Article

Family Business: Yesterday, Today, Tomorrow

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Family businesses are undergoing transformation, reformation and restructuring. This is the case in all economies, differences are only of degree and direction. Estimates show that about 85 percent of businesses in the European Union and 90 percent of US businesses are family controlled. Worldwide family businesses account for approximately 75 percent of the top 100 companies. A large proportion of such businesses belonged to family groups having more than one such company. The present study attempts to assess the changing contribution of family businesses, analyses their distinctive features and challenges and capture the stages of transformation and restructuring over the years in India and elsewhere.

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The Context

Family businesses are the engines that drive socio-economic development and wealth creation around the world. Family businesses have throughout been highly pervasive from small to very large, and in every era have contributed towards significant wealth creation and nation building. Their overall global impact is significant in that today they contribute more than half of the GDP, employment, and account for a sizeable proportion of market capitalization. It is estimated that 85 percent of businesses in the European Union and 90 percent of US businesses are family controlled (Pistrui 2005). Some of the large family controlled enterprises include: Ford (now in fourth generation) which controls 40% of the Ford Motor Co and the second and third generation Walton family controls 39% of Wal-Mart. In Holland, small family businesses represent 75% of all companies; in the US, they generate 60% of all employment; while fifteen family businesses account for more than 55% of market value on Santiago stock exchange. Examples of family owned enterprises in India include, Tatas, Birlas, Ambanis, Singhanias, Chidambrams, Bangurs, Chbarias, Goenkas and Kirloskars.

During the last two decades of the twentieth century, family business has often been at the centre-stage in debates surrounding organisational change. The focus of research on family business has shifted progressively to the dynamics of shaping its internal organization, its strategies and competitive strength. The emphasis has been on leadership succession or insider succession.

The present study, besides defining family business, attempts to assess how far the contribution of family businesses to economic development has changed over the years. The study presents the distinctive features and challenges of family businesses and analyses the stages of transformation and re-structuring over the years in India and abroad. How far the characteristics of family businesses in different economies have been influenced by the sociological and political factors are also discussed.

Entrepreneurs create family-based business networks in response to economic and social needs.

Family Business: The Definition

Entrepreneurs create family-based business networks in response to economic and social needs. One may ask what a family business is. There is no single definition of family business. One way to define a family business is as a company owned, controlled and operated by members of one family whose non-family members may also be employed. Another definition is as a firm or a company in which the family has a strong influence in the day to day running of the business (Dutta 1997:13). It may take the form as a sole proprietorship, a partnership firm, or a company with limited liability. Further, the family control over the business may be largely informal rather than legal. Family business can also be defined as an "owner-managed enterprise with family members exercising considerable financial and/or managerial control" (Pistrui 2005: 460). A study at the Stockholm School of Economics (Rouvinez & Ward 2005: 1-2) defines family business as one that is controlled by a family and has at least one of the following three characteristics:

i) Three or more family members all active in the business.

ii). Two or more generations of family control.

iii) Current family owners intend to pass on control to another generation of the family.

According to Desai (2007), who carried out a study on the succession planning in family businesses in the US small family business is a firm with 200 or less employees that has: a) the majority of voting shares owned by one family, or b) one family exerting management control over the business.

In short, family business in trade, manufacture or service, is one where a family participation in a business involves control or influence on its operations which is likely to extend over generations. The family participation may consist of three parameters: a) employment of family members full time, or b) family members employed part-time, or c) investment of funds by the family members. This definition would cover small, medium, or large enterprises, where the family influence or control tends to extend over its generations.

The basic premise of family business is that the family influences the business and the business environment influences the family.

The Characteristics

Family businesses are loyal to the principles and the ideals of the founder, who was more often than not, a self-made person. Further more, even when the founder is no longer present, there remains an enduring sense of respect for what he/she succeeded in achieving. The basic premise of family business is that the family influences the business and the business environment influences the family. The reciprocity of influences is not absolutely perfect and would depend upon several family factors such as number of children, their interests and capabilities which in turn would have a huge impact on the choice of business strategy.

With the changing business environment, the family businesses in great number are undergoing massive transformation, i.e, moving from one generation to the next in leadership and ownership. More than the others, family businesses are deemed to have a "human face", as their very existence is linked as much to a long line of men and women as to a specific product or service, and also they provide a true reflection of the values of their founders and of the people who pass them on from generation to generation. Succession is the final test for family business. It is the lifelong process that integrates the development of family and the business. As families prepare for succession, they learn how to interact in constructive ways in order to tow responsibility for the business and the family wealth. Succession is influenced by environmental peculiarities such as taxes and legal structure, and psychology and culture of the owning family. Main issue of succession relates to ownership which is followed by leadership. A persistent identity of ownership and control in modern industries raises the issue of corporate governance and efficient allocation of resources.

Stages of Transformation

Family businesses may extend over generations and pass through three stages (Table1):

Stage I: Owner-Managed- The ownership control is vested in one family member who leads the business. The controlling owner has more than 51 percent of the voting power, has prerogative to make unilateral decisions, is authoritarian, and decision-responsibility is clear.

Stage II: Sibling Partnership- The controlling-owner generally makes an ownership succession decision and passes the ownership to his successor who then becomes the controlling owner; or shares the voting power among his offspring or a small next-generation team. Such a team is most commonly a team of brothers and sisters and is known as a Sibling Partnership. It is a situation of consensus decision-making. At times diversity among members may bring in disagreements which can prove fatal for the business.

Stage III: *Cousin Confederation*- Ownership control is spread among many owners, not necessarily the family members. These dispersed owners are often third or fourth generation cousins. No one has absolute control and they adopt a democratic decision-making process where majority rules.

Table 1: Stages of Ownership Transformation: Concerned Major Issues

Owner Managed Stage I	Sibling Partnership Stage II	Cousin Confederation Stage III
Unilateral decisions	Consensus decisions	Democratic decision making
Authoritarian system	Intense and volatile relationship	Dispersed ownership
Quick decisions	Diversity	No one has absolute control
Others may feel alienated	Creativity	Rules and fair process
Simplicity	Higher risk of conflict	Loss of personal interest

Source: Rouvinez & Ward (2005)

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The first generation creates a thriving enterprise, the second generation milks it or lives off it, and the third generation does not have anything left and has to start all over again. Chinese describe the transformation of family owned business as 'the first generation builds a success; the second generation lives like gentlemen; and the third generation has nothing left'. Another Chinese expression puts it as 'Wealth does not pass three generations'. Studies have shown that "Only about 20% of family businesses last beyond 60 years in the same family. And two-thirds of the survivors were not growing". In India only seven of the fifty largest groups in 1947 were in business in 1997; or 32 of the country's 50 largest corporations in 1969 were no longer among the top fifty in 1997 (BT, Jan 7, 1998). The average life span of family business is 24 years, which coincides with the average time the founder is associated (Desai 2007). Such dismal statistics of the longevity of family business indicates lack of succession planning.

The Challenges

Family enterprises are sometimes, the opposite of creative and innovative environment, have abysmal records in new patent rights and are largely path dependent. They avoid innovations and change as well as growth exceeding the family resources and management capacity. They are confronted with a number of issues ranging from individual to family welfare, or community or political patronage.

"One outstanding quality of Indian family business is the complete surrender of individuality of the member to the general welfare of the family and its activities. This surrender of personal vanity and ambition in the larger interest of the family and, by extension, the community or *bridari*, results in a unique sense of competition rather than in conflict. There is a virtual absence of fractional conflict. The cultural mores governing the individual within his family and *bridari* are further strengthened by the interdependence of its members, socially, politically and most importantly, economically" (Dutta 1997).

The second major issue is that business-owning-family differs on whether the business or family issue is of prime importance. Dutta (1997) viewed it as "the business community survival is central around family welfare". From 1980s, the focus of research on family business has shifted progressively to the dynamics of shaping the internal organisation of the family firm, its strategies and competitive strengths. Emphasis has been on leadership succession, an issue increasingly being perceived as crucial affecting enterprise welfare. However, the process of leadership transition has been influenced by the fact that the family provides protection against uncertainties, especially in the changing economic environment.

Family business in general has been synonymous with insider succession, though the practice differs in various countries.

Family business in general has been synonymous with insider succession, though the practice differs in various countries. In India, all scions of business families acquire fairly wide-on-the-job exposure to the technical aspects of business during their apprenticeship in the business under peers, elders and trusted professional managers. However, in the west, sons are expected to find themselves jobs and join the family firm only after they have worked elsewhere for a few years (Dutta 1997:20). Complex situations arise when the successor heir is not competent to lead or expresses his unwillingness to accept the leadership role; or in case of number of heirs, there is absence of any unanimity on choosing the successor. In some cases when the new generation is willing to enter the business, sharp differences arise as old generation ageing business leaders are unwilling to retire and also do not adopt to the strategies and structure befitting the changing times. Family businesses have to address several special challenges as: a) succession, b) business viability, c) family harmony, d) responsible and unified ownership (Rouvinez & Ward 2005 :3). Family businesses have roles that are conflicting and stressful; they wear three *"hats"* as, *"dad"*, *"boss"*, *"major owner"*. Family businesses and their members create their own map, are based primarily on their value system; though strong sense of family, caste, linguistic and regional identities greatly influence the determination of business objectives and focus and the means of achieving them.

The family business has different characteristics in different economies.

The Global Experiences

Family businesses are diversified and vertically integrated and dominate certain industries. For example, in travel industry the Carlson, Van Vlessiegan, and Martiz families are three of the largest five travel agencies each with more than Euro 200 bn in revenues. In the automobile industry, Porsche, BMW, Fiat, Peugeot-Citroen, and Ford are family businesses. Similarly, world-famous watch makers and jewelers include, Chopard, or Audemars Pigue. Family run businesses in different economies have lead to organising of economic activities where the human and the rational are mixed in a protective environment and the individual can best develop his talents and aptitudes. As a result, the family business has different characteristics in different economies. Family businesses differ in outlook and have been influenced by sociological and economic and political factors. A study by Ward (1987) of 200 successful manufacturers in Illinois between 1924 and 1984 shows that less than 20 percent had survived over 60 years, with 65 percent of these remaining with the same family. Only 25 percent had grown significantly. The study also shows that 80 of the 200 companies closed within 30 years and the same number within 60 years.

A research in the US suggested that 67 percent of family business houses normally split after the second generation takes over. With the proportion rising to 90 percent by the third generation, the chances of unity in the face of centrifugal forces seem low. Since a greater percentage of the country's largest business houses have already entered the second or third generation, anticipating and preventing, to the extent possible, or managing the fallout of splits is, therefore, a major priority for the family. There is an urgent need to draw up a contingency plan for carving up the empire; creating alternative avenue of growth for different members of the family without endangering the core group; and apportioning functional responsibilities rather than charge of business between the inheritors (BT, January 7, 1998).

Asian Experiences

In Indonesia and the Philippines family businesses control more than half of each country's corporate sector in terms of market capitalization. Control is also highly concentrated in Hong Kong (China and Thailand). A quarter of the corporations in Korea, Malaysia and Singapore are controlled by the ten largest families. In contrast, family control is insignificant in Japan. (Dutta 1997:28-29).

A study on ownership, control and performance of corporations in East Asia reveals that there are large differences in the distribution of ultimate control. Less than 10 percent of Japanese companies are controlled by families, while nearly 80 percent are widely held. In Korea and Taiwan (China) families control 48 percent of corporations. In Thailand family control is 62 percent, and in Malaysia 67 percent). "Company size appears to play a big role in explaining the distribution of control across ownership classes. In most economies family ownership is higher among smaller firms. This pattern is especially strong in Japan, where just one of the twenty largest corporations is under family control, while most of the smallest companies are controlled by families. The same pattern occurs in Korea and Taiwan (China). A similar pattern prevails in Indonesia, Malaysia, the Philippines, Singapore and Thailand; though many large companies are controlled by families. The exception is Hong Kong, where about 75 percent of the largest companies are under family control, while less than 60 percent of the smallest companies fall in the same category" (Claessens et. al. 2000).

The significance of family business in Pakistan is highlighted by the fact that 80 per cent of the firms are owned by families and Choudhary Slahudin (2006) has indicated that there is a positive relation between founding-family role and entrepreneurial spirit. Dutta (1997) suggests that "a small number of families effectively control most East Asian Corporations". For example, about one-sixth of market capitalization in Indonesia and the Philippines can be traced to be controlled by *Salims* in Indonesia, and the *Ayalas* in Philippines. The top ten families in Indonesia and the Philippines control more than half of each country's corporate sector in terms of market capitalization. Control is also highly concentrated in Hong Kong (China and Thailand). A quarter of the corporations in Korea, Malaysia and Singapore are controlled by the ten largest families. In contrast, family control is insignificant in Japan (Dutta 1997:28-29).

China

The Chinese system is called the 'see-thing cauldron, with families bubbling to the top only to burst and sink back to the bottom', in the space of two or three generations. (Redding, 1992). Chinese culture is centred on

Chinese, most often, feel obliged to do business with close family, extended family, neighbours, and former classmates, in that order and only then, reluctantly, with strangers.

'*Confucian Values'*, which are built around family, social ethics, education, centralized authority, and conformity. In China, family-centred extended networks support a cultural orientation of relationships or connections called *'Guanxi'* which literally means 'relationships'. Chinese most often, feel obliged to do business with close family, extended family, neighbours, and former classmates, in that order and only then, reluctantly, with strangers. Chinese culture played a central role in supporting entrepreneur-led SME growth and development. The household and extended family tended to provide primary resources of start-up capital. Over 67 percent of businesses had at least one family investor; while 31.5 percent had two. Fifty percent of these new enterprises had a family member employed full time, while 23.4 percent had more than one family member working full time. Family is not only instrumental in helping to establish the business but also is a significant factor in the growth of the firm. Various forms of family support could include growth capital, room and board, building space, tools, encouragement and moral support to growth initiatives (Pistrui 2006). *"Patrimonialism"* is the consistent theme of Chinese executives and related forces for the concerned theme are: a) inability to separate power ownership; b) didactic leadership style; and c) personalism (Redding 1992).

Ownership among the Overseas Chinese is illustrated by the fact that 54 percent of the Hong Kong stock market is controlled by ten family groups, seven of them Chinese, one Jewish/British, and two British. This process of creating informally allied business groups has strategically useful outcomes for capital raising, competitive behaviour, and political co-operation, and is done by an elaborate net of interlocking directorates.

Sociological factors in India reflect a deep relationship between families and businesses.

India

In India family has been the hub of every activity; prevalence of joint family system and traditional caste system wherein '*vaishya'* caste people are engaged in trade and business, have led to strengthening of family businesses. Sociological factors in India reflect a deep relationship between families and businesses, father's business is divided among all children who eventually manage the business. This provides a safe heaven for the children who also diversify into other areas or expand original business and a business group emerges. This also provides an added impetus for creating an off-the shelf business for the son rather than asking him to set up his own. A survey of 25 leading business houses in India has revealed that every business house has expanded its range of activities and has raised resources for their diversification into new areas (Piramal 1998). Indian family business sector was smaller in 1946. Of the 127 largest companies in India, 58 were under foreign or British management at the time of independence. In 1994, family businesses dominated the private corporate sector, as 80 percent of the 500 biggest companies, as per Business Today (22 July 1994), were family businesses, though they experienced split over the years (Annexure 1).

Indian family business has attracted the confidence of foreign investors which is reflected by the success of Reliance 100-year and 50-year bond issue in the US in the eighties. In addition, a number of new family groups appeared on the corporate landscape in the 1990s. These included Nambiars (BPL), Guptas (Lloyds Steel), Jindals (Jindal Strips), Oswal (OWM and Vardhman), Singhs (Ranbaxy), Shahras (Ruchi Soya), Mehtas (Torrent), Lohias (Indo Rama), Dhoots (Videocon) and Premjis (WIPRO). These groups have elbowed out the former stalwarts such as Dalmias, Modis and Walchands. Similarly, many new business groups have emerged after 1991 liberalisation measures; these have been the result of foreign collaborations, or cross border acquisitions or business restructures as a result of family split. These include Bhartis collaborating with Wallmart, and big-ticket deals like, Tata-Corus, Lakshmi Mittal-Arcelor; Zee Telefilm's stake in Dubai based Taj TV, Vodafone-Hutch, Hindalco-Novellis. Their main strength lies in understanding the environment that they operate in" (Piramal 1998).

A 1996 analysis by Business Standard shows that 714 companies out of 1000 are single companies of groups in the listing. Similarly, the Business India Super 100 of 1993 shows that 51 of the 74 family businesses in the first 100 private sector companies in India belonged to family groups with more than one company on the list.

"About 75 percent of the largest companies are family businesses. There is some variation in the number of family firms in the biggest companies" (Dutta 1997). The Business India Super 100 puts the number of family businesses in the top 100 companies by sales, at around 75 percent. Birla family business is one of the examples of family businesses in India where families have not always fought over wealth, as after the death of Ghanshyam Das Birla in 1983, his five sons amicably divided the mighty empire left, though there were certain unpleasant surprises. Nitin Podar, a noted lawyer who has handled many family separations, says that, "second generation always fights for control, and not to establish itself" (BW Sept 2007). However, business legacies are rarely so uninterrupted. Some of the recent examples include, Mohan Shetty, a hotelier, shot and wounded his older brother Manohar in a literal succession battle witnessed by their mother in their lawyer's chambers; dispute between two brothers, Shisir Bajaj and Rahul Bajaj over the business empire founded by their father Ramkrishnalal Bajaj, and acrimonious feud between the Ambani brothers. Split in Ambani family had a synergy effect as both the brothers are vigorously competing to grow and sum total of the wealth of the two warring empires is higher than the size of the pre-split business. Of late, promoters are increasing their family stakes in the businesses so as to strengthen their family business. The top 17 private business groups by market capitalisation - Mukesh Ambani, Tata Group, Aditya Group, Rahul Bajaj Group, and Vijay Mallya – have increased or maintained their stakes in at least 55 companies out of the total of 91 over the past year (BW Sept. 2007). These business groups are increasing their stakes to leverage the India growth story and exercise greater control. Among the listed companies in the S&P CNX 500, promoters are opting to stay in control of 282 companies with promoter stake of over 50 percent. Of the remaining 218, only 39 have a promoter stake of less than 26 percent. Changes in the financial system of the country and also take-over threat are some of the reasons for the increase in the stake by the promoters, though in the old days, promoters relied heavily on FIs for support and were, therefore, able to run their companies with a small percentage of holding. For example, promoter's of Tata Steel have increased their stake from 30.26 percent in December 2006 to 33.77 percent in June 2007 after the takeover of Anglo-Duch steel giant, Corus; in Tata Tea, the promoters have increased their stake from 28.95 per cent in June 2006 to 35.40 per cent in June 2007 (Table2).

Indian companies change hands less often than the US ones.

The Way Ahead

According to the 1972 Dun and Bradstreet study, 70 percent of family firms either close or are sold after the founder retires or dies (Lansberg 1988). Similarly, in India, in a sample of 105 companies in 1947, 35 continued to exist in 1987; 43 shut down because of extraneous factors like partition and change from British to Indian government. Thus the survival rate over 40 years (1947-87) of about 56 percent is comparable with the rates in the US. However, Indian companies change hands less often than the US ones. An analysis of India's 200 biggest companies shows that 16 are more than 75 years old and about 80 percent continue to be with the same ownership. The comparable figure in the US was 65 percent (Ward 1987). Also since 80 percent are amongst the largest Indian companies, Indian family businesses show greater significant growth over this period as compared to the West. Comparison of top ten family companies of 1997-98 with that of 2007, one finds that only six companies of 1997-98 find place in the list (Table 3).

Table 2: Increasing Promoter Stake

Business Group	Company	Promoter June 2006	Stake June 2007	% Increase
Mukesh Ambani	Reliance Industries	49.83	50.98	1.15
Tatas	Tata Steel	26.88	33.77	6.89
Tatas	Tata Coffee	50.67	57.48	6.81
Tatas	Tata Tea	28.95	35.40	6.45
Tatas	Videash Sanchar Nigam	71.52	76.24	4.72
Tatas	Automobile Corp. of Goa	39.66	44.10	4.44
Tatas	Trent	26.35	29.81	3.46
Tatas	Tata Chemicals	28.62	31.55	2.93
Tatas	Indian Hotels	28.40	29.17	0.77
Anil Ambani	Reliance Communications	42.23	66.75	24.52
Anil Ambani	Reliance Natural Resources	45.05	49.94	4.89
Anil Ambani	Reliance Energy	5.00	35.90	30.90
Anil Ambani	Reliance Capital	35.45	52.40	16.95
Aditya Birla	Aditya Birla Nuvo	34.17	39.01	4.84
Aditya Birla	Hindalco Industries	26.79	31.40	4.61
Aditya Birla	Grasim Industries	25.07	25.19	0.12
Bajaj	Bajaj Hindustan	37.71	40.90	3.19
Bajaj	Bajaj Auto	29.78	30.11	0.33
Om Prakash Jindal	Jindal Industries	40.58	42.56	1.98
Om Prakash Jindal	JSW Steel	45.15	46.43	1.28
UB	United Spirits	36.32	38.10	1.78

Source : BW September 24, 2007

Table 3: Family-owned Top Ten Companies by Market Capitalisation (Rs. crore)

1997-98		March 2007	
Reliance Industries	15,667	Reliance Industries	1,80,685
TELCO	8,136	TCS@	1,24,492
Baja Autos	6,773	Bharti Airtel@	1,20,753
Hindalco Inds#	6,500	Tata Motors	35,859
TISCO	6,066	Sterlite Industries@	30,058
Mahindra & Mahindra	3,610	Tata Steel	25,866
Ranbaxy Labs.#	3,427	Bajaj Autos	27,928
Tata Chemicals#	2,795	HZL @	33,693
Indian Hotels#	2,413	Gujarat Ambuja Cement	19,187
Gujrat Ambuja Cements	2,094	Mahindra & Mahindra	22,429
Total Market Captalisation			31,57.141

Source 1. Business Today September 7, 1998
2. The Economic Times ET 500 March 2007

Family businesses must change. They must think big and become nimble-footed.

Place in the Share Market

How do family businesses in India figure in the stock exchange? Sensex (BSE index of 30 equity shares) with 1978-79 base, had eight (or 26%) non-family companies in 1996. Similarly, in the broad based National Index of Equity Prices of 100 companies, with 1983-84 base, there were only 20 non-family businesses. On the other hand, in Korea, only 30 percent of the *Chaebol* are listed on the stock exchange, and the biggest four *Chaebol* contribute 50 percent of the country's GNP. Table 4 shows that family businesses are not only splitting, they are fast losing values, as their market capitalization has shrunk from 67.95 % in 1992 to 55.71% in 1998. The share of trans-nationals has increased from 22.28% to 33.69 % in the meantime. Family businesses, thus, are migrating from being the owner-managers to strategic investors and are bringing in more professionals. In the words of S. Goenka of RPG Enterprises, "Family businesses must change. They must think big and become nimble-footed".The share of market capitalization of family businesses was approximately 40 percent in value (as well as in number) as on March 16, 2007 (see Annexures 2 &3).

Table 4: Contribution of Family Owned Companies to 500 Companies in 1992 &1998

	1992	1998
Family-Owned: Share of Market Capitalisation %	67.95%	55.71%
No. of Companies	405	384
Widely Held : Share of Market Capitalisation %	9.77%	10.60%
No. of Companies	17	21
Transnationals : Share of Market Capitalisation %	22.28%	33.69%
No. of Companies	78	95

Source: Business Today, September 7-21, 1988 (p 45)

Indian businesses, according to Piramal (1998), are subject to five threats viz. splits, succession-planning, takeovers, trans-national competition, and lack of focus. Of these, the trans-national competition poses the biggest danger followed by splits in the family. Further, the three major dilemmas faced by family businesses are:

- How to find, and hire, the best managers a group can afford?
- How to ensure that the next generation is able and capable of taking over the baton?
- How to encourage each business unit within the group to become focused, and to maximize its core competencies to best advantage?

Similarly, the reported relative perceptions are:

- Family-owned companies are the least-preferred employers
- Career development is uncertain
- Business families strategise by lobbying for protection
- The level of transparency in business houses is below average
- Family businesses compare poorly on leadership qualities

"While the increasing compulsions for professionalizing the managerial functions will almost, certainly, force the appointment of qualified senior managers from outside the family, the business house could well choose to reserve the rank of commander-in-chief for one of its own" (BT, Jan 7, 1998). "Succession planning..... integrates three considerations, namely, ownership issues, family relationship related issues and business related issues. Studies show that less than 30 percent of closely held businesses have succession plans (Desai, 2007)." Lastly, how come family businesses pass through generations without much of inside bickering and disputes? Settlement of family business feuds becomes difficult where there is a single business which has grown larger and larger; example is that of Hindustan Construction Company (HCC), which was created on the separation of century-old Walchand Hirachand group. In case of a number of successors, says Ajit Gulabchand, chairman HCC, a trust should be created and the management should be left to professionals like Ford Motors did in the US. There cannot be one single model to end family disputes. Three possible options are: a) the family can divide the shareholding amicably among members; or b) the family's shareholding can be pooled into a trust which manages it as in the US and Europe; or c) to hold the family wealth in a single investment company such as Pilani Investments by the Birlas, or through investment companies, like that of Reliance held before the split (BW Sept 2007).

Sum Up

Family businesses are undergoing transformation, reformation and restructuring. In India, as in other countries, family businesses have fought for wealth and control, have experienced splits over the years and are increasing their respective stakes to tighten their hold. At times there are differences on amicable settlement among family members; and in the absence of the practice of pooling of family shareholdings in a trust, it is essential that family businesses should have succession plan to guard against the risk of discontinuity. Splits are inevitable, and in order to survive they have to be creative and think of newer businesses to survive in the competitive environment. Family businesses, though experienced split due to sociological, economic and political factors, have robust growth and a bright future, primarily because of understanding of Indian environment and image.

Areas of research

Looking at the present scenario of the family businesses, following can be the possible areas of research:

- Family businesses are found to have a life cycle varying in different economic environments. Splits have, in general, led to decay of family businesses and in some cases brought in synergy effect. What are the influences on the life cycle and the two diverse directions of growth? And what factors account for the disintegration of family businesses while in others they remained united over generations?
- What had been the points of similarities and differences in their growth paths?
- Succession planning is not very common among Indian businesses. Insider succession has been the main concern of family business in India. How far the practices of insider succession and having professionals vary among different countries?
- Family businesses are every where have grown over the years, though family control over the businesses varied among businesses in different countries. What are the similarities and differences of family control in different countries?
- Indian family businesses have primarily been based on their value system, influenced by caste, regional and linguistic factors. Of late, there has been a tendency to increase promoters' shareholdings to avoid take-over threat. How do we account for the varying influence of joint family over family businesses? Will such practice bring in change in the growth of family businesses in India?

Acknowledgements

The authors thank the anonymous referees for the comments on the earlier draft of the paper.

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Annexure 1: Indian Business Houses : Splits Since 1952

	Group	Founder	Yr. Split	Post-split :Groups Major Cos.
A	Dalmia S. Jain	Ramkrishana Dalmia	1952	• *Dalmia* : Dalmia Cement; Shree Krishna Gyanoday Sugar; India Investment Bank • *Sahu Jain*: Bennett; Coleman & Co.; Rohtas Inds
A 1	Dalmia	Ramakrishana Dalmia	1981	• *Sanjay Dalmia* : GTC Inds.; Dalmia Inds; GTC Global; Gujarat Heavy Chem • *Mridu Hari Dalmia, Raghu Hari Dalmia, & Ajai Hari Dalmia*: OCL India; Khammam Granite • *Yadu Hari Dalmia* : Dalmia Cement
B	Thapar	Karam Chand Thapar	1962	• *Lalit Mohan Thapar* : BILT; Greaves; Crompton Greaves; KTC & Bros • *Man Mohan Thapar* : JCT Ltd.
B 1	L.M. Thapar	Karam Chand Thapar	1997	• *Vikram Thapar*: BILT Paper; • *Gautam Thapar* : BILT Chemicals, The Pioneer; • *Karan Thapar* : Greaves Ltd.; Crompton Greaves; Bharat Starch
C	Oswal	Vidya Sagar Oswal	1977	• *Vidya Sagar Oswal:* Malwa Cotton; Bindal Agro • *Lachman Das Oswal :*Oswal Spg Mills*;* • *Rattan Chand Oswal :* Mahavir Spinning; Shreyans Inds.; Vardhman; Oswal Agro
C1	Vidya Sagar Oswal	Vidya Sagar Oswal	1982	• *Vidya Sagar Oswal:* Malwa Cotton; OWM • *Abhey Oswal:* Bindal Agro
C2	R.C. Oswal	Rattan Chand Oswal	1987	• *D.K.Oswal:* Shreyans Inds. Adinath Textiles • *Rattan Chand Oswal :* Mahavir Spg.; Vardman

C3	Vidya Sagar Oswal	Vidya Sagar Oswal	1993	• *Jawaharlal Oswal* : OWM • *Vidya Sagar Oswal:* Malwa Cotton
D	Goenka	Badri Das Goenka	1979	• *Rama Prasad Goenka:* RPG Enterprises; Ceat; CESC • *Gouri Prasad Goenka :* Duncans Agro
D1	Indian Express	Ramnath Goenka	1995	• *Vivek Goenka:* Indian Express Newspapers (Bomba); Traders Ltd • *Manoj Sonthalia :* Sterling Newspapers; Andhra Prabha; Indian Express Newspapers (Madurai)
E	Mafat-lal	Mafatlal Gagalbhai		• *Arvid Mafatlal: NOCIL; Mafatlal Finance* • *Yogendra Mafatlal:* Indian Dyestuffs; Mafatlal Dyes & Chem • *Rasesh Mafatlal:* Standard Inds; Stanrose Mafatlal
F	Singhania	Kamlapat Singhania	1979	• *Padampat Singhania :* JK Synthetics • *Kailashpat Singhania:* Raymond • *Lakshmipat Singhania:* Straw Products; JK Inds
F1	Padampat Singhania	Padampat Singhania	1992	• *Gaur Hari Singhania:* J.K. Syntheticcs' Cement Division • *Govind Hari Singhania:* J.K.Synthetics' Synthetic Fibre Division • *Ramapati Singhania:* J.K. Synthethics' Acrylic & Tyre Cord Division
G	Kothari	Dayachand C. Kothari & Harshad C. Kothari	1982	• *Dayachand Chandulal. Kothari* : Kothari Indl Corp. • *Harshad Chandulal Kothari*: Kothari Sugars
H	Piramal	Primal Chaturbhuj	1982	• *Dilip Piramal:* Blow Plast, VIP Inds • *Ashok-Ajay Piramal:* Morarjee Goculdas Spg & Wvg
I	LMW	G. Kuppuswamy Naidu	1983	• *G. K. Devarajulu :* Lakshmi Mavhine Works; Super Sales; Textool • *LMW:* Lakshmi Mills; Lakshmi Auto Looms; Lakshmi • Synthetic Machinery; Vijayeswari Textiles, CLIF; United Bleachers; Lakshmi Apparels
I1	LMW	G. Kuppuswamy Naidu	1995	• *G. K. Sundaram :* Lakshmi Mills; Lakshmi Auto Looms; • Lakshmi Synthetic Machiner • *G. K.Rajagopal:* Vijayeshwari Textiles; CLIF; United Bleachers; Lakshmi Apparels
J	Shri Ram	Shri Ram	1984	• *Murli Dhar :* DCM Shriram Consolidated • *Bharat Ram :* DCM; SRF • *Charat Ram:* Usha Intl; Shriram Indl. Enterprises
J 1	Bharat Ram	Bharat Ram	1989	• *Vinay Bharat Ram :* DCM • *Vivek Bharat Ram:* DCM Toyta • *Arun Bharat Ram :* SRF; SRF Needle Bearings
K	Birla	Baldeo Das Birla	1986	• *Ashok Birla:* Birla 3M; Birla Yamaha • *M.P. Birla:* Birla Jute • *L.N. Birla:* Birla VXL; • *K.K.Birla:* Zuari Agro; Hindustan Times; Chambal Fertilizers;

				• *B.K.Birla:* Century Textiles; Grasim • *G.P. Birla*: Hindustan Motors
L	Punj	Kanhaiya Lal Punj	1987	• *S.P.Punj:* Fedders Lloyds; PSL Pipe Coaters; Lloyds Sales Corp. • *V.P.Punj:* Lloyd Insulations; Punj Lloyd
M	Pure Drinks	Mohan Singh	1990	• *Charanjeet Singh:* C.J. Hotels • *Daljeet Singh:* Pure Drinks
N	Ram singhani	L.J. Ramsinghani	1992	• *Laxman Ramsinghani & Daulat Ramsinghani*: Rama Petrochem; Rama Phosphates • *Ashok Ramsinghani:* RamaPulp • *V.J.* Ramsinghani: Rama Newsprint
O	Modi	Gujar Mal Modi	1992	• *K.N. Modi:* Modi Cement; Modi Alkalies; Modi Champion—three sons :Yogendra Kumar, Mahendra Kumar, Devinder Kumar • *K.K.Modi:* Godfrey Phillips; Modi Rubber; Modi Xerox— four sons: Vinay Kumar, Satish Kumar, Bhupendra Kumar, Umesh Kumar • *B. K. Modi: Modi Rubber; Modistone* • *S. K. Modi : Modi Spinning; Modi Carprt* • *M.K. Modi: Modipon fibre division* • DK Modi & K.N Modi : Modi Cement; Modi Alkali; Modi Champion
P	Bangur	Mangi Ram Bangur & Ramkumar Bangur	1992	• *B.G. Bangur:* Shree Cement; NBI Indl Finance; Phosphate Co.; Kalasa Tea *G. C. Bangur:* Andhra Pradesh Paper; Periar Tea; Dunbar Mills • *B.D. Bangur:* Graphite India; Graphite Vicarb; Carbon Corp. • *S.N.Bangur:* Shree Synthetics; Fort William Wire Rilaxon; Shree Digvijay Cement; Ahmedabad Cement *R.N. Bangur:* West Coast Paper; Fort Gloster; Jayshree Chem; Kil Kotagiri
PI	Shree Niwas Bangur	Shree Niwas Bangur	1997	• *Nand Kishore Bangur*: Ahmedabad Cement; Rilaxon; Ahmedabad Asbestos • *Shrikant Bangur*: Shree Synthetics; Fort William • *Keshav Bangur:* Bank of Rajasthan; BFL Software; Uxhur
Q	Walchand	Walchand Hirachand & Lalchand Hirachand	1993	• *Vinod Doshi:* Premier Automobiles • *Bahubali Gulabchand:* Hindustan Construction Co. Walchand Hindustan
Q1	Walchand	*Bahubali Gulabchand*	1996	·• *Ajit Gulabchand:* Hindustan Construction Co. ·• *Harsh B. Doshi:* Ravalgaon Sugars ·• *Rajas R. Doshi:* Indian Hume Pipe ·• *Bahubali Gulabchand:* Walchand Hindustan
R	Ranbaxy	Bhai Mohan Singh	1993	• *Parvider Singh:* Ranbaxy • *Manjit Singh:* Montari Inds • *Analjit Singh :* Max India

S	Pais	T. Ramesh U. Pai	1993	• *Mohandas Pai:* Indl Credit & Development Syndicate • *Ramesh Pai:* Canara Steels; Maharashtra Apex Corp.; Karnataka Consumer Products
T	TVS	T. V. Sundaram Iyengar	1993	• *T. S. Krishna:* Sundram Brake Linings; Sundram Fasteners; Sundram Textiles • *T. S. Rajan:* Sundram Industries • *T. S. Santhanam:* Brakes India; Wheels India; Sundram Finance; • *T. S. Srinivasan*: TVS-Suzuki; Sundram-Clayton; TVS Electronics
U	Chhabria	Manohar R. Chhabria		• *Manohar R. Chhabria:* Shaw Wallace; Dunlop • *Kishore R. Chhabria:* Agro Chemicals Inds; Stridewell Leather; Simbhaoli Beverages
V	Apollo	Raunaq Singh	1994	• *Raunaq Singh: BST Manufacturing; Raunaq Enterprises* • *Onkar Singh Kanwar: Apollo Tyres*
W	Mittal	Mohan Lal Mittal	1995	• *Lakshmi Niwas Mittal:* Ispat Intl • *Mohan Lal Mittal :* Ispat Inds; Ispat Profiles (started a small steel plant in Indonesia in 1976)
X	Cadila	Indravadan Modi & Ramanbhai Patel	1995	• *Indravadan Modi* : Cadila Pharma • *Ramanbhai Patel:* Zydus Group
Y	Khatau	Dilip Khatau	1995	• *Dilip Khatau:* Varun Shipping • *Hitten Khatau*: Cable Corp. • *Mahendra Khatau & Anil Khatau:* Khatau Junker; Indokem; Carona Shoes
Z	Core	Sushil K. Handa	1996	• *Sushil K. Handa:* Core Healthcare • *Sunil Handa:* Core Emballage
ZA	Bhartia	M.L.Bhartia	1997	• *Shyam & Hari Bhartia*: Vam Organic • *Uma Bhartia & M. L. Bhartia:* India Glycols; Hindustan Wires • *Ajay Bhartia:* Insilco
ZB	Bake man's	Sham Lal Gupta	1997	• *Rajiv Kumar Gupta:* Bakeman's Industries • *Sanjiv Kumar Gupta*: Candico
ZC	Binny Group	Udayar Group & Dynamix Group	1966	• *Binnay Ltd* • *Binnay (Karnataka) Ltd*
ZD	Tatas	Tata Group	1887	• *Jamshtji Tata: started Textile Mills* • *Indian Hotels in 1902* • *Tata Sons 1912- TISCO* • JRD Tata -1929 : Tata Airlines; Chemicals, Beverages; Pharmeceuticals; Infotech _mainly Greenfield projects)
ZE	Murg appa	Murgappa Group		• *Greenfield & acquisitions* • *Parry Group; Tube Investment; Parry Agro; Caroborundum Universal;EID Parry*

				• (Building materials, electronics, food process, engineering, trade & finance
ZF	Reliance	Dhirubhai Ambani	1966	• *Started with Textiles* • *(backward integration- polymer & chemicals; fiber; fiber & textiles; readymade; petroleum)*
			2006	• *(backward integration- polymer & chemicals; fiber; fiber & textiles; readymade; petroleum)* • *Mukesh Ambani- RIL* • *Anil Ambani*
ZG	United Brearies			• *Kingfisher* • *Acquired Breqaries in Zambia; micro breweries in US; Stake in Star Brewary in*

Source: Business Today, The Sixth Anniversary, (7 January, 1998) :56-57

Annexure 2: Sensex March 16, 2007 weight Total 100 No. 30

PSU		Transnational		Professional		Family	
BHEL	2.12	HLL	2.47	ACC	1.11	Bajaj Auto	2.23
NTPC	2.19			Cipla	1.43	Bharti Airtel	6.02
ONGC	4.13			Dr. Reddy	1.09	Grasim Inds	1.75
SBI	2.74			HDFC	4.30	Gujrat ambuja	1.39
				HDFC Bank	2.89	Hero Handa	0.82
				Icici Bank	9.18	Hindalco	1.43
				Info. Tech	12.28	Ranbaxy	1.04
				ITC	4.83	Rel Commu	3.41
				L &T	4.63	Rel. Energy	0.99
				MUL	1.14	Rel. Inds.	11.46
				Satyam Com	3.40	Tata Motors	2.19
				WIPRO	2.07	Tata Steel	2.21
						TCS	3.06
TOTAL (4)	11.18	(1)	2.47	(12)	48.35	(13)	38.00

Annexure 3: S & P CNX NIFTY March 16, 2007 weight Total 100 No. 50

PSU		Transnational		Professional		Family	
BHEL	2.65	HLL	2.17	ACC	0.75	Bajaj Auto	1.40
SAIL	2.35	ABB	0.82	Cipla	0.96	Bharti Airtel	7.55
ONGC	9.06	GS Pharm	0.55	Dr. Reddy	0.64	Grasim Inds	1.02
SBI	2.67	Siemens	0.95	HDFC	2.09	Gujrat ambuja	0.87
BPCL	0.60			HDFC Bank	1.59	Hero Handa	0.72
GAIL	1.22			Icici Bank	4.02	Hindalco	0.84
HPCL	0.48			Info. Tech	6.34	Ranbaxy	0.65
MTNL	0.50			ITC	3.03	Rel Commu	4.28
NALCO	0.82			L &T	2,26	Rel. Energy	0.58
OBC	0.24			MUL	.25	Rel. Inds.	10.06
PNB	0.73			Satyam Com	1.57	Tata Motors	1.60
				WIPRO	4.52	Tata Steel	1.39
				HCL Techno	1.08	TCS	6.72
				Sun Pharma	1.08	Dabur	0.40
						IPCL	0.43
						Jet Airways	0.27
						M & M	0.99
						Suzlon Energy	1.54
						Tata Power	0.56
						VSNL	0.58
						Zee Enter	0.56
TOTAL (11)	21.32	(4)	4.49	(14)	31.18	(21)	43.01