper_JFBS_Women_s_involvment_in_family_firms.pdf

ABOUT THE AUTHOR

Dr. Mohsina Hayat is academically associate with Jamia Millia Islamia (a Central University), New Delhi to inculcate knowledge among the PG and UG aspirant. She has 20 years of teaching, research and Administrative experiences with M.A. (Economics), MBA (Finance) and Ph.D from department of commerce and Business Studies. She has vast experience of teaching economics and its applied subjects in different courses such as MBA, MCOM, BBA, BCOM etc. She has design course like MIB in Arya School of Management, Jaipur. She guided various dissertation and project under the PG and UG programmes on different research topic of Finance, HR and Marketing in alliance of Economic.

Assist book on Entrepreneurship and has published various research papers and articles in different journals and conferences.

She has been working in Centre of Management Studies since 2016 (continue) as Guest faculty, Centre of Distance and Open Learning, Jamia Millia Islamia since 2011 (continue) and Indira Gandhi National Open University 2017 (continue) as an academic counsellor and earlier she had worked with Aligarh Muslim University in 2000 -2007 as Assistant professor, Post graduate teacher and Guest faculty. She taught to aspirant of Arya College of Management in 2007-2011 as Assistant professor, controller of examination for internal MBA, BBA examination and BBA Coordinator.

She has been associated with various other responsibilities such as conference coordinator, coordinator of faculty development programmes, supervise the library digitalisation programmes, coordinator for various cultural and annual fest of University.

ABOUT THE BOOK

Indeed, this book is an analytical investigation of family business management in India and rest into the world. Students are able to understand that the family business is necessary for all round Socio-economic development because it is traditional adopted business. The book is an attempt to provide basic acquaintance and a complete conceptual understanding and challenges and schemes, strategies and rules and regulations of family business so that family business helps in the economic development of the countries.

The book reveals the progress level of family business rises in a creative and innovative way, new technology used in an exist business that needs for the socioeconomic development of any the countries. An author expresses Family business management is the lifeblood of the family business as in all round the economic development of the world major business holder that are having a family business.

Study to apply and focuses on the limitations of family business (i.e. succession planning) and suggests and recommends measures to be adopted by the family businesses on improving the capabilities of their business. Family business management studies to involve allocation of capital and financial resource between the business and family demand, authorise people to control and have decision-making power in the family and firm, Selection of succession, senior leadership and governance positions in the firm or family, conflict of the human relationship among the family and firm and culture value to need sustained and transmitted to owners, employees and younger family members. The study applies in making the planning policies that improve the family business in all over the world.

EPH

Empyreal Publishing House

India | UAE | Nigeria | Uzbekistan | Montenegro

ISBN 978-81-946375-5-4

9 788194 637554