

Need of Innovation and Expansion in Existing Family Businesses: Entrepreneurship - An opportunity to grow

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ABSTRACT

The condition of the family business is gradually going downstream. Next generation of the existing businessman gets attracted towards good employment instead of joining family business. According to PwC's 2016 India Family Business Survey Report hardly 15% of successors are turned up towards their own family business. The blame may go to the traditional Indian education system. The structure of traditional Indian education system is only creating clerks and followers instead of decision makers, which can lead their business. Entrepreneurs are required to be a good decision maker.

The causes behind that may be - giving low value to family business, maximum working hours, and incur risk in the business, low scope for growth and expansion or not proper guidance from their family as well as academic institutions. So, it is the need of the hour to explore this area by launching diploma or degree courses related to family business management. The government of India has already opened number of avenues for the young entrepreneurs through its ventures like "Skilled India" and "Make India".

This paper focuses on the study of education and guidance required to the educated successor of the family business, including the policies and the support from the government side. It will also dig out the barriers, problems and the opportunities for the same.

Keywords:- Family Business, Entrepreneurship, Education system, Skilled India.

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"If future leaders have the wisdom to learn from the experience of present leaders, and if present leaders have the wisdom to learn new competencies from future leaders, both can share leadership in the way that ultimately benefits their organization." **Marshall Goldsmith**

1. Introduction:

The dictionary meaning of the family Business is - A business that is owned or run by members of a single family. "He took over the family business after his father's death". *De Massis, Alfredo and Josip Kotlar expressed their views about family business in their paper published in journal of small business management-* A **family business** is a commercial organization in which decision-making is influenced by multiple generations of a family — related by blood or marriage or adoption — who has both the ability to influence the vision of the business and the willingness to use this ability to pursue distinctive goals. Family business basically starts with the family own capital and under own leadership. So, it grows with its own limitations and have a great risk. Here comes the need of expert, financier and a director to sustain and flourish this business from locally to globally.

2. History of Family Businesses:

Hoshi Ryokan, a Japanese inn keeping business founded in 718, is said to be one of the oldest family businesses in world. Family members have operated the business for 46 generations. That level of family commitment has led to an understanding of the business that outsiders or those relatively new to the business, simply wouldn't be able to replicate. Ford Motor Company managed to stay afloat during very difficult economic times, when other companies, such as Chrysler and GM, were begging for bailouts. India also has a great history of family businesses which starts from the name of Jamsedji tata in the year 1868. Few renound family business in India are tabulated as below-

Table showing Indian family business

Sr. No.	Name of Owner	Description about Business
1	Jamshedji Nusserwanji Tata	Tata Group, fathers of Indian industry established in 1868 and managed by five generations of their family. The group operates in more than 100 countries.
2	Dewan Bahadur A M Murugappa	The Murugappa Group established in 1900. It started as a money lending and banking service in Burma. Four generations of the family have managed the business. It runs through 28 companies and its headquarter is in Chennai.
3	Dr. S. K Burman	The Dabur Group established in 1884. It is one of the largest manufacturer of Ayurvedic medicines in India.
4	Seth Shivnarayan Birla	The Birla Group established in 1857. The company have presence in 33 countries.
5	Sir Lovji Wadia	The Wadia Group: Sir Lovji Wadia got contract to manufacture ships and docks for the East India Company in 1736. It expands its business in the name of Bombay Dyeing, Britannia Industries, Bombay Realty, Go Air and national Peroxide.
6	Ardeshir Godrej	The Godrej Group: Ardeshir Godrej founded the Godrej Group in 1897 to manufacture locks. They have expanded their business in present in industries such as furniture, industrial engineering, real estate, agri-business, construction, information technology and FMCG
7	Laxamanrao Kirloskar	The kirloskar Group was set up in 1888 as Kirloskar Brothers Limited. They are in engineering and manufacturing of pumps, engines, valves and compressors.
8	Rai Bahadur Gujrarmal Modi	The Modi Group established 1933. They have a diversified business portfolio-tea and beverages, restaurants, education, entertainment, consumer products, healthcare, food and hospitality.
9	J.C Mahindra and K.C Mahindra	The Mahindra Group: Brothers J.C Mahindra and K.C Mahindra along with Malik Ghulam Mohmad started a business in 1945. They are into automobiles,

		aerospace, agribusiness, retail, real estate, agri-business and information technology.
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3. Need of Family Business:

Soccer analyst Cobi Jones once wrote: "You want to teach the next generation so they can learn a little bit faster and a little bit more so everything becomes that much better." All over the world, families are looking for recipes to well prepare their next generations as potential successors for operational or board roles with businesses and family organizations. Educating the next generation on family business matters is complex for both senior and next-generation family members. The list of activities that help shape and prepare the next generation can be very long. Education can be a mix of mandatory, self-imposed or discretionary activities. To ensure a successful journey, families should keep the next generation involved and learn about their needs before designing educational programs and activities.

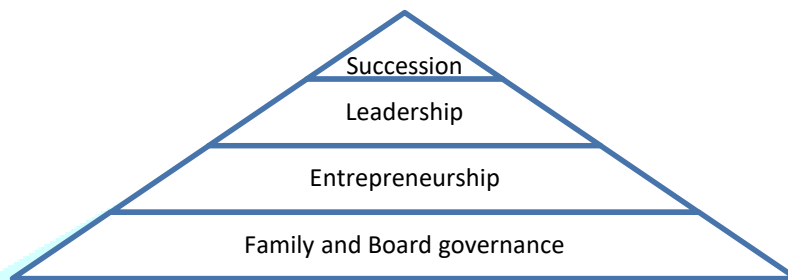


Figure 2: Showing Expectations of the next generation from Family Business Education

4. Challenges in Family business:

It is a well known saying that "Where there is a money, conflict arises", family business have no exception from this. Typically the conflict arises from inability to separate business and personal life. Number of time the conflict is because of the varied interest of each family members. Whatever the reason may be but if the conflict is not resolved or solved it is impossible to achieve organizational goals but it will lead to employee turnover. The relationship has the major effect on the growth of the family business. If it is not properly nurtured, the challenges as shown in the following figure may be crept into the varied business activities.

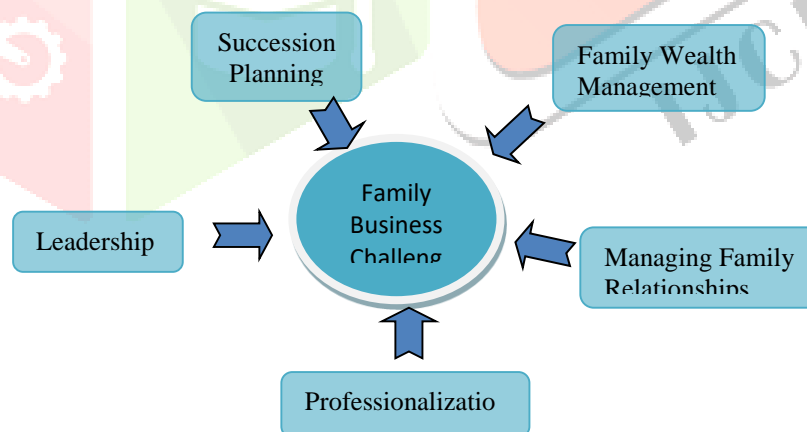


Figure 1 showing challenges to family businesses

5. Need of Family Business Education:

Most of the time, family business education begins naturally and quite informally as parents take their children to work for fun or out of necessity. The objective to have family business related courses in education system is to capture the hearts and minds of the next generation. In a coming time there is a need for good strong family leaders, who can convince others to come along in business. The education system should determine exactly what education would be needed siblings and cousins. It should focus on the experience of both the family and the business leaders of the senior generation for advice and guidance. Future leaders should share their own expertise with their fathers, mothers, uncles, aunts, and cousins to ensure the very best for the future. The goal of family business education is to acquire collective wisdom

that could last centuries. So, by the time younger generation members reach high school, they should be learning about the industry or type of business the family is in, particularly when there are many siblings.

6. International Development in Academics related to Family Business:

In developed countries the courses related to family businesses have been already started and there is good competition to attract the sons and daughters of family businessman. Following are the few universities which are running the courses related to family business education.

- **Adelaide Business School/University of Adelaide:** Family Business Education and Research Group. It has links to many of the country's top family businesses, especially with the wine and farm owning family dynasties of Australia.
- **Alberta School of Business/University of Alberta:** The Canadian business school is the leading centre for family business studies and research in Canada. Its Alberta Business Family Institute is the focal point of its efforts in the sector.
- **Bocconi University/SDA Bocconi:** The Milan-based business school has many links with the Italian family business community and is well respected among the global business world. A centre of excellence in family business studies and research.
- **CUHK Business School:** The Chinese University of Hong Kong set up a family business centre and has established a reputation as a leading centre for teaching and research in the sector, particularly in relation to China and Hong Kong.
- **China Europe International Business School/CEIBS:** The Shanghai-based business school has been developing a family business program, which is centred on its Kaifeng Center for Family Heritage.
- **EDHEC:** The Lillie-based business school has been educating the French elite of the country's important family business sector for years. It has a family business centre, which provides the focal point for the school's efforts in the sector.
- **ESADE/University of Barcelona:** ESADE is one of Spain's leading business schools and an acknowledge centre for the study and research of family businesses.
- **Harvard Business School/Harvard University:** Arguably the world's best known business school also has an excellent reputation when it comes to the study and research of family businesses.
- **Johnson Graduate School of Management/Cornell University:** Cornell was elevated recently into the elite of family business schools with a generous grant from philanthropists John and Dyan Smith that create the Smith Family Business Initiative.
- **Jönköping International Business School:** The Swedish business school is the leading family business study and research centre in Scandinavia.
- **Kellogg School of Management/Northwestern University:** The US business school has a centre for family enterprise and has a worldwide reputation for excellence in the family business world.
- **Kennesaw State University/Coles College of Business:** The Atlanta-based Kennesaw is well known in the family business studies and research world. That's largely due to the Cox Family Enterprise Center, which is one of America's oldest centres for family business studies and research.
- **IE Business School:** The Madrid-based business school has strong links with the Spanish business community and produces an annual study on family businesses.
- **IMD:** Based in Lausanne, Switzerland, IMD has been educating the offspring of family business dynasties for years and is widely recognised as one of the best centres for family business expertise in the world.
- **INSEAD:** One of the world's best business schools, INSEAD has also an impressive family business pedigree. Its Wendel International Centre for Family Enterprise, also acts as a centre for promoting the role of family businesses in global economies.
- **London Business School:** The UK's highest ranked business school, LBS has made a concerted effort to attract the sons and daughters of family business owners.
- **Saïd Business School/University of Oxford:** Saïd has been developing closer relations with global family businesses and recently teamed up with Harvard Business School and the University of Peking to help and promote family businesses in China.
- **Singapore Management University:** The Singapore university has a Business Families Institute and is recognised as the leading centre for family businesses in South-east Asia. It has also established many international connections with family businesses.

- **University of Lancaster:** The management school of the UK university. It has a Centre for Family Business, which is involved in teaching and research in the sector.
- **University of St.Gallen:** The Swiss university and business school has a widely respected centre for family business, which focuses on teaching and research into the sector.
- **University of Vermont/School of Business Administration:** A well known centre for family business studies and research, the University of Vermont's MBA program has much on offer for the next generation of family business leaders.
- **Wharton/University of Pennsylvania:** Wharton has a long and distinguished link to the family business and wealth communities. It coordinates much of this through its Global Family Alliance group.
- **Witten-Herdecke University/Witten Institute for Family Business:** The Witten Institute for Family Business is the leading centre for family business studies and research in Germany. It has a well established reputation and links with many of the country's famed family businesses.
- **Zeppelin University:** Located in southern Germany near Lake Constance, Zeppelin University. It is recognized as a centre for excellence in the study and research into family businesses. The institute has links to many of Germany's top family enterprises.
- **Indian School of Business:** The Hyderabad and Mohali-based business school teaches a management programme for family business executives. It has links with many of the companies that make up one of the most vibrant family business sectors in the world.

7. Conclusion:

Family Business Education will establish a family culture that nurtures exchange of knowledge between generations. Families also need to find ways to pass on their rich knowledge and heritage to the next generation while motivating them to learn about business matters. It requires commitment from both the older and younger generations. The successor of the family businessman should become aware of potential pitfalls and the many diverse ways to approach succession, governance and communication. These are the few options for planting the seeds to grow a meaningful understanding of family business. Through this venture the families can provide the successor with tools and experiences that help shape their talents and develop their skills while facilitating employability within and outside the family business.

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