Five Lessons to Learn from Family Businesses

– *MV Subbiah*

In this article published by the Economic Times on 7th July 2012, M. V. Subbiah the former Chairman of Murugappa Group, shares his wisdom and insights about family businesses that could be worthwhile for managing non-family business firms. According to the author, the companies that have come up in recent years have learnt a great deal from the manner in which families have managed businesses for generations. That is one reason why they focus quite a lot on cultivating culture.

Family businesses hold many lessons for non-family firms. Five specific ones can be very useful for non-family entities:

Lasting Culture

In non-family businesses, often when a new CEO comes, he/she brings a new culture. Established work practices are considered old and discarded in favour of the new ones that are valued by the incoming boss. However, this leads to an environment of chaos and confusion. On the other hand, in a family firm there is no disadvantage on this count. There is a sense of continuity. Employees are aware of their expectations from promoters including even the little gestures like distribution of sweets on festive occasions. From a peon to the managing director everyone knows the 'culture of the place.' In a family firm the culture evolves into a sustainable one overtime and doesn't change drastically from one boss to another.

Long-Term Vision

Quarter-on-quarter growth is very important for non-family businesses. The obsession to short-term growth remains high even in situations that warrant otherwise like in economic downturns. Due to this reason, non-family businesses are not able to take bold decisions that may sacrifice short-term profitability for long-term growth.

Family firms backed by the conviction of the promoter's vision are not limited to this short-term pressure. Family firms can take bold measures as majority stake belongs to the family. For instance, they can invest in capital goods during downturns when capital goods come by cheaply and wait for their investment to bear fruit later when market recovers. Similarly, they can exit a business quickly if the prospects appear to be bleak.

Stakeholder Comfort

Non-family businesses need to realise that management and shareholders are only a part of the many stakeholders that a business has. They cannot continue to please only the shareholders while ignoring other stakeholders. Comparatively, family businesses are far more meaningfully associated with all stakeholders. The relationships formed by family business owners with the employees, customers and suppliers are not transactional but long term personal or family bonds that help sustain the business through thick and thin. There are many examples of family firms having business with suppliers across multiple generations. It is easy to build mutual trust and comfort in such situations.

The Art of Giving

It is misconstrued that Indian family businesses do not contribute money back to the society. Family businesses have often being involved in paying back to the community through their welfare initiatives but they have not sought publicity for that. In certain communities in India businessmen keep aside a part of their annual earnings for charity (mainly for supporting education and healthcare). The author quotes his grandfather who used to say, *"if you lose one quarter, you can make it up in the next quarter, but if you lose your reputation, you can't get it back."*

The author advises that business must not be construed as a disposable asset but as a social institution that gives back to society. Family businesses have viewed themselves as an integral part of the society in which they operate. Corporate social responsibility must not remain a fancy catchphrase.

Stewards v/s Leaders

Members of a business family are trained not to become charismatic leaders but to become stewards who take care of the business. This training ensures the continuity of the family's culture in the business firm. A business family can have members with different personality types but they can be assigned roles that best suit their personalities so that the business does not get adversely affected. Getting the right mix of leaders and caretakers - this is a facet where non-family businesses have struggled.

Source: *Economic Times, July 7, 2012. * The Author is Former Chairman, Murugappa Group*