

# The Challenge of Running a Family Business Successfully

In today's competitive scenario, many family businesses in India are facing several challenges. To enhance the growth of family enterprises, entrepreneurs need to be more strategised in the execution of business practices along with maintaining healthy family relations.

**RITA G. CHAUHAN**

In the past few decades, family businesses in India have attained new heights with many changes in organisational setups. According to a report by Credit Suisse, India accounts for more than 45 per cent of the total market capitalisation. India has 67 per cent of total listed companies, which is the highest percentage share of family businesses in Asia. Developing a successful family business along with healthy family relations is not easy because a family business demands a formal succession plan to compete emotions and personal interests.

Generally, economic needs and social obligations enforce young generation to support their family businesses. Thus, the involvement of family members in businesses is increasing nowadays. They are actively participating in all day-to-day business activities. Dr Mita Dixit, Chief Consultant and Family Business Advisor, Equations Management Consulting, says, "In 21<sup>st</sup> century, Indian family businesses are adopting modern business practices and are experiencing technical revaluations, transformations and restructuring under the guidance of young entrepreneurs." She adds, "Now the emphasis has been on the business growth rather than family issues. The entrepreneurs become more conscious about the organisation structure, strategies, etc. However, in the past few years the family control over the business becomes more formal or legal but there is a lack of succession planning that results in fall down." As a family business advisor, she grooms young generation entrepreneurs of family businesses.

## Current Trends

In India, the dominance of joint family system leads to rise in family businesses. The factors like cultural pressures and caste systems also promoted family business system. Dixit adds, "The number of family businesses was smaller during independence. But today, it dominates the business sector with the addition of new trends." The new trends include:

**Young entrepreneurs' force:** Dixit says that in



KV Rao, Chairman & Founder, Dolphin International Ltd. incorporated the group in April 1990 and has been awarded many times for his entrepreneurial abilities and export endeavors in the international market. He says, "As father-son, and father-daughter we all take decisions as a team for the development of Dolphin Group, and it is also a key to lower the conflicts in family business."

Praveen Rao, Vice President, Dolphin Mart Ltd, is taking forward the vision of his father. He says, "I am keen to learn from my father's experience and manage business through innovations."

Preeti Rao, Vice President, Dolphin International Ltd, is spearheading the current operations to new areas related to health and wellness services. She says, "To lead a family business successfully, all family members needed to work together and maintain healthy relations."

India about 65-70 per cent young family members are actively involved in the decision making process of their family businesses. They foray into their family businesses with advanced academic learning, passion and dedication. They are actively involved in every aspect of business – purchase, sales and marketing.

**Two-three generations controlling family businesses:**

Although the number of first generation owning family businesses is high but second and third generation's contribution cannot be ignored. There are more than 35 per cent organisations headed by two-four generations. KV Rao, Chairman & Founder, Dolphin Group, says, "All generations are working together with different areas of their expertise like finance, legal, planning, management and communication."

**Diversification in business:** A recent survey reveals that every business house has extended or planning to extend its range of activities into new areas to raise resources. Dixit says, "Many family businesses diversify into other areas and have raised resources for next generation. They believe that diversification would help them to dominate the market."

**Rise in involvement of foreign investors:** The groups like Reliance and many others have attracted the foreign investors by its success and have formed joint ventures within India and abroad.

**Increased family women participation:** One of the major trends in family business is the increased involvement of women. They are taking over their family business and becoming the valuable asset for business growth.

**More family members' involvement in business:** Cousins and other relatives' involvement increases in

family businesses. Now entrepreneurs are more open to educate their relatives who want to join them in business.

**Ownership flexibility:** Family business ownership is now at the mature stage. Owners are ready to handover the business to new generation of the family. Sunil Gupta, Founder, Camp Roxx Pvt Ltd, has motivated his son Sameer Gupta to join his business. Now, his son is the director of the company.

**Challenges**

A family business extends over generations and passes through different stages of transformation. Sometimes, one family member is leading the business, and at times, siblings working as a team and running the business. The other stage for transformation of business is the involvement of relatives, in which the ownership is enjoyed by many.

With all these stages, family businesses face some common challenges which are enlisted below.

**Emotional dynamics:** In a family business, many emotional dynamics are involved. It is not easy to keep your business separate from emotions. Moreover, you cannot be insensitive towards family members also.

**Grooming the next generation:** Sankar Sen, Chairman, Senco Gold Ltd, says, "Preparing next generation for business challenges is very important. There is a need of value transmission from one generation to other as it is too difficult for young generation to understand the benefits of family business ownership."

**Succession plan:** This challenge is faced by almost every family business. Sometimes owner is ready to take retirement but no family member is interested in



Dr Mita Dixit, Chief Consultant and Family Business Advisor, Equations. She has worked on the complex subject of "Conflict in Indian Family Businesses." She consults SMEs and family businesses across industry verticals like consumer products, lifestyle products and services, real estate, engineering, and education. She says, "It is very important to follow a professional approach as owner promoters in family business." She suggests to assess the hidden strengths and capabilities of all family members and develop an open channel of communication to solve any conflict.



Sankar Sen, Chairman, Senco Gold Ltd, says, "Balancing work and a personal life becomes difficult but one can handle it with the right attitude. Key strategy for me is to stay calm and thoughtfully handle any conflict both at personal and professional fronts."



Suvanker Sen, Executive Director, Senco Gold Ltd, says, "The challenge becomes more complicated especially to the one in which our parents had success. With more than 36 years of experience in this industry, my father has a lot to teach me and to be successful in the technological marketplace no one can stop learning."

running the business further.

**Personal conflicts:** Many times family businesses face conflicts of personal interests, which leads to splits at business front.

**Finding and retraining qualified staff:** Managing a family business is a difficult task because every family member is equally important but he/she may not be equally talented. Sometimes you give more importance to family members against other employees. It may result in employees losing motivation.

**Keeping two or more generations together:** When multiple generations work together in an organisation, there are more chances of conflicts because of generation gap.

### Coping With Challenges

We have so many examples of splits in family businesses in India. Many Indian families took these splits as a wake-up call and are putting all their efforts to take business along with family.

**Define family member work areas:** Indrajit Sabharwal, Managing Director, Simmtronics Semiconductors Ltd, says, "The success of any business depends upon who is leading what operation. When you define work areas according to individual interests and abilities, it will help you to achieve success. However, you cannot ignore the age and experience factor in Indian scenario."

**Strike balance between emotions and business:** Pravin Rao, MD Dolphin International Ltd, says, "When emotions dominate profession, problem starts. It weakens you as an entrepreneur and affects business decision adversely." He advises to maintain right balance between emotions and business.

**Do not take business to home:** Amogh Sabharwal, Director, Simmtronics Semiconductors Ltd, says, "A lot of professional conflicts are carried to home and managing that is a key to maintain healthy and pleasant environment at both places – home and office."

**Understand generation gap:** Generation gap may pose as a big challenge. To avoid this, Indrajit Sabharwal suggests, "Roko mat Toko mat" the Parle G campaign fits well with new generation of entrepreneurs, especially when it is a family business."

**Keep personal and business matters separate:** Sameer Gupta says, "It is very important to view family relations and business separately. It helps you to understand the business goals and opportunities clearly. It also helps to carry your relations smoothly."

**Maintain healthy communication:** Through effective communications techniques entrepreneurs can take forward the family business. Dixit adds, "Periodical meetings and discussions on business and family problems are effective ways to deal with any issue."

### Role of Family Business Consulting Agencies

The demand for family business consulting agencies is on rise in India. These agencies contribute to the growth of family businesses along with the creation



Indrajit Sabharwal, Managing Director, Simmtronics Semiconductors Ltd, founded Simmtronics in 1992 and today running it successfully with his son Amogh Sabharwal. He says, "Roko mat Toko mat" the Parle G campaign fits well with new generation of entrepreneurs, especially when it is a family business."

Similarly Amogh Sabharwal adds, "I learn from my father to build a team and work together for a common goal in the company. However, there are a lot of professional conflicts that get carried to home and managing that is a key to maintain a healthy and a pleasant environment at both the places – home and office."

of family governance in the business. They guide business owners to develop family governance norms, next generations' leadership, succession planning and conflict management. They also help business families through leadership enhancement programme for owner-managers. Dixit adds, "There is a great need of periodic discussion of family values and business goals from an overall perspective. We work as a medium to arrange these kinds of discussions and make family business to grow."

### In Interaction With Entrepreneurs we Found

- All entrepreneurs believe that relations affect business activities.
- Sixty per cent entrepreneurs believe that it is a big challenge to manage family business.
- More than 78 per cent anticipate aggressive growth in family business in coming years.
- Only 30-40 per cent know that family councilor can help them to resolve any family conflict.

### Conclusion

It is clear that survival and growth of family businesses is not easy but it can be made possible through right approach and planning. It is very important for an entrepreneur to understand the needs and functioning of family and business both separately and take the experts' advice while facing any challenge. ©SME

