The Board of Directors of a company is the apex body responsible for its governance. However, in case of family owned firms the board can serve well only if there is a proper understanding of roles and responsibilities of family owners. Aware and empowered boards can advise the owners to be cognizant of their distinct roles as owners and managers and fulfill their obligations on both counts. This article describes the roles and responsibilities of family business owners and helps them improve ownership effectiveness.

Ownership’s Contribution

Governance in family business is based on a set of relationships among family owners, management and the board members. A united, committed and responsible ownership group contributes to business performance and continuity. Further, it helps the management to focus on business rather than worrying about shareholder conflicts.

A long-term shared view among the ownership group contributes to strategic stability and risk-taking ability of the business. Responsible ownership includes: (i) respecting the limits of ownership roles, (ii) having a good understanding of the business and (iii) leading the governance process. Responsible owners act with purpose and provide reassurance to the board, management and shareholders through their commitment and fair conduct.

Purpose of Ownership

In a family business, owners contribute and promote their values, vision for the enterprise and their goals. Governance effectiveness depends on whether owners’ values, vision and goals are aligned with that of the board.

Values: Owners with clearly defined and practiced values shape business culture around them. This in turn reflects the importance they assign to those values. When values are ill-defined or not put to practice, the business develops a shallow culture and the family's commitment to ownership is weakened.

Vision: Owners' vision for business is shaped by their values. Owners' vision has two dimensions: i. Vision for the nature of business, for instance, whether to focus on one industry or diversify, be a local or global player, to have family or non-family management and ii. Vision...
for ownership structure, for instance, structure of share ownership and degree of concentration of voting rights in the family, whether or not being open to public shareholding and shareholding rights of spouses. Owners need to have clarity on all these issues to have a clear vision for future.

**Goals:** Owners must clearly define the business goals that would fulfill the requirements of the ownership group. Clear goals for the business must be set in four areas: Growth, Risk, Profitability and Liquidity. Often, there is a trade-off involved among these goals. Therefore, it is important that owners set these goals in tune with their needs and family vision and values. The board can advise the family on whether the goals are feasible and appropriate or not.

**Policies and Processes**

An effective ownership group needs to formalize policies and processes for:
- (i) management and board interaction,
- (ii) information management and confidentiality,
- (iii) issues of conflicts of interests,
- (iv) dividends and other withdrawals,
- (v) estate planning,
- (vi) corporate philanthropy and
- (vii) succession of governance roles.

Clear, policy-based decision-making minimizes ambiguities and secures long-term interests of the business and its owners.

**Grooming Future Owners**

Developing informed and effective next generation owners is also an important aspect of responsible ownership. Appropriate mentoring and training processes need to be built-in to ensure that the next generation owners obtain a good understanding of: (i) the business culture and means to contribute to it, (ii) business strategy and the ways to track it and (iii) principles of good governance.

Succession norms including ownership transfer, voting rights, directorship and leadership need to be clearly defined and established to facilitate smooth transition of ownership and stability in business leadership.

**Practical Implications**

The article brings clarity on the roles and responsibilities of family business owners. They can use it as a guide to formulate governance norms, structures, policies and processes that help in developing smooth relationships between the ownership group, management and the board of directors. Owners can also work on the focus areas suggested for developing responsible next generation owners. Family business practitioners can use the suggestions to mentor family businesses on measures to cultivate responsible ownership and make the business long lasting.

*Source: The Family Business Advisor, Published by Family Business Consulting Group Inc. (2016)*