

Family Business

S-4

Module-1

- Topics covered.
- Starting a family business: Introduction of Family Business – Uniqueness and Dynamics – People, Women in Family business, systems and Life cycles – Structural management of family business– Business plan essentials – Yearly strategic planning. Family Business Development Models: Conceptual Models of Family firms – Three dimension of development Model – ownership development dimension – Family Developmental Dimensions – Business Developmental Dimensions.

Module-2

- Family Business Types: Four Classic Family Business types – Founders and the Entrepreneurial experiences – Growing and evolving family business – Complexity of family enterprise – Diversity of successions: Different Dreams and challenges. Organizing the business – Entity choices – Sole proprietorship – partnership – Limited partnership – Limited Liability corporation – choosing the form of business for the family situation – Choosing leadership in family business.

- <https://businessjargons.com/family-business.html>

Family Business

- **Definition:** Family business, as the name suggests, is the business which is actively owned, operated and managed by two or more members of the single-family. Here, members may be related by blood, marriage or adoption.

Family Business-Basically

- Single-family owns majority percentage of ownership
- Possess voting control,
- Has power over strategic decisions,
- Has the involvement of multiple generations of the same family and
- Senior management of the firm is drawn from the same family.
- Family Business plays a significant role in the economy. Indeed it is the oldest surviving economic system, that has a substantial contribution in the country's Gross National Product (GNP), total employment and total exports.

Some of the successful family companies in the world

Company	Country	Industry	Family Name
Walmart	USA	Retail	Walton
Berkshire Hathaway	USA	Conglomerate	Buffet
Hyundai	South Korea	Automotive	Chung
Samsung Group	South Korea	Conglomerate	Lee
BMW Group	Germany	Automotive	Quandt
Ford	USA	Automotive	Ford

Some of the successful family companies in the world

Reliance Industries	India	Conglomerate	Ambani
LG	South Korea	Consumer Electronics	Koo
Dell Technologies	USA	Computer Hardware	Dell
Tata Group	India	Conglomerate	Tata

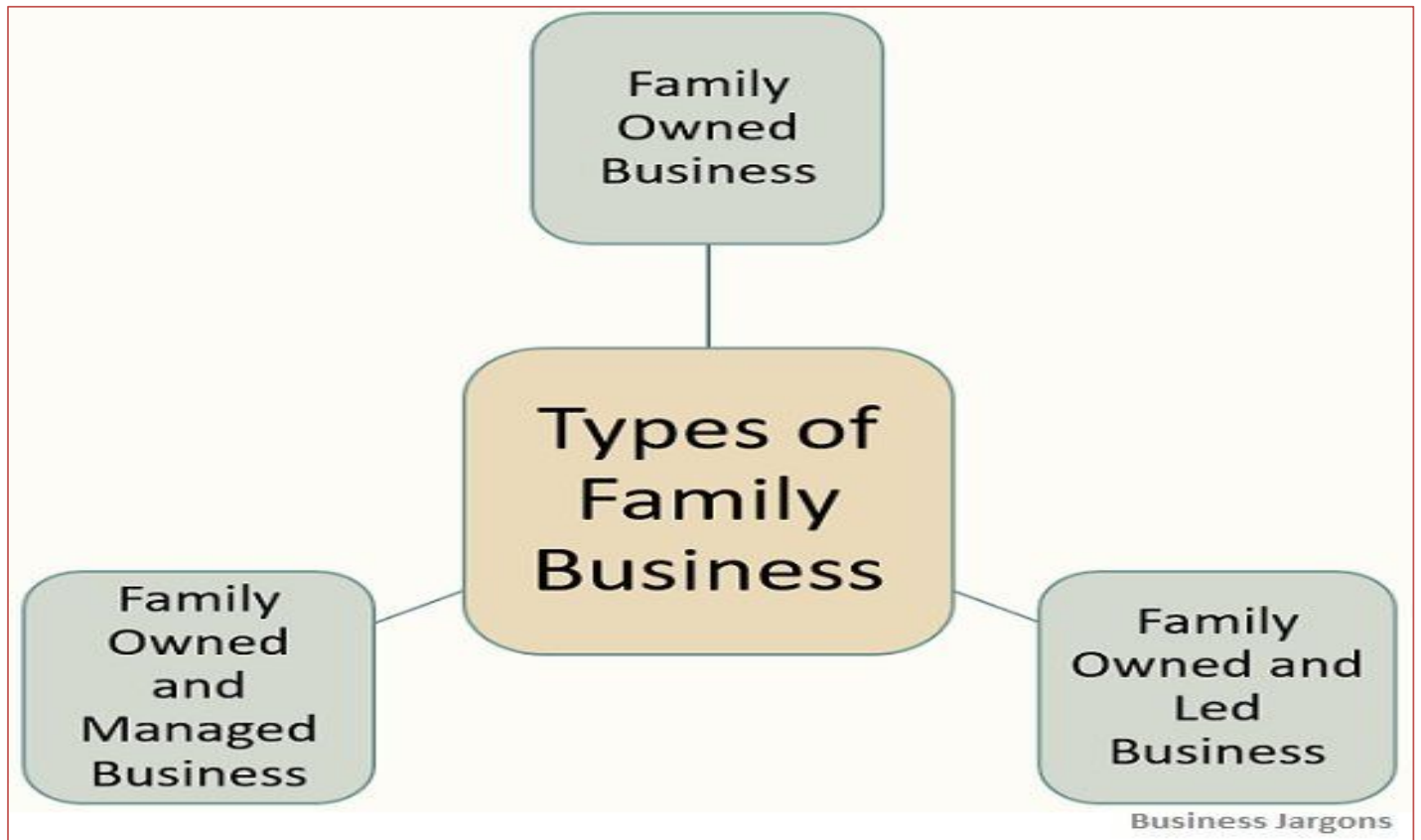
Characteristics of Family Business

- **Members:** A group of people, who are the members of the same family owns and runs the business enterprise.
- **Position of members:** The position of family members in the business depends on the relationship which the family members have with one another.
- **Control:** As the family owns a majority share in the company and also constitutes the senior management, it can exercise control over the business.

Characteristics of Family Business

- **Involvement of multiple generations:** The operation and management of the business are looked after by the family, and so the reins are passed on, from one generation to another.
- **Mutual Trust:** All the members of the family have mutual trust in each other, as they have a common origin, the same set of values, ethics and business orientation.
- **Integrity and Transparency:** It is generally characterised by strong moral principles and honesty towards business goals and business transparency.

Types of family Business



Types of family Business

- **Family Owned Business:** As the name suggests, a family-owned business is one in which the controlling size of the ownership stake is owned by the family or by the member of the family.
- **Family Owned and Managed Business:** In this kind of businesses the controlling size of ownership, lies in the hands of a single-family, or by a single member of a family. The controlling ownership allows the family to formulate and decide the objectives, methods and policies.
- **Family Owned and Led Business:** In such a business, along with the ownership of majority stake by the family or by the member of the family, at least one member of the family is a member of the board of directors. In this way, the family member can exert influence over business's direction, strategies and plans.

First Generation Entrepreneurs

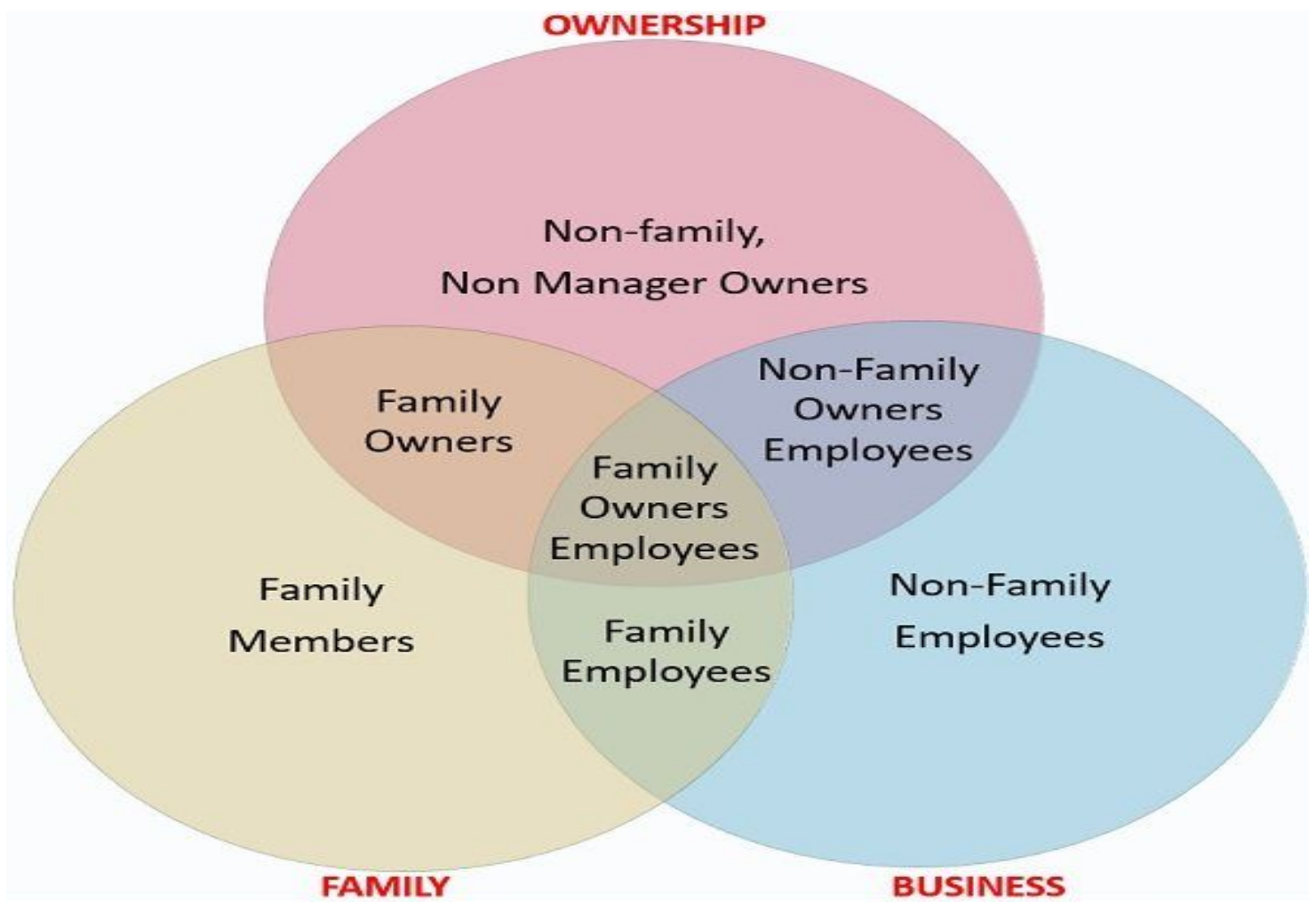
- **Who are First Generation Entrepreneurs?**
- These are New Entrepreneurs, who invest their money and bears risks and uncertainties to set up the business. They are wealth creators and pioneers in the business. They are innovators who bring new ideas to the business.

Second Generation Entrepreneurs

- **Who are Second Generation Entrepreneurs?**
- Second Generation Entrepreneurs are supposed to control and run the business established by their parents, but their activities and decisions are always under examination. They join the business as middle or top-level management, and after showcasing their potential, the reins of the business are handed over to them.

Structure of Family Business

- The three-circle model of the family business system is represented as under:



Business Jargons

Family structure

- In this model, the first circle indicates 'ownership', the second circle represents 'family' while the third represents 'business'. Now we will discuss entity in detail.

Non-family non-manager owners

- **Non-family non-manager owners:** These are an external investor or say outsiders, who own a certain proportion of business but do not work.

Family owners

- **Family owners:** This group include those family members who own a part of the business but do not take part in its operations.

Life cycle of family business

What is the life cycle of family business?

- There are several different life cycles (or stages) families need to consider concerning family firms. A usual life cycle model, such as one that marketing professionals use to plan and manage new products, describes the four stages of **birth, growth, maturity, and decline**.

What are the characteristics of family business?

- **8 Characteristics of Successful Family-Owned Businesses**
- They Face Difficult Decisions Head On. ...
- They Have an Exit Plan. ...
- They Are Honest With Family Members. ...
- They Aren't Afraid to Rely On Outside Advisors. ...
- They Hold Non-Family Members and Family Members to the Same Accountability Standards. ...
- They Embrace Change.

Hyundai Business

- **Complex business, complex family**
- South Korea's Hyundai Group is a good example of a sprawling business group and a multifaceted family. Founded as a construction business in 1947 by Juyoung Jeong, the group informally split up among his sons and brothers after his sudden demise in 2001. However, the Hyundai firms were interconnected in a convoluted cross-shareholding pattern.
- With three generations in the family business, including some deceased descendants replaced by their widows, the family found little common ground and resorted to court cases.

•

Hyundai Business

Complex business, complex family

- Managing firms where both the business and family are complex requires a significant investment in governance systems. A continuous focus on involving new generations of the family, grooming entrepreneurship and managerial talent, as well as family bonding is required.
- The business will also need mature governance systems that set clear expectations for the business leadership, and development programs to stimulate leadership talent.

Family Business Life Cycle

Family Business Life Cycle

- Typically, a family business will go through several stages of business evolution. The sequence of these stages can well be called the professional life cycle of the family business.

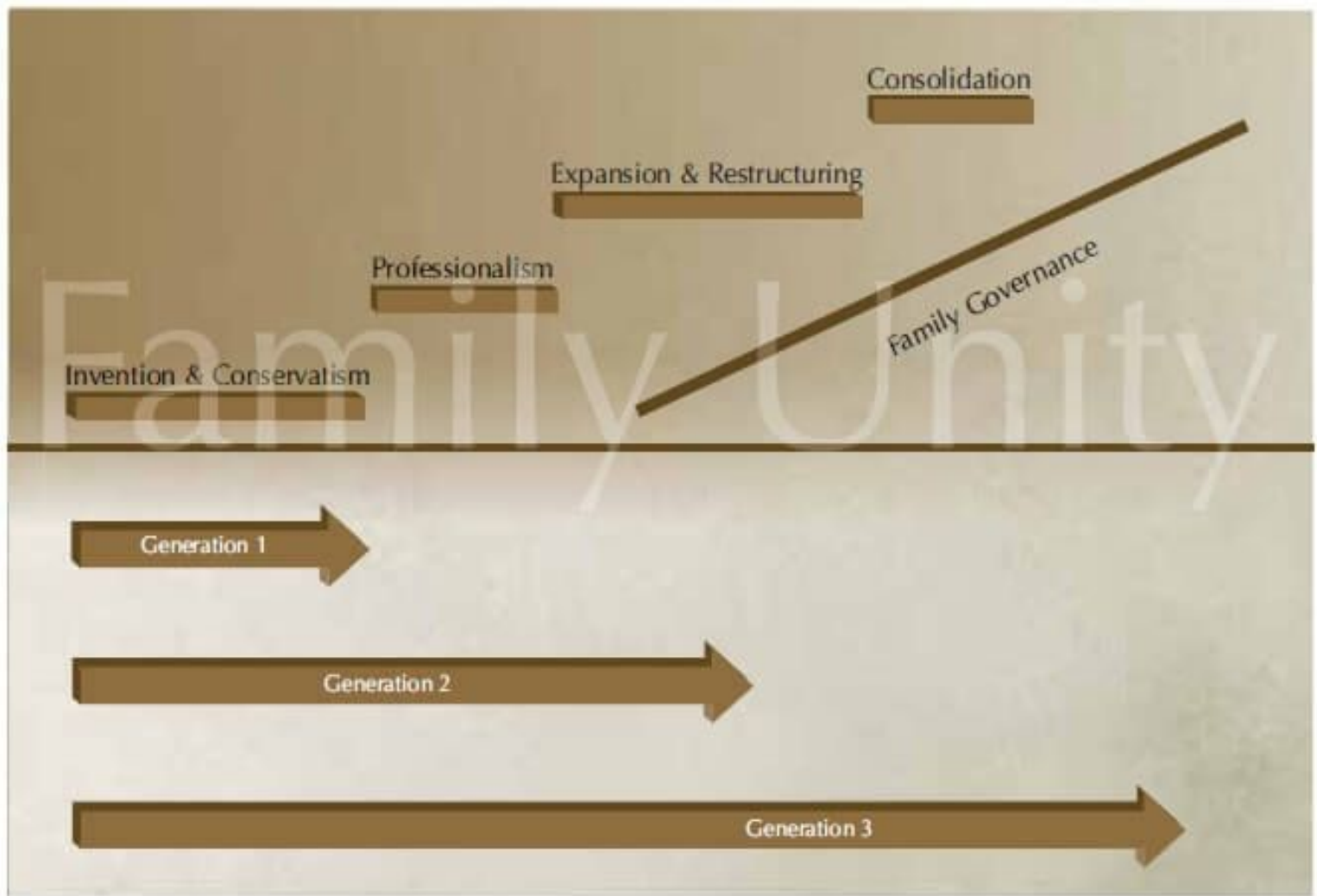
Family Business Life Cycle

- The establishment of a new family business begins with the founder's dreams.

From that point in time the way the business develops is a direct result of the combination between the founder's vision and his attitude towards risk-taking.

Family Business Life Cycle

- At this stage it is important to see how the founder's dream and vision is naturally influenced by the traditional values of his environment and the Zeitgeist.
- [**Zeitgeist** is a word that comes straight from German — zeit means "time" and geist means spirit, and the "spirit of the time" is what's going on culturally,]
- As his dream slowly becomes reality, the founder may become increasingly protective of the outcome of his efforts and will want to prevent the enterprise from taking any excessive risks.
- This phase of **'Invention & Conservatism'** [**യാഥാസ്ഥിതികത**] seems a natural result for a business leader, who battled his way through the sometime tedious start-up phase and now wants to preserve the gained ground.



Family Business Life Cycle

Family Business Lifecycle[Professionalism]

- At a later stage, the family slowly takes in the next generation that has its own visions and often a strong desire to introduce more strategic thinking and a more professional organisation. Usually, the new generation has the benefit of contemporary education and modern technological knowledge, which it uses to push this stage of 'Professionalization' of the family business.
- Introducing this more professional approach into the business may happen under the founder's leadership or may only happen after the transfer of leadership to the second generation. The stage of professionalization is a decisive one as it creates the platform for business expansion.

Family Business Lifecycle[Professionalism]

- Best case scenario here is that the business owners recognise and professionalise the strength of their core businesses and start looking ahead for new opportunities.

Family Life cycle stage-3,Expansion & Restructuring.

- The next stage is one of 'Expansion & Restructuring' and requires a lot of effort from management towards innovation and towards taking a certain amount of risk.
- It is a stage of re-inventing and re-working strategy. In many ways it is a new starting point where the family business goes back to the founder's initial vision and adapts it to the current challenges.
- The expansion phase is often linked to the family business' need for restructuring. This stage mostly coincides with the increase of family members involved in the business (including in-laws and cousins) and requires more formal family and corporate governance rules.
- This stage is without a doubt the most critical in the family business life cycle.
- It symbolises a turning point: the family members and business may continue or fragment and disappear.

Family Business Lifecycle-4th stage, Expansion & Restructuring phase

- Should the family business indeed survive the 'Expansion & Restructuring' phase, it enters the next stage, which can be called 'Consolidation'. This phase reminds strongly of the time of the founder's conservatism in the early days of the business.
- Consolidation is marked by need to focus on the systematic branding of products and services, by the consolidation of distribution channels and the further expansion into new domestic and international markets. It is a sort of renaissance[നവോത്ഥാനത്തിന്റെ] for the business.

Conclusion

- Surviving the different stages, will depend not only on a professional business approach but will ultimately always be a combination of professionalism and the strength of the family cohesion and solidarity backing it up.
- It also requires a sense of realism; the family needs to be aware of even the weakest signal indicating family conflicts and of the first signs of potential erosion in the business.

V-Guard, India's fastest growing
Consumer Electrical Company.

Standing for trust, quality,
convenience and values. And
demonstrating that when you
address challenges with grit, the
result is glory.

V-Guard.

- **VISION** Let us endeavour to make V-Guard a trusted household name
- **MISSION** To offer a range of products at affordable prices, which add to comfort of life through saving in manual labour, time and energy or for entertainment. To make our products meet international quality

V-Guard.

- **Mission**

- standards and provide trouble-free performance.
- To adopt designs, which support timely and efficient post-sale service.
- To continuously innovate and add value to our products, if needed with technical collaboration.
- To continuously assess and improve customer care.

- **BACKGROUND** In 1977, Mr. Kochouseph Chittilappilly commissioned a small unit in Kerala to manufacture voltage stabilizers with 100,000 borrowed from his father. Over the decades, V-Guard has emerged as a respected pan-India brand synonymous with voltage stabilizers and modern value-enhancing products.

Products

- **PRODUCTS** The company's product range comprises Voltage Stabilizers, Inverter and Inverter Batteries, Electric Water Heaters, Solar Water Heaters, Domestic Pumps and Motors, Agricultural Pumps, Domestic Switch Gears, House Wiring Cables, Induction Cooktops, Mixer Grinders, Solar Inverters, Fans and Gas Stoves.

A journey through 40 years of V-Guard

- 1977 Kochouseph Chittilappilly commenced V-Guard Stabilizer manufacture in Kerala
- 1980 Launched stabilizers for air-conditioners 1992 Launched pumps
- 1996 Launched water heaters 1997 Launched wiring cables
- 1999 Commissioned cable manufacturing unit in Coimbatore
- 2002 Launched solar water heaters 2006 Launched electric fans
- 2007 Opened more nonSouth India branches .

A glorious journey of V-GUARD

- 2008 Initial public offer; company listed on BSE and NSE 2009 Launched DUPS and battery; commissioned LT cable factory (Coimbatore); commissioned wire & cable factory (Kashipur); commissioned water heater and fans factory (Kala Amb)
- 2012 Mithun K. Chittilappilly appointed as Managing Director; turnover crossed H1000 cr; launched induction cooktops and switch gears
- 2013 Set up new solar water heater plant; launched mixer grinders
- 2014 Turnover crossed H1500 cr.
- 2016 Launched gas stove

V-GUARD

- Our dream was to replace the debt on books with net cash .
- https://www.vguard.in/uploads/investor_relations/Annual-Report-2016-17.pdf

Women in family business

- What is the role of women in family business?
- Women play a pivotal role within the family firm. Although almost invisible to researchers and sometimes the family firm itself, women as **founders, co-preneurs, supportive spouses, and caring daughters** engage and integrate their communities of family, business, stakeholders, and the larger community.

Women in family business

- What percentage of entrepreneurs are female in India?
- Major Businesses Run by Women in India

In India, **45%** of the start-ups are run by women, of which over 50,000 are recognised by the government. The country witnessed the most women-led start-ups turning into unicorns in 2021.

Women in family business

- **Top 10 Famous Women Entrepreneurs in India**

- #1 Vandana Luthra – The founder of VLCC.
- #3 Priya Paul– The chairperson of Park Hotel.
- #5 Suchi Mukherjee – Founder & CEO of Limeroad.
- #6 Indra Nooyi – The board member of Amazon.
- #8 Falguni Nayar – The Founder of Nykaa.
-

VLCC



3d

Lime road

- [Limeroad](#)
- [https://www.limeroad.com › ...](https://www.limeroad.com)
- Online shopping like never before! Get the latest trends ruling the charts in India. With the most fashionable range of apparels, accessories, and more, ...

Nykka

- [Nykaa: Your Beauty Destination - Nykaa - The One Stop Store](#)
- Top Beauty & Skin Care Brands. 400+ Brands & 10000+ Products. Shop Now! Buy cosmetics & beauty products online from **Nykaa**, the online shopping beauty store | Free Lakme Trial Lipstick | Authentic Products | 10% off -

Power of women in family business

- ***The power of women in family business: A generational shift in purpose and influence***” takes an up-close look at the demographic shifts that are changing the role of women in family businesses, the value that women contribute, the various forms of influence they have and the unique competitive advantages they can deliver.

Power of women in family business

- Changing demographics are creating new roles and leadership opportunities for women in family businesses.
- The 'hidden' CEO
- Due to the influence of societal bias in the past, as well as cultural or family traditions in some cases, women were consciously or inadvertently consigned to the role of 'chief emotional officer' in some family business situations.
- In this 'hidden' CEO role, they took care of the emotional needs of the family, keeping the family together and perpetuating the family's values and traditions.

Power of women in family business

- My mother was the guiding principle for the family and the entire company. She was the mother of the company, not just our mother, and everyone was clear that as long as she was there, everything would continue to run and we didn't need to worry.
- Family business CEO
Mechanical engineering
Germany

Power of women in family business

Traditionally feminine characteristics such as loyalty, concern, sensitivity to the needs of others, problem-solving and conflict resolution genuinely reflect a holistic leadership style – for women and men.

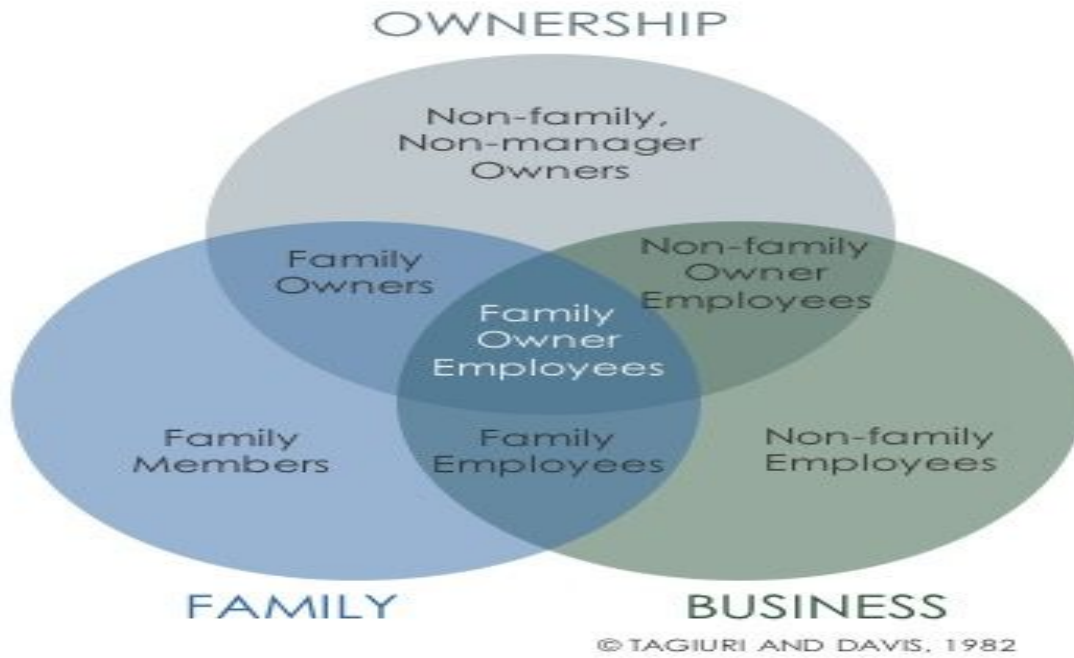
In a family business, these unique characteristics and the associated management style are assets to both the family and the business, combining loyalty to the firm and family with a sensitivity to individuals' needs and a decision-making process that is based on instinct and intuition as well as evidence.

Family Business Model

- What is a family business model?
- A family-owned business may be defined as **any business in which two or more family members are involved and the majority of ownership or control lies within a family**. Family-owned businesses may be the oldest form of business organization.

Three Circle Model

THREE-CIRCLE MODEL OF THE FAMILY BUSINESS SYSTEM



Three dimensional model

- The three-dimensional growth model **characterizes businesses based on the three dimensions of ownership, family and business.** Each dimension is further separated into a series of stages.

Module-2

Family Business

Module-2

- Family Business Types: Four Classic Family Business types – Founders and the Entrepreneurial experiences – Growing and evolving family business – Complexity of family enterprise – Diversity of successions: Different Dreams and challenges. Organizing the business – Entity choices – Sole proprietorship – partnership – Limited partnership – Limited Liability corporation – choosing the form of business for the family situation – Choosing leadership in family business.

Four types of family Business

Simple Business ,Simple Family

Four types of Family Business

1. Simple business, simple family

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

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

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

Four types of Family business

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

Four types of Family business

2. Simple business, complex family.

- Family-run Singapore property group [Hiap Hoe](#) is an example of how things can become overly messy without proper rules.
- The firm's patriarch, Teo Guan Seng, kept three families at the same time and tried to achieve cohesion by letting everyone share in his business wealth.
- However, family squabbles, a divorce, and feuding children forced him to resign and dismantle the publicly listed holding company.

Simple Business Complex family

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

Four types of family business

3. Complex business, simple family.

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

Four types of family business

3. Complex business, simple family.

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.

Her attention will be focused on instilling proper controls in the business, and attracting outstanding non-family talent.

Four types of family business

- 3. In cases like Wahaha, whilst the family is relatively simple, the business has already matured and requires sophisticated managerial talent to run it. With few family members involved, it is important to professionalize the business to limit its dependence on scarce family talent.
- Merit-based leadership and mature corporate governance systems are a minimum requirement.

Four types of family Business

4. Complex business, complex family

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

Four types of family Business

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

Four types of family Business

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

Tackling the challenge

- Family disputes painfully illustrate how important it is to keep a check on complexity, either by reducing it or by managing it well.

Tackling the challenge

- **The first step is diagnosis:** determining and being aware of the complexities faced.
- If the complexity is of a business nature, it requires upgrading of corporate governance, attracting top-level managerial talent, and having checks and balances in place.
- **Another option is to reduce complexity** by periodically streamlining the business and divesting companies that are not core to the firm.

Tackling the challenge

- If it is of a family nature, it is important to put family governance mechanisms in place, including family constitutions, family boards and perhaps a family office.
- One can also keep complexity at bay by putting limits on who can become owner or leader, and buying out those with lesser interest or talent for the business.

Tackling the challenge

- If the complexity occurs in both family and business, the family should seriously invest in their future through good governance and a strong management bench.
- Family leaders may need to engage experts to put in place both business and family governance systems to manage risks and enjoy a more sustainable foundation for future success

Tackling the challenge

- Complexity is often a by-product of success and needs to be properly managed.
- A good diagnosis of the two dimensions of complexities will allow family businesses to apply effective remedies to both increase the chances of survival and grow profitably.