ISSN (ONLINE): 2454-9762
ISSN (PRINT): 2454-9762
International Journal of Advanced Research in Management, Architecture, Technology and Engineering (IJARMATE) Vol. II, Issue IV, April 2016

SWOT Analysis of Indian Family Business

***S Imran **L Prasanth *** B Rajasekhar ****U Obulapathi *****G Ramamohan**

ABSTRACT:

Interest in family businesses is recent, and most often knowledge creation in this field is limited to Western academics. Although stray outputs have started appearing on developing countries or Asia in general, no comprehensive picture is still clear on most aspects of family business. It is in this context that this exploratory research is undertaken.

Family businesses constitute most businesses in India, as anywhere else. Economic Liberalization and rapid expansion in the industrial base in recent years have not only created growth opportunities for many but also have tested their resource capabilities to respond to them; some have chosen to follow the role of a custodian of their existing wealth and followed the preservation route, while some others have followed more of an entrepreneurial route of exploiting opportunities with or without relevant resources, with mixed results. One of the key resources for all o f them is their family, and their prime concern is wealth and welfare of their family. A major dilemma many of them have faced particularly in the last decade since economic liberalization began is to choose between combinations of risk and returns of business growth and conservation of wealth of the family. This, of course, is intertwined with the missions of their businesses and families.

KEY WORDS: Family business, Economic Liberalization, entrepreneurial, custodian.

S Imran (Asst prof) Email id: **shaik.imranmb@gmail.com**

L prasanth Email id : **shanroyal225@gmail.com**

B rajasekhar Email id : **rajasekharboya01@gmail.com**

U Obulapathi Email id : **obulapathiuln@gmail.com**

G Ram mohan Email id : **lp01071993@gmail.com**

Cell:9493360226

ISSN (ONLINE): 2454-9762
ISSN (PRINT): 2454-9762
International Journal of Advanced Research in Management, Architecture, Technology and Engineering (IJARMATE) Vol. II, Issue IV, April 2016

GATES INSTITUTE
OF TECHNOLOGY GOOTY.

Introduction:

Family as a social institution is one of the oldest surviving (Goode, 1982), but only in recent years family business, an important arm of it started receiving academic attention.
After a detailed review of the existing literature, Zahra and Sharma (2004) concluded that family business research has a long way to go from the present fragmented and descriptive state.

We can find family businesses all over the world with different industries and various operating systems. Observing the list of Family Business Magazine (listing the world's oldest and biggest family businesses) one could be surprised which famous and successful companies operate as family businesses1, although this list is just a little teaser from the world of family businesses Family firms are the most common form of business structure; they employ many millions of people and generate a considerable amount of the world?s wealth. A family business is a company owned, controlled, and operated by members of one or several families. Many companies that are now publicly held were founded as family businesses. Many family businesses have non-family members as employees, but, particularly in smaller companies, the top positions may be allocated to family members. The story of every successful family business starts with someone who has the passion, confidence and courage to put his money where his mouth is. Entrepreneurs are typically creative over-achievers; they can see opportunities where others might not. They are incredibly hard, make things happen, are positive without being unrealistic and possess the resourcefulness to overcome all sorts of hurdles. They are socially adept, capable of communicating effectively and good at inspiring others. The family-owned and family operated businesses play an important role in employment and GDP production in most of the capitalist countries. They give 75-95% of enterprises and they produce 65% of the world GDP.

OBJECTIVES:

- To study the importance of Family Business in India .
- To study the strengths and Opportunities of Indian Family Business .
- To anticipate the problems and challenges faced by Indian Family Business .

RESEARCH METHODOLOGY:

Papers study is descriptive in nature. The data used is secondary in nature and has been collected from various websites and journals.

Relevance of success of family business:

ISSN (ONLINE): 2454-9762
ISSN (PRINT): 2454-9762
International Journal of Advanced Research in Management, Architecture, Technology and Engineering (IJARMATE) Vol. II, Issue IV, April 2016

For historical, evolutionary reasons, most countries have family businesses constituting the largest category in terms of ownership; estimates do vary, but is above 75 percent in all cases (Duman 1992, Paisner 1999; Watts and Tucker 2004). About a third of the companies listed in Fortune 500 are family businesses (Lee 2004). Since they normally do not have short term orientation but are interested in growing the family wealth with necessary precautions and have a different set of strategic goals compared to non-family owned private companies (Ward, 1987; Sharma, Chrisman and Chua, 1997), their long term contribution to economy is significant. This is true with the Indian economy too. However, long term sustenance of family business depends on its smooth survival across generations as shown in Figure 1. Families that successfully survive three or four

generations have a complex web of structures, agreements, councils and forms of accountability to manage their wealth (Jaffe and Lane 2004). This seems to be much more evident in the west compared to emerging economies such as India. Reflecting the complexity of the process involved, succession planning has been an area of keen interest for researchers. This could be for a variety of reasons. One, organizational transition from an entrepreneurial stage to a system driven, professionally managed firm is not easy (Churchill, 1983), and involves evolutions, revolutions and crisies (Greiner, 1998). Two, there is often a simultaneous process of transformation taking place in the family and business with the size of activities of both growing (Kepner 1991; Morris et al 1997)

UNIQUENESS OF FAMILY BUSINESSES

We have to understand the uniqueness of a family business to answer the above question. Family and Business, two interactive dimensions create a family business, usually owned and managed by two or more family members. It means owners' values, attitude, and biases influence organization's strategies, planning, and performance. The family's beliefs impact business objectives. For example, a religiously inclined vegetarian family may not venture into a non-vegetarian food business however good the business opportunity seems. In other forms of businesses like public sector enterprises, multinationals, and public limited corporations, ownership is treated as a separate issue from managing the business. Professional executives are responsible to operate the enterprise and take decisions in line with the business objectives and profit goals. Performance and meritocracy for employment are of prime importance. Whereas, in case of family businesses respect, trust, and sacrifice among family members take priority over achieving business targets. Bonding and sharing among family members allow them to take business risks, encash growth opportunities, and keep entrepreneurial spirit alive. ―A united family is the best social insurance one can have.

STRENGTHS :

A family business offers the following advantages:

 One of the popular misconceptions about family businesses is that they are unable to adapt easily to increasing competitiveness and technological progress. The reality is that family businesses frequently have the advantage of entrepreneurial spirit, flexibility, and opportunism.

 Family-owned businesses are often seen as ideal because family members form a ―grounded and loyal foundation for the company, and family members tend to exhibit more dedication to their common goals. ―Having a certain level of intimacy among the owners of a business can help bring about familiarity with the company and having family members around provides a built-in support system that should ensure teamwork and solidarity.

 The culture of a family business is very different from that of a company you will find on Wall Street. ―Family businesses frequently take a very long-term point of view. They‘ll make investments that they don‘t expect to pay off for 5 or 15 or 25 years…Culture in a family business is more frequently based on very personal and emotional values. It‘s stronger because there are deeper roots and closer connections to the history of the company.

 Family businesses are becoming more and more attractive to undergraduate business students who face a bleak job and salary outlook for new grads. These undergrads are choosing to return to their family businesses directly after graduation instead of trying to find a job in corporate America or on Wall Street.

WEAKNESS:

As attractive as family businesses are on many fronts, they have the following disadvantages:

 Family closeness can lead to sibling rivalry or problems when both the parent and the child want control. By the third or fourth generation, with many cousins possibly sharing ownership, governance can become very complicated.

 Family ties have a downside. Family members will frequently be expected to work harder, make more of a commitment, and get paid less than other employees in the business.

 Family business owners may automatically promote someone from the family or give family members a job even if they do not have adequate skills for the job. A nonfamily employee may be better qualified. This can cause dissension and resentment among other employees.

 Relationships between parents and children or among siblings have a tendency to deteriorate due to communication problems. ―This dysfunctional behavior can result in judgments, criticism and lack of support.

ISSN (ONLINE): 2454-9762
ISSN (PRINT): 2454-9762
International Journal of Advanced Research in Management, Architecture, Technology and Engineering (IJARMATE) Vol. II, Issue IV, April 2016

OPPURTUNITY:

In the race of survival, the families with a vision and a desire to continue their businesses across generations have to take measures to manage their businesses professionally while keeping their family ties stronger. When the family members have a common vision, well defined roles, open communication, and transparent systems of operations then the business can survive any test of time. Easier said than done, it is difficult for the families to align goals and have an open dialogue among themselves. As a family business advisor, I work with the families to develop family governance and guide them through the process of professionalization with an unbiased, rational approach. By inculcating family governance, the roles and goals of the owner-managers are defined, their performances are evaluated, family's welfare and wealth management issues are addressed, and the younger generation members are trained for leadership. Indian family businesses are going through a challenging yet exiting time. The change 'factors are making family businesses revaluate their vision and refax the priorities. Family and business, two sides of a coin, are being redefined in the new millennium. The threats and challenges of family businesses are still outweighed by the entrepreneurial zest, family values and culture. There is no doubt that the family businesses are taking up the challenges and will thrive for a long time as ever.

THREATS:

Indian family businesses enjoy various advantages due to their inherent characteristics and a social culture that supports their structures. However, these advantages can be destroyed if the family is not united; as the family grows, the challenge is to keep a sense of unity. These are a set of typical challenges that Indian family businesses face today

1. The Next Generation

The greatest challenge concerns the gap between family generations: A business founder is used to doing everything himself. Thus developed the unique culture of the present Indian family business: Inward-looking, owner centric, smaller scale, with a restricted perspective, and conservative mindset. This culture eventually becomes a hurdle in absorbing 'outsiders'. The same culture also poses a serious challenge in absorbing the next generation family members: Different generations, seeing the world differently are supposed to work together. It can be a difficult thing as the young generation is often in a hurry and has big ambitions, while their elders are more conservative and skeptical. The gap keeps on getting wider and wider. When conflict escalates between fathers and sons it is often the mother, who takes the role of

ISSN (ONLINE): 2454-9762
ISSN (PRINT): 2454-9762
International Journal of Advanced Research in Management, Architecture, Technology and Engineering (IJARMATE) Vol. II, Issue IV, April 2016

CEO (Chief Emotional Officer). This is a common story in many Indian family businesses

2. Attracting and Retaining Non-family Employees

Another possible challenge is non-family employees joining the family firm: The culture, which has solidified over time, becomes a barrier for accepting 'outsiders'. Business owners are often at a loss as to how much authority a non-family employee should be able to attain. In most Indian family businesses stakes are high: It is not easy to put their own destiny in the hands of non-family employees. Having founded the business, the owner is used to having insight into all aspects of his business. Allowing the same insight to an outsider can be hard. On the other hand non-family employees may also have difficulties in adjusting to the family business culture.

3. Women of the Family Joining the Family Business

Indian family businesses are still largely male dominated. The role of women in business and employing women is largely accepted and encouraged in India. However, when it comes to hiring women in the family business, there are reservations. Within the Indian social context of business families, bringing up the children is considered primarily a responsibility of the mother. Thus, whenever the issue of women in the family business is raised, it is subject to her ability to balance between her duties at home and her duties at work. However, as more and more women are highly educated, they are demanding a say in the family business.

INDIA'S TOP FAMILY RUN BUSINESSES

1.Reliance Industries :

Founded by Dhirubhai Ambani in 1966 as Reliance Commercial Corporation, Reliance industries is the largest private sector conglomerate company in India. The company was divided between the founder's two sons, Mukesh Ambani and Anil Ambani in 2006. In September 2008, Reliance Industries was the only Indian firm featured in the Forbes's list of "world's 100 most respected companies". In 2010, the company occupied the13th position in the Plats Top 250 Global Energy Company Rankings. However the company's petrochemicals, refining, oil and gas-related operations form the core of its business, other segments of the company include textiles, retail business, telecommunications, and special economic zone (SEZ) development. Reliance Retail has moved into the fresh food market as Reliance Fresh. Almost 23,365 employees work in the Reliance industries.

2. Tata Consultancy services :

ISSN (ONLINE): 2454-9762
ISSN (PRINT): 2454-9762
IJARMATE
International Journal of Advanced Research in Management, Architecture, Technology and Engineering (IJARMATE) Vol. II, Issue IV, April 2016

Top IT exporter Tata Consultancy Services (TCS) comes second in the list and the company belongs to the most powerful and well-known family in India- the Tatas. Originally a priestly family in Navsari, they have been active in industry and philanthropy since nineteenth century. The Tata Group, founded by Jamsetji Tata, is one of the largest private employers in India. It began as the "Tata Computer Centre", for the company Tata Group whose main business was to provide computer services to other group companies. One of the company's' first assignments was to provide punch card services to its sister concern, Tata Steel (then TISCO). It later bagged the country's first software project, the Inter-Branch Reconciliation System (IBRS) for the Central Bank of India. In 1981, Jamsedji Tata stepped down as Tata Industries chairman, naming Ratan Tata as his successor. The company also provided bureau services to Unit Trust of India, thus becoming one of the first companies to offer BPO services. The Tata Family was one of the first to embrace changes in the 20th century entering the service industry with Tata Consultancy Services in 1968.

3. Godrej Group:

Into the fourth generation, the Godrej group is over a century old, having started by
Ardeshir Godrej to make locks. The three generations that built the group added several
products to the portfolio. From locks in 1887, to soaps in 1918 and refrigerators in 1958,
the group has steadily grown over the years. It is highly diversified group, present in industries ranging from food, soaps and detergents, consumer durables, electronics, insecticide, veterinary products and engineering. The group has acquired brands such as Friskers, Jet and Banish and has forged alliances with several transnational's such as GE, P&G, Pillsbury, and Sara Lee. The group turnover grew from Rs 28 billion in 1999 to Rs.33 billion in 2004. The group holds a majority shareholding in most of its companies ranging from 50% to 100%. The Godrej was awarded the Citizen of the Year in 2003 by the Economic Times for its contribution to social development. In its 100-year old history,
the group has never experienced a single split.

4. Wipro :

Headquartered in Bangalore, Wipro technologies is a global information technology services company which was founded by M.H. Hasham Premji in 1945. After M.H Hasan Premji's sudden death, his son Azim Premji had to leave Stanford University to take care of the company which he struggled to convert it into Wipro technologies. Recently Rishad Premji son of Azim Premji is promoted as the Vice President of Wipro. Wipro provides outsourced research and development, infrastructure outsourcing, business process outsourcing (BPO) and business consulting services. The company operates in 3 divisions: IT Services, IT Products, Consumer Care and Lighting.

5.Jindal Group :

IJARMATE

ISSN (ONLINE): 2454-9762
ISSN (PRINT): 2454-9762
International Journal of Advanced Research in Management, Architecture, Technology and Engineering (IJARMATE) Vol. II, Issue IV, April 2016

Jindal Group was founded in 1952 by OP Jindal. After OP jindal's death in 2005 in a helicopter crash much of his assets were transferred to his wife, Savitri Jindal, the widow of OP jindal. She was ranked as the 19th richest Indian person by Forbes. Naveen Jindal is the Managing Director of Jindal Steel and Power limited. Naveen's elder brother Sajjan Jindal is currently the head of ASSOCHAM, an influential body of the chambers of commerce, and the head of JSW Group, part of O.P. Jindal Group. The company manufactures and sells sponge iron, mild steel slabs, ferro chrome, iron ore, mild steel, structural, hot rolled plates and coils and coal based sponge iron plant. Jindal steel and power limited is also engaged in power generation. Jindal Group has manufacturing outfits across India, US and Indonesia offices across the globe.

CONCLUSION:

The Indian business landscape has started expanding fast. With the involvement of the older generation alone, such growth is unthinkable. While the parent generation needs to accept this, the next generation has to learn to appreciate their parents' wisdom and understand that there is no substitute for hard work. The solution to these challenges requires an understanding of the family business dynamics and a separation of people from problems. Family business members should learn that no one is wrong but that each generation has a different culture. Once families learn about these cultures and understand the need to appreciate different perspectives, whether young or old, they will be able to harmoniously work with professionals as well as across generations.

REFERENCE:

- Carlock, Randel S; Manfred Kets de Vries and Elizabeth Florent-Treacy (2007). "Family Business". International Encyclopedia of Organizational Studies.

- Van der Heyden, Ludo; Blondel, Christine and Carlock, Randel S. (2005). "Fair Process: Striving for Justice in the Family Firm". *Family Business Review*. XVIII

- Carlock, R.S. and Ward, J.L. (2001). Strategic Planning for the Family Business:
  parallel planning to unify the family and business, New York. Palgrave.

- Chrisman, J.J., J.H. Chua, and P. Sharma (1998) Important Attributes of successors in
  Family Businesses: an exploratory study, Family Business Review, 11(1):19-34.