



Family Business Briefs

Issue 55 / August 2019

Welcome!

*I am pleased to share with you the latest issue of our newsletter, '**Family Business Briefs**.' This issue contains some interesting facts and information about family businesses that you may find useful. The briefs have been organized into the following sections:*

- *Summaries of research articles with practical implications on **Family Firm Values, Daughter Successors, and Mental Health Issues in Family Business***
- *Summary of a published family business case on **Aravind Eye Care***
- *Inspirations from the life of **Rama Prasad Goenka***
- *Interesting insights on the **DREAM Framework***
- *Infographic on **Women's Participation in Indian Family Businesses***

We hope that you will find these insightful.

I encourage you to send your feedback and share suggestions about something interesting and relevant, which you may want us to include in future.

Best regards

Ram

Kavil Ramachandran, PhD

Professor & Executive Director

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ARTICLE SUMMARY

Family Firm Values Explaining Family Firm Heterogeneity

- Sabine B. Rau, Viktoria Schneider-Siebke, and Christina Günther

Family firms are heterogeneous in nature, hence, less predictable in their behaviour. Family firm heterogeneity is attributed to differences in firm objectives, governance structures, resources and capabilities. Values are at the core of family firm identity. They serve as reference points for decision-making and firm behaviour. Values influence a family firm's culture, strategy, structure and performance. Therefore values are a strong basis for the observed firm heterogeneity. In order to better understand family firm heterogeneity, the authors studied 170 family firms in the German machine tool industry. They develop a taxonomy of family firm value profiles and identify five types of family firms.

Six-Factor Framework of Values of Family Firms

The authors statistically analysed the contents of corporate websites of the 170 family firms in the sample and identified six categories of values the firms espoused. These were:

- 1. Universal Responsibility:** sense of responsibility for and welfare of all humans and nature,
- 2. Benevolence:** discerning and appreciating the dignity of humans,
- 3. Family Persistence:** respect and commitment to history, customs and family achievements,
- 4. Cohesion and Solidarity:** accepting challenges and demonstrating solidarity even in adversity,
- 5. Power and Innovation:** control over resources and aspiring independence, and
- 6. Embeddedness:** appreciating and preserving one's origins.

Taxonomy of Family Firms Based on Family Firm Values

The authors classified family firms into five types based on their scores on the six value categories. These are the following:

- 1. Blurred (Cluster 1):** These family firms scored low on all six value categories. However, family persistence was relatively important value dimension for them.
- 2. Balanced (Cluster 2):** These firms have medium scores on all six categories and represent a balanced value profile. They place little emphasis on benevolence but have strong sense of Universal responsibility.
- 3. Traditional (Cluster 3):** These firms exhibit a pattern similar to cluster 2 firms on five value categories. However, they score very high on Family Persistence dimension. These firms emphasize family outcomes over business.
- 4. Dominance (Cluster 4):** These firms have high to medium scores on all value categories. They are driven by power considerations and prioritize business outcomes over family.
- 5. Stewards (Cluster 5):** These firms score high on power and innovation, family tradition, and universal responsibility value categories. Commitment to welfare of all is their main decision-making driver.

Practical Implications

Family firms may vary on the extent of infusion of different family values. Owner managers and advisors must be aware of the owner family's value profile to make coherent decisions. Advisors must devise solutions that concur with the value profile of the family firm.

Source: *Family Business Review*, (2019), Vol. 32, No. 2, pp. 195–215.



ARTICLE SUMMARY

Daughters' Self-Positioning in Family Business Succession: A Narrative Inquiry

- Donata Mussolino, Mariavittoria Cicellin, Mario Pezzillo Iacono,
Stefano Consiglio, and Marcello Martinez

The role of daughters as leaders and their succession in family business has evoked considerable scholarly interest in the last decade. The effectiveness of family business succession is dependent on the successor's ability to position her/ himself as a credible leader. However, the phenomenon of self-positioning of daughters during and after succession remains inadequately examined. In this narrative study, the authors examine how daughter successors positioned themselves in leadership role in four male-dominated Italian family firms. The study identifies four distinct pathways that daughter successors followed to position themselves as family business leaders.

Daughter Successors and Self-Positioning

Research acknowledges that daughters often encounter obstacles in gaining power in family businesses. Reluctance of their fathers and getting acceptance from other family members /employees are some of the major hurdles that daughters encounter. Acceptance of women leaders is more difficult in industries that are considered 'masculine,' such as, rail, automotive, shipping and aeronautics.

The authors argue that social relations operate on the basis of women's self-positioning with which they are identified. Daughters can construct and legitimize their gender identities for wider acceptance. They can carve-out distinct self-positioning through the way they interact with their fathers, other family members and employees. However, in 'masculine' industries, daughter successors need to overcome the challenges of role incongruence and strong gender biases.

Distinct Self-Positioning Pathways

The authors found that daughter successors adopt distinct self-positioning pathways based on other members' **perception of their leadership** and the **predecessor's leadership style**. These self-positioning pathways are: **1. The 'Obvious Choice':** If the predecessor was a benevolent leader and the daughter joined the business from early on, she was perceived as a legitimate successor. She replicated prevailing rules, conveyed a sense of continuity, and preferred consensus, **2. The Backgrounder:** If the predecessor was an authoritarian, the daughter successor legitimized herself by breaking away from authoritarianism. She adopted participative style, ethical approach delegation and change, **3. The 'Daddy's Girl':** If the predecessor was a benevolent leader and 'gender norms,' were overridden to give leadership to the daughter, it was difficult for her to gain acceptance. She negotiated with male members and conformed to her father's style to gain legitimacy, and **4. The Troublemaker:** If the predecessor was authoritarian and 'masculinity' was dominant, the female leader was viewed as a source of disgrace. She had to challenge the gender norms and align to the masculine positioning.

Practical Implication

Gendered assumptions are socially embedded in family business practices. Daughter successors need to be cognizant of the predecessor's leadership style and adopt a self-positioning pathway that is appropriate in their family business context. This will help them gain legitimacy and wider acceptance.

Source: *Journal of Family Business Strategy*, (2019), Vol. 10, No. 2, pp. 72-86.



ARTICLE SUMMARY

Mental Health in the Family Business: A Conceptual Model and a Research Agenda

- Danny Miller, Johan Wiklund, and Wei Yu

Mental disorders (MDs) affect families across the world. More than a quarter of the global population faces some form of mental problem at some point in life. Hence, it is an arithmetic certainty that majority of business families are likely to face the challenge of mental illness in the family at some time. MDs can affect both the family and business in multiple ways, since both these systems are deeply intertwined in a family business. Yet, the effect of MDs on family business is not adequately examined. This conceptual study presents a theoretical model, based on socioemotional wealth (SEW), family coping and work-family interface literature, which explains how MDs affect the family and business.

Work–Family Interaction in Families with MDs

MDs increase the stress levels in the family. It affects the quality of life and psychological well-being of the person suffering from the illness and all other family members. It also affects the time, money and other resources of the family. In the family business context the interaction with and support to the suffering individual extends to the workplace. Chronic nature of MDs demands life-long commitments and strategies to effectively deal with them in both family and business contexts. However, if the family manages to successfully adapt to the MDs, then it may not only reduce the stress but can also rejuvenate and enrich the family and the business.

Dealing With Mental Disorders in Family Business

MDs can be neurodevelopmental disorders or psychiatric disorders. The stress MDs create in the family and business depends on the

severity of the disorder, aggravating factors and the coping mechanism of family business.

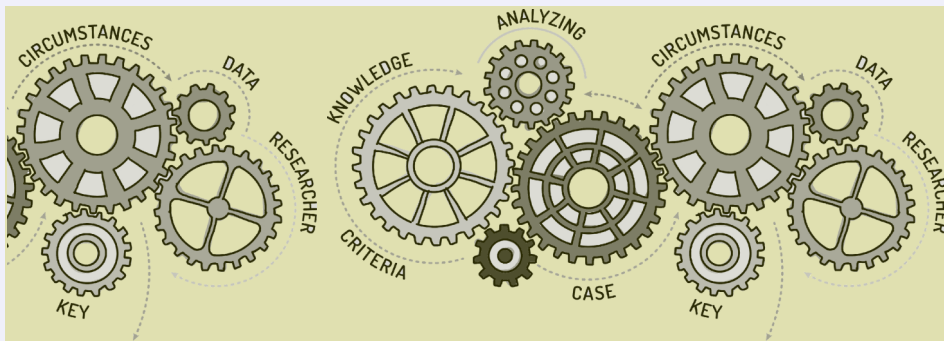
1. Family Business SEW Aggravating Stressors: The unique challenges of family business environment can aggravate stress. These may include: Assigning inappropriate jobs to the person with MD, inability to remove a dysfunctional CEO, entitled members with MD, tendency to cling to power, over-protection of an embedded but incompetent/incapable family member, conflict arising from negative emotions, stress on family talent pool and need to manage the tension.

2. Family Business SEW Coping Resources: Family businesses can cope with MDs by adapting and tapping into family and/or business resources. These measures may include: designing work that exploits the unique talents and/ or adapts to the special needs of persons with MD, developing profound understanding of MDs by the team, deep connections across organization, protection of firm and family reputation, trust, altruism and emotional support, increased investment in training and social support.

Practical Implications

If a family business is affected by the MD problem, firstly it must recognize and then discuss the issue. It must ascertain the extent of the problem and identify the aggravating stressors. Resources across the family and business systems must be tapped to develop a coping mechanism. This would help the family firm adapt and successfully deal with the challenge posed by the mental illness.

Source: *Entrepreneurship Theory and Practice*, (2019),
DOI: 10.1177/1042258719837987.



CASE SUMMARY

Aravind Eye Care System: Retaining the Legacy

- Sankaran Manikutty and Kavil Ramachandran

Dr. Govindappa Venkataswamy (Dr. V) and his family members had established Aravind Eye Care as a 11-bed hospital facility at Madurai in 1976. Since its inception, Dr. V had a mission to eradicate “needless blindness” and provide free treatment and eye care to the underprivileged. In the next 40 years, he and his team relentlessly pursued this mission and expanded the footprint across the southern Indian state of Tamil Nadu with 11 new facilities, 59 vision centers (telemedicine centers), research lab and Aurolab (manufacturing center). He also expanded his team to include family, extended family, non-family members who held key leadership and management positions.

The uniqueness of Aravind was its legacy and distinctive culture of service which was inculcated and imbibed across the team: family, non-family, doctors, paramedics and staff. Dr. V and other first generation leaders followed the ideals and teachings of Mahatma Gandhi and spiritual guru, Sri Aurobindo. They believed in selfless service with no monetary gains. The business activities of Aravind was controlled by a not-for-profit trust which managed the revenue and paid salary to the employees. There was no system of dividends or profit sharing and no one was allowed to access the trust for any personal needs.

Dr. V and his team were meticulous about the way the doctors and staff provided high-quality treatment at Aravind with compassion, respect and dignity. He was an exemplar of commitment, punctuality, high standards of quality and attitude towards work and people. He influenced the Aravind employees with these core values. He had setup the process and value system which ensured that these values perpetuated to the future generations.

The recruitment and induction process for doctors, staff, management were aligned in such a way that they underwent mandatory training and orientation process to understand the unique values of Aravind. They were scrutinized and evaluated not only on their technical competency but also on high standards of behaviour and work ethics. The family members also had to go through the same rigour before they could join Aravind.

The family had 3 decision making bodies: family forum, senior management group, and the board of trustees. All the decision-making was based on consensus. With the continuous growth in the business and family, it was imperative to hold on to the unique family value systems and perpetuate across the generations to maintain the “Aravind way” in letter and spirit.

Learnings for Family Businesses

The case aims at showcasing the importance of family values and perpetuating the same across generations through well-structured processes and systems:

- Define the core values, mission, vision of the family business that make it unique
- Adopt rigorous systems and processes that uphold the value system and help in identifying and recruiting family/ non-family members aligned with that value system.
- Adopt steward leadership and effectively nurture and groom the next generation for ensuring business continuity.
- **Source:** *Aravind Eye Care System: Retaining the Legacy* (2017),
Case Authors: Sankaran Manikutty and Kavil Ramachandran



FAMILY BUSINESS LEADER

Rama Prasad Goenka (1930-2013)

Born in a Marwadi family in Calcutta in 1930, Rama Prasad Goenka (known as R P Goenka) was the eldest son of Keshav Prasad Goenka and Rukmini Devi and the grandson of Sir Badri Prasad Goenka, the first Indian to be appointed Chairman of the Imperial Bank of India (now the State Bank of India).

The Goenka family belongs to the Marwadi community of money-lenders and tradesmen, and originally hails from Rajasthan in western India. R P Goenka finished his college from Presidency College in Kolkata and Harvard University in the United States.

The family prospered in its traditional vocations of money-lending and trade, in the city of Kolkata, since the 19th century, which was then the capital of India, and a major commercial hub of the British Empire.

It was in the 1970s that R P Goenka leveraged the family's wealth to take over a variety of industries and corporates and thus create a ready-made business conglomerate. Goenka acquired companies relatively cheap and used his financial resources and business acumen to make them viable. In this way, by the end of the 20th century, RPG had cobbled together a significant business empire. The R P Goenka business empire is remarkable for two things: firstly, the fact that none of their major ventures were founded by them, all being take-overs; and secondly, the resultant diversity and incoherence of these companies. Goenka came to be known as the 'takeover king.'

Though he grew up in an environment of traditional businesses such as jute, tea, cotton textiles, banking and chemicals, Goenka ventured into new businesses such as tyres, electricity, infrastructure, carbon black, cables, engineering, pharmaceuticals, music and retail. He setup RPG Enterprises in 1979.

He had learnt the art of persuasion early, which worked wonders for him in expanding the business empire. Though some of his takeover bids were not successful, he created new chapters in the history of family business.

Goenka served as a member of Parliament for six years. He also served on several boards, like that of the RBI, SAIL and FICCI. He was also the trustee of the Jawaharlal Nehru Memorial Fund, the Indira Gandhi Memorial Trust and the Rajiv Gandhi Foundation. He was twice awarded the Order of the Sacred Treasure by the Emperor of Japan.

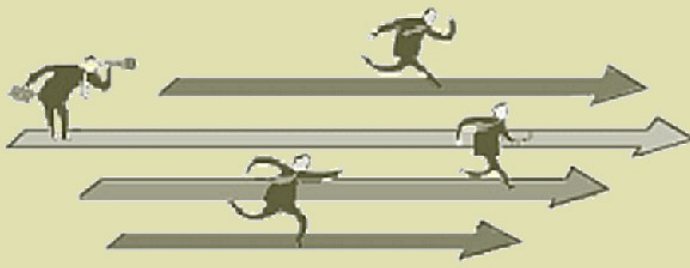
He was married to Sushila Devi and had two sons Harsh Goenka and Sajiv Goenka. He charted his succession plan and Rs 25,000 crore business empire was divided between Harsh and Sanjiv in 2011. Fighter in spirit and a thought leader, Goenka and his legacy continue to inspire generations of entrepreneurs.

Source: https://en.wikipedia.org/wiki/R._P._Goenka

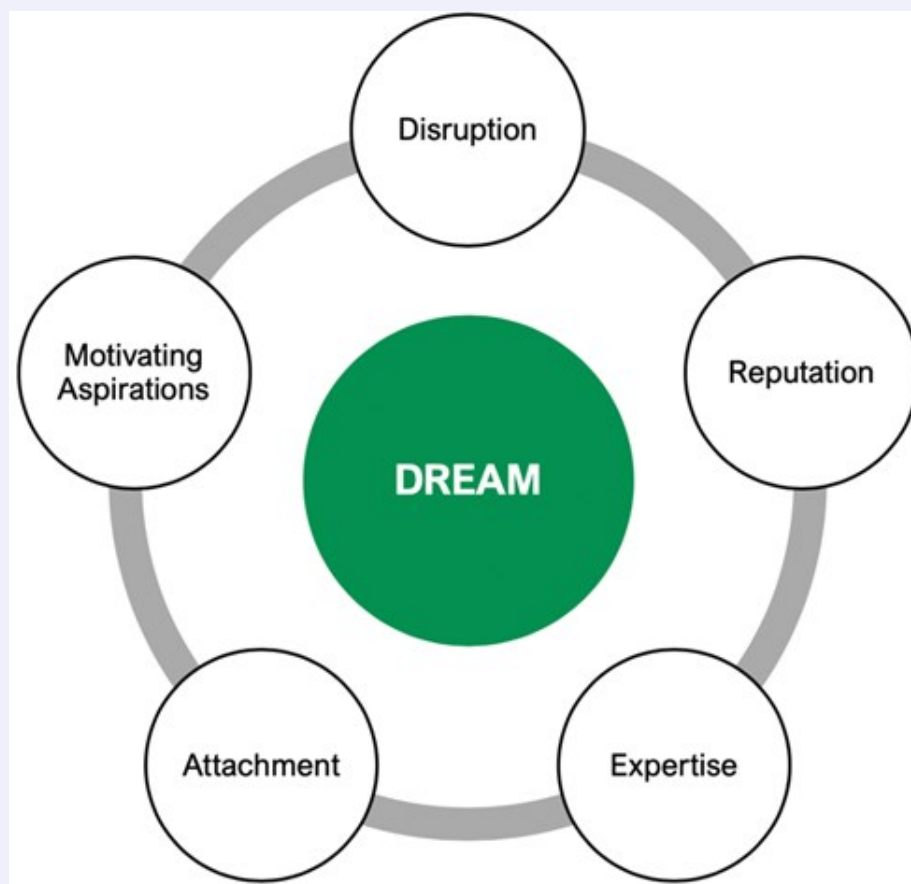
<https://www.rpggroup.com/about-us/corporate-profile/our-founder/>

<https://www.thehindubusinessline.com/news/takeover-tycoon-r-p-goenka-passes-away/article20616999.ece>

BENCHMARKING **LEARN** FROM THE BEST




Over the last five years, Ajay Bhalla and Aneesh Banerjee followed a group of five British family-owned businesses that are more than 100 years old. They engaged with the families to understand the traditions, practices and leadership that have enabled these businesses to not only be resilient but also grow over many generations. Speaking at the 7th Asian invitational conference organized by the Thomas Schmidheiny Centre for Family Enterprise in February 2019, the authors shared insights from these cases for family owners who wish to learn from long-lived family-owned businesses. The authors call it a DREAM framework.



The DREAM framework is a starting point in understanding priority areas for family-owned businesses. These five pillars together are the core to the long-term development of family-owned businesses. It takes time, a focused approach and leadership commitment to developing each of these pillars. The authors find that these practices are unique to the context of the family businesses they studied. The authors conclude that longevity is not so much about emulating the practices of the most successful family-owned businesses, as understanding the outcome of these practices and designing them along the pillars of the DREAM framework.

Source: Ajay Bhalla, Family Business, Life after 100? A Leader's Guide to Resilient Family Businesses, Presentation at the seventh Asian Invitational Conference on Family Business, Indian School of Business, February 2-3, 2019



DO YOU KNOW?

A study conducted by the Thomas Schmidheiny Centre for Family Enterprise at the Indian School of Business revealed that the percentage of women directors on the board of National Stock Exchange (NSE) listed companies was only 14.3% in 2017. In this bleak scenario, how do Indian family businesses fare when it comes to women participation and leadership? Indian business families used to be predominantly patriarchal. Matters of succession and inheritance of the business concerned only male family members. Men actively participated in dining table conversations around the family business, while women remained mostly silent or engaged only occasionally. With rising levels of education and awareness, and the shrinking size of families, women have now come to play active roles and occupy important positions in family businesses.

Women in Family Business in the Business Today Most Powerful Women List			
	Avg. Age	% MBA	% Post-Graduate Degree
Family-Business (overall)	45.6	26.2%	19%
In Father's business	41.3	81.8%	100%
In Spouse's business	63.6	18%	0%
<i>Source: Authors' calculations based on data from Business Today "Most Powerful Women in Business (India) 2003-2018."</i>			

The myth that women are not adept at networking and socialising in a business environment has long been put to rest. The change has been driven by societal progress as well as by the talent and ambition of women— whether daughters or daughters-in-law. This change is also evident from Business Today's list of the 'Most Powerful Women,' where almost 26% of the recipients (from business families) hold an MBA degree, and 19% of the recipients (from business families) hold a masters or post-graduation degree (apart from MBA). Women in business families were earlier relegated to softer roles in Corporate Social Responsibility, Philanthropy, Human Resources. They are now leading strategic decision making and operations across all industries.

Concern remains with the grooming and emergence of the next generation of women leaders. Mentoring becomes important in this context to get more women into the family business. Not least, organisations need to put in place appropriate gender agnostic performance management systems. While interventions at various levels to promote gender parity provide a starting point, their implementation should be the final goal for firms and individuals. Women already involved in their family businesses are well placed to take the lead and bring about change in their own organisations, which will further have a multiplier effect in terms of creating a conducive environment to achieve a gender agnostic, equal opportunity work environment.

Source: Basuthakur, Y. & Bang, N.P. "Redefining the Role of Women in Indian Family Businesses", ISB Insight, August 2019; <https://isbinsight.isb.edu/redefining-the-role-of-women-in-indian-family-businesses/>



Indian School of Business

Indian School of Business (ISB) is a global business school offering world-class management education across its two campuses - Hyderabad and Mohali. The School has grown at a rapid pace over the past sixteen years since its inception and already has several notable accomplishments to its credit it is the youngest school ever to consistently rank among the top Global MBAs, one among the select 100 global b-schools to have AACSB and EQUIS accreditation, one of the largest providers of Executive Education in Asia, and the most research-productive Indian management institution. A vibrant pool of research-oriented resident faculty, strong academic associations with leading global b-schools and the backing of an influential Board, have helped the ISB fast emerge as a premier global business school in the emerging markets. For details visit www.isb.edu

Thomas Schmidheiny Centre for Family Enterprise

The Thomas Schmidheiny Centre for Family Enterprise, at the Indian School of Business, has emerged as the foremost authority on family businesses in South Asia. It undertakes training, research and outreach activities covering all major topics on family business. The Centre collaborates with global academic institutions and leading family businesses in India and abroad, for the exchange of insights and knowledge among diverse stakeholders.

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