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The Changing System of the Joint Business Family in India

under the Influence of Informal Institutions

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Abstract:

This paper will show the changes in the Indian family system and the influence of the institution "family", with its various social rules, on Indian business families and family businesses over the last 20 years. It thereby aims (1) to emphasize the ongoing influence of the joint and extended family on the family business, while the prevailing family system itself is not the joint family but the nuclear family with the joint family system as psychological reality. (2) it analyzes the different life-cycles of male and female family members in the business family to determine the influence of education and cultural context on the standing of the single family members in the family business and (3) shows the interaction of the business family as a unity towards its surrounding society, with employees and non-familial professionals. A short conclusion will summarize the three topics and emphasize the ongoing importance of the family and social norms embedded in family life on the family business, constantly influenced by a changing environment.

The paper is based mainly on the revision of existing literature, but also on case studies conducted in Indian family businesses during a research journey in February 2011.

Structure

1 Theoretical background: the theory of institutions and family businesses

Indian family business could get analyzed in front of various backgrounds. Some examples include their performance in contrast to other forms of business, or their achievements in a developing country, as well as their organizational response to the enormous growth the Indian economy is experiencing right now.

Nevertheless, the concentration in this paper will remain on the institutions influencing the various relations in the business family, its members and with its surrounding society. This allows focusing on the family business itself, with special regards to the society they are embedded in.

Informal institutions (sanctions, taboos, customs, traditions and codes of conduct)[1] serve to explain the behavior of individuals in groups and relationships and provide a description of how a state can emerge and how it serves to protect the rights of its people.

A special application occurs when regarding the different settings by which individuals order social life, as marriage or the division of people into special social groups. Here the view on this process with regard to institutions is especially helpful, as it brings down phenomena to mechanisms, whose emergence lies in learning, motivating (external and internal), observing and pursuing the highest possible benefit in regard to possible sanctions from the social environment. Additionally, the influence of other agencies and the results of this influence on family businesses can be explained with the help of institutional theory.

The crucial point is the theory of family businesses itself. While, at a first glance, it might be more suitable to use a strict management-theoretical approach, a theoretical analysis of family businesses always has to consider the distinctive features family businesses display. Here to mention are the sociological and psychological influences the different dimensions *family, ownership* and *management* imply for the family business.[2] As mentioned earlier, an institutional approach offers possibilities to consider the different influencing systems, as the institutions themselves are based on psychological, sociological and economical factors. In an often-cited article from 2006, Marianne Bertrand puts it like this:

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[1] In this paper, where the expression „institution" is used, informal institutions are meant if not stated differently
[2] cf. Wimmer, Groth, et al., 2004, p. 101f.

> *"... cultural theories propose that the organization of business around families may not necessarily be an optimal adaption to the economic environment, but instead the outcome of a (partially) predetermined set of norms."[3]*

Institutional theory combines the view of interacting roles in the family business, with an analysis of the socioeconomic environment surrounding the family business.[4] In cases where the business itself shall be considered in its cultural environment, a theory, which concentrates on the socioeconomic environment, with its embodied norms, values and expected behavior, has to be applied.

Following a definition, all business communities share similar characteristics:

> *"a web of affect-laden relations among a group of individuals, ... a set of shared values, norms, and meanings, and a shared history and identity - in short, to a particular culture."[5]*

This definition puts family business in a set of institutions, which will be highlighted in the following work.

Especially in India, where the joint family plays a crucial role in the development of behavioral patterns and different phases of business history had have a strong influence on organizations, the environment has to be considered. Institutional theory is a valuable option for identifying the heterogeneity presented in family businesses.[6] It combines insights resulting from analyzing the different roles in the family business, while considering the frictions between the family, different groups in the business and the surrounding.[7] Special emphasis is put on the expected behavior of single members of the interacting groups. This holds especially when they are embedded in a cultural, religious and political strongly influenced environment.

Additionally, family businesses have to cooperate with at first sight two contradictory logics, that of family and of business. While in the family relations are based on reciprocity, equality and affection, business is focused on growth, capitalism and accumulation. Family businesses combine those contradictory logics and develop an interdependency, which ultimately can lead to a better

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[3] cf. Bertrand and Schoar, 2006, p. 78.
[4] cf. Leaptrott, 2005, p. 215.
[5] cf. Etzioni, 1996, p. 127. taken from cf. Segre, 1998, p. 411.
[6] cf. Leaptrott, 2005, p. 226.
[7] cf. Astrachan and Keyt, 2003, p. 553f.

fulfillment of the basic institutional needs: security and identity.[8]

2   The joint family in the past and today

While, in different other topics concerning Indian family businesses, as internationalization and perception of caste importance, a change in organization and structure in the Indian society is identifiable, this is not equally true for the business family. Even if a change in size or general structure of the family might happen, the family still is the most important support for successful family businesses.[9] Therefore, the joint family system as it was in the past and still is important today will get presented, followed by life-cycle analyses of male and female family members to show how they traditionally get raised in business families. Where literature suggests a change in the traditional patterns, this will be presented and analyzed.

2.1   The traditional commensal joint family – definition and appearance

While, from a western point of view, industrialization and the evolution of the nuclear family are often seen as correlated, in the case of India this might not be equally true.[10] The joint family is said to be one of the main institutions of the Indian society in the past.[11]

The following topic will display the joint family system as it has been classically structured in India in the past.

Therefore, in the first place a closer look at different patterns of family organization in India will be conducted, while in the next step the focus will rest on the type of Indian joint family, which is predominant in family businesses. The definition of the Indian joint family will focus firstly on the genealogical explanation of joint family structure, and then on the social group *family*, with certain common activities or functions and its influence on Indian family businesses.

A meta-study, conducted by Pauline Kolenda and published in 1968, suggests that there are different kinds of family systems existing in India, which cannot be differentiated without ambiguity. The studies compared demonstrate a wide range of shapes of Indian family systems, from linear relations, where parents live together with married children and grandchildren, to collateral relations, where siblings live together with their spouses and eventual children. Another criterion for differentiation is the place, where the family lives – either under one roof, in the direct

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[8] cf. Leaptrott, 2005, p. 226.
[9] cf. Dutta, 1997, p. 61.
[10] cf. Owens, 1971, p. 223.
[11] cf. Rose, 1968, p. 169.

neighborhood or in different cities or villages and whether they share one kitchen, when living in the same dwelling or not.[12] Altogether there where eleven kinds of family structures based on the aforementioned criteria recorded, which were prevailing in India. These different kinds did not only comprise joint families, but also a common definition of the nuclear family, where a couple lived together with or without unmarried children. The nuclear family will be more important in the subsequent topic, where the change of the joint family system gets analyzed. The ten other types make several subdivisions, but for the rest of this thesis the definition of the Indian joint family will rely upon the following criteria.

Kolenda determines four criteria for regarding a family as a joint family:

> *"[1.] it must include two related couples.*
>
> *[2.] … these couples may be related lineally (usually in a father-son relationship, occasionally in a father-daughter relationship), or collaterally (usually in a brother-brother relationship, occasionally in a brother-sister relationship).*
>
> *[3.] … the unmarried relatives (including widowed or divorced) who are not children of any of the married couples in a family supplement the family, whether it is a joint, nuclear, or subnuclear family.*
>
> *[4.] … where there is no married couple and the relatives where formerly part of the same nuclear family, then it is a subnuclear household."[13]*

All criteria include that the family is commensal.[14]

The compared studies suggest that by 1968 most people either lived in joint or supplement nuclear families, which means a nuclear family plus at least one single (separated or widowed) family member.[15]

2.2   Family organization in the past and today

The joint family is traditionally organized as following: several couples together with children and further unmarried relatives live in one dwelling. The couples are related by blood, usually through the men, who are brothers. The female part in the family consists of their wives, unmarried daughters and widowed kinship. The daughters move out from home and become part of the joint

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[12] cf. Kolenda, 1968, p. 344f.
[13] Cf. Ibid., p. 347f.
[14] Cf. Ibid., p. 345.
[15] Cf. Ibid., p. 390.

family of the husband as soon as they get married.[16] The patriarch and his wife head the family. Already in 1948 there was a trend towards smaller families noticeable, but still very large families with four generations below one roof could be found, especially in rural areas as mentioned beforehand. Privacy in the western sense is rare, but married couples usually have their own bedroom. In a traditional joint family the kitchen is shared.[17]

The property of the family is held in common[18], which means that no individual wealth can be accumulated, as the gains of the individual members contribute to the common wealth and the joint family alimented not-working (in a salaried job) family members. This holds for male members as well as for women, who traditionally did not work in salaried jobs.

The ties of the joint family get typically enforced through several institutional bondings, like religion and social activities. Especially in *Brahmin* families religious rites are practiced as family members assemble for celebrating religious feasts. One of the main activities for which the family reunites (in case of members working in a different place) is the marriage of a son or a daughter. The pre-ceremony activities play an important role in the life of a joint family, as the choice of an adequate candidate is a long process, from choosing the right candidates over meeting and finally deciding, whom the daughter or son should marry.[19] A special emphasize was put on the caste the candidate came from. Included in the pre-ceremonial activities is ritualized present giving and family meetings, with precise social rules, including the payment of dowry or, more seldom, a bride price.[20] Additionally the marriage between a Hindu-couple does not only unite two individuals, but ties together two families in very close relationship. During the ceremony, often a substantial part of the community, the respective families and also the villages the families derive from are included. As such, it is a social event, creating a special bond between the individuals and having special meaning for the society surrounding those two.

Different other rites including naming rites, hair-removing rituals, start of student life, death rites etc. are embedded in the family and get exercised to different occasions.[21]

As an example the marriage preparation or the execution of religious rituals can show, how much institutionalized behavior was prevalent in India.

The family supports its members morally and financially and served – in its position as the basic

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[16] cf. Kakar and Kakar, 2006, p. 60.
[17] cf. Mandelbaum, 1948, p. 123.
[18] Cf. Ibid., p. 124.
[19] Cf. Ibid., p.
[20] cf. Lawrence and Dalmia, 2005, p. 71.
[21] cf. Mullatti, 1995, p. 17f.

unit of social organization – to internalize culture, moral, and social behavior in the personalities of its members.[22]

2.3   Change in the system and implications for the Indian family business

The presented organization of the traditional joint family has not changed to a great extent over the last 50 years, but authors disagree when analyzing the frequency of the joint family appearing today.

2.3.1   Change in the appearance of the joint family

Different studies tend to present different results, when analyzing the change in the Indian family structure in regard to its interaction with industrialization over the last 60 years. This may be due to the fact that differing definitions of family and industrialization are employed and in the subsequent analysis different features accompanying the change in the Indian household composition get expressed.[23] One view is to take industrialization and urbanization as the main reasons for a change from the joint to the nuclear families.[24]

While the reasons for a change in the coexistence of family members are not clear, it can be stated that already in 1950 researchers mentioned changes in the structure of the commensal joint family accompanied by the on-going industrialization of the country.[25] The logical steps of change for most researchers are the following:

(1) The joint family is a pattern found in rural India, therefore, before industrialization, in the whole of India

(2) In urban areas the nuclear family is prevailing

(3) Urbanization is the cause of a change towards a change of the usual family system, the joint family, to more nuclear families.[26]

This pattern has increased over the last 60 years, without reaching the whole population, but being mainly noticed in high caste families.[27]

Other studies suggest that the joint family is still the prevailing form of coexistence in Indian households and that industrialization did not change this significantly until 1970.[28] This holds in the

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[22] cf. Shivani, Mukherjee, et al., 2006, p. 9.
[23] cf. Owens, 1971, p. 223.; cf. Kolenda, 1968, p. 344f.
[24] cf. Shah, 1968, p.
[25] cf. Mandelbaum, 1948, p. 125.; cf. Owens, 1971, p. 249.; cf. Singer, 1968, p. 425.
[26] cf. Shah, 1968, p. 127.
[27] cf. D'Cruz and Bharat, 2001, p. 170.

opinion of some authors at least for some areas and castes.[29] Also in the present, authors state that mainly in urban areas, the joint family and other family systems also belonging in the category *extended* is still the prevailing form of co-existence, as living space is expensive and family loyalty is valued highly.[30] Other authors state that the system of the joint family is mainly existing in rural areas in families either landowning or successful in industry, as the joint family system can only get afforded with enough wealth.[31]

Most researchers agree that in India joint and nuclear families exist side by side, and that the change in household composition is more due to life-cycle changes in a family (e.g. the children move out from rural areas but join another household in urban areas, thereby making the latter to a joint household), than to an overall change from nuclear to joint or vice-versa in the Indian society.[32]

2.3.2   The joint family as "psychological reality"[33] in business families

While certainly a change happens in the composition of households in total India, even if it is not sure if the change is happening more in wealthy/poor families and rural/urban areas, this change does not influence the business family in the interaction towards each other and towards other parts of their surrounding, as the nearby society, employees or professionals.[34] The family remains the social unit, which cares for the identity of an individual, though it is influenced by a growing trend towards individualization. This is reflected in a growing awareness about who belongs to the extended family and therefore needs to be shepherd, and those members of the family who are already too far away in the degree of kinship. Nevertheless, an individual still is identified over his affiliation to his family, and has the responsibility to care for reputation in society and loyalty inside the family.[35]

Different authors support the theses that while the family might not be longer commensal in its household structure, it is still in family organization and serves as the strongest social institution in the Indian society.[36] The joint family becomes a "*psychological reality*"[37] and while some might no

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[28] cf. Meenakshi and Ray, 2002, p. 4.; cf. Collver, 1963, p. 96.; cf. Orenstein and Micklin, 1966, p. 321.; cf. Conklin, 1974, p. 798.; cf. Kakar and Kakar, 2006, p. 13.
[29] cf. Singer, 1968, p. 425.
[30] cf. Kakar and Kakar, 2006, p. 13f.
[31] cf. Niranjan, Saritha Nai and Roy, 2005, p. 623.
[32] cf. Mullatti, 1995, p. 18.
[33] cf. Cohen, 1974, p. 27.; cf. Kakar and Kakar, 2006, p. 14.
[34] *Professional* in contrast to *employee* describes an individual holding a high management position, except a family member being in that position.
[35] cf. Kakar and Kakar, 2006, p. 16f.
[36] cf. Béteille, 1992, p. 14.
[37] cf. Cohen, 1974, p. 27.; cf. Kakar and Kakar, 2006, p. 14.

longer live below one roof and share a common kitchen, the same loyalty (in economical and psychological terms) remains and the identity of a joint family gets transferred to the nuclear structure.

This holds for different factors:

Members of the extended family try to visit each other as often as possible, at the aforementioned religious gatherings, but also for spending free time with each other. They take care of non-salaried working members, unemployed or elder people, where the formal institutions do not, or not sufficiently exist.[38] Especially in urban families an upkeep of the joint structure is measurable, e.g. when brothers live in separate households, but run one enterprise together. [39]

In the joint family, the relationships are often formalized, which leads to a loss of spontaneity, but also helps to avoid open conflict. This holds especially for the business family, as work is not clearly separable from family-affairs, and, as it will be shown in a later chapter, different fields of conflict get not discussed openly.

In summary, while a change in family size is noticeable, it is not clear without ambiguity, whether this change influences the business families, as they still live under the premises of a joint structure, even when not being commensal in the strict sense. While the institution of caste is still existing, but deceasing, the institution "family" does not lose its importance and individuals still define their moral, norms and behavior through existing social rules in the family.[40] The institution will be queried today and in the future through influences from globalization and increasing individualization, but remains the social unit family businesses rely on and care for.

3   Changing and constant roles in the Family Business

As current literature suggests[41], the focus in this topic will lie on four different stakeholder groups in the family business: the patriarch in the family business, the role of his wife and women in general in the family business system, and their children. The fourth point of interest aims at the interaction with professionals and employees in general. The following subtopics will analyze these different parts of the business family and their relationships towards each other.

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[38] cf. Kakar and Kakar, 2006, p. 14f.
[39] cf. Mullatti, 1995, p. 17.;cf. Shah, 1968, p. 129.
[40] cf. Béteille, 1992, p. 18.
[41] cf. Sharma, 2004, p. 10.

3.1 Participation of males in business families

First, the education of male family members will get displayed, before regarding the succession process and the roles of fathers and patriarchs.

3.1.1 Education for business participation

Receiving a son has a high status in India and is an important factor for the development of a family. This has different reasons: first, sons are needed to fulfill different religious rituals.[42] Further, parents can expect a dowry for their sons, which can take the form of significant sums of money and as such help a poor family to survive. Third, sons are important for the economic situation of a family, as they usually stay with the joint family, while the daughters move to the family of their husbands.[43] According to their importance in Indian families in general, they also take a special place in the business families.

They get educated as being a future part of the family business.[44] Already during schooling, they accompany their fathers or uncles to learn about business. They are compelled to watch the older generation to see how the business gets managed. They go into a kind of apprenticeship, often parallel to schooling, where they learn in practice all about the family business.[45] After the training with elder family business members, their reputation in managerial questions rises. They can show that they are trustworthy and eager partners, while in a subordinate sense, through building up contacts, skills and a good reputation in family and society.

Nowadays it seems to be common that the sons spend some time abroad to make their own experiences: in different visited family businesses the described patterns got proven: Most of the visited persons spent some time abroad e.g. the sons of Pe AN of AN Automotives spent some time in the US and also Sushma S. QU from Sri QU lived in the US for a while before entering the family business.[46] They could make their own experiences concerning entrepreneurship or further education, as some of them founded their own companies or did a MBA-degree.[47]

In the whole process of education, formal higher education was not seen as primarily important, as (1.) earned degrees would be of no help in the family business, and as such the fathers and uncles could see no return on investment and (2.) the investment made in the sons could be lost if the

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[42] The cremenation of deceased parents and as well different rites in honour of the dead ancestors can only be performed by men. See e.g. cf. Arnold, Choe, et al., 1998, p. 301.

[43] Cf. Ibid., p.

[44] cf. Dutta, 1997, p. 70.

[45] Cf. Ibid., p. 71.; cf. Harriss-White, 2003, p. 109.

[46] See case studies in appendix B.

[47] See case studies in appendix B.

young men decide to go elsewhere out of the business family sphere to find a job.[48] At this point, the examples state otherwise: most of the visited business leaders spent some time abroad to earn a higher management degree.[49]

When the educational part is completed, the sons found their own businesses or join a sub-company of the family business. The financing is organized with the help from the father, resp. the family business.[50] This builds a base for future finance swaps between different companies in the family business. Therefore, the family business is seen as an internal source of credit, and a later partition of the businesses would lead to a loss of this source.

Before one person takes over the position as head of the family business in managerial questions the male children enter the business in different positions, usually at an early age.[51]

As soon as the sons enter the family business, tasks get divided among the male kinship already working in the business. Here it is irrespective, whether the family still lives together in a joint structure, or in separated households, but nearness, emotional and geographical, supports a closer binding and strengthens the relationship between the patriarch and the successor.

The returns to the sons are usually equal or according to their age.[52] In different interviews this theoretical insight got supported, e.g. by the DV brothers or the sons of Pe AN.[53] This can be explained with reference to the paradox of family- vs. business-equity, where it is stated that family logic and business logic differ, but in a family business are both at the same time existing and sometimes conflicting. Out of business logic, a vertical structure should get applied in regards to salary and business-equity: individuals differ in regards to their ability and also in regards to the contribution the single members of the family add to business success. Consequently, the highest achiever should get the highest return. In the family logic, being a part of the family is the only difference existing and individual members do not have to fulfill an achievement. Family fairness is exercised and the sons are treated equally, as all sons are equally loved and appreciated.[54] The Indian family business patriarch acts out of this logic when defining the salary for his sons. This paradox of equity is also the background when regarding the employment structure: all male members get a position in the business, regardless of their ability. Again, family equity is exercised in places, where this might lead to difficulties in business continuation. The salary is structured

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[48] cf. Nafziger, 1998, p. 111.;cf. Harriss-White, 2003, p. 109.
[49] See case studies in appendix B.
[50] cf. Nafziger, 1998, p. 36.; cf. Ibid., p. 53.
[51] cf. Dutta, 1997, p. 71.
[52] cf. Harriss-White, 2003, p. 111.
[53] See case studies in appendix B.
[54] cf. Simon, Wimmer, et al., 2005, p. 168f.

according to age, as the elder in hierarchy always stands above the younger and as such also gets a higher salary and position.

When the business is large enough, every son is positioned on the top of one sub-company.[55] This can lead to conflict, as the sons will not be equally successful in conducting the business. Following that, different wealth situations occur and one son can afford to have a bigger stake in the family business than another son. In the next generation, the aim will be to put own male heirs into the company, sometimes against the opposition of the brothers. Several fields of conflict mark the growing up, as this shows. Supported by the cultural aspect of not talking openly about conflicts, this can lead to partitions of companies at this stage.[56]

Changes in family size sometimes hinder the diversified growth family businesses in India pursued in the past.[57] It was common to place sons in different, institutional - but not product related companies.[58] But the reduction in numbers of children, also sons, forces the family business owners to rethink their allocation policy. In newer companies this leads to the inclusion of sons- or brothers-in-law.[59] Dr. XY from XY Laboratories works together with his brother-in-law and also the company QU, where a female successor will inherit the mantle, Sushma S. QU works together with her husband and her brother-in-law.[60] So here the level of trust can remain the same as if giving a physical son the position. As the parents choose the partner of the children, and marriages inside the community are common, similar norms and principles of behavior will be found in the conduct of life.

The end of the on-the-job training is marked by the transition of managerial power from the father to the eldest son, which will be described in the next topic.

3.1.2 Succession-process

Succession in general means a change in ownership and control of the company from an incumbent to his successor. This can include the managerial topics as well as a change in the equity structure.

When enough time is spent on training, the actual succession process begins, where the son is step by step introduced to higher levels of management. In general, every succession process is

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[55] cf. Stewart, 2003, p. 7.
[56] cf. Ward, 2000, p. 275.
[57] cf. Harriss-White, 2003, p. 114.
[58] cf. Kedia, Mukherjee, et al., 2006, p. 562.
[59] cf. Ward, 2000, p. 276.;cf. Harriss-White, 2003, p. 114.; cf. Harriss-White, 2001, p. 6.
[60] See case study *QU* in appendix B.

individual and depending on traditions and distinct cultural aspects of the company and the family.[61] Therefore, only typical patterns of succession in Indian family businesses will get presented and analyzed. Furthermore, a difference has to be made, whether a succession in ownership or management shall take place. In the following analysis, succession to manage the company will get displayed.

The succession process takes a special place in the life-cycle of Indian family businesses. It is in the pride of the patriarch to ensure the handling of a healthy business, as this strengthens his position in society and family.[62]

Sons get introduced into business to take up management positions after a training process with the goal that the eldest son inherits the father. Indian family businesses follow the tradition of primogeniture.[63] This is meant to ensure the safety of family wealth and the continuation of the united family business.[64] In cases where there are serious reasons why the eldest son cannot inherit the father, another person out of the male family line gets chosen, e.g. a brother of the father or his son.[65]

The process is accompanied by difficult decisions in regards to salary and position of the children, which mainly get taken through referring to traditional patterns: all sons get paid equally or according to their age, but not to their abilities in business. Everybody gets a position in the company, regardless of ability, and at times new positions are created to ensure this right. This process is marked through close relationships between fathers and sons, which got strengthened from schooling on through on the job training in the family business. [66] Additionally, own experiences in entrepreneurship with financial support by the family get promoted. As stated earlier, this is seen as an internal source of credit and the companies are seen as a part of the family business. Finally, the eldest son will take over managerial power from his father.[67] With this step, he also undertakes the duty to care for the family and the other way round the younger brothers have to show respect for the new business leader.[68] Even when this way is similar as it has been over the last centuries, areas of conflict arise:

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[61] cf. Wimmer and Gebauer, 2009, p. 67.
[62] cf. Sharma and Srinivas Rao, 2000, p. 314.
[63] Cf. Ibid., p. 315.; the concept of *primogeniture* means that the first-born will inherit everything.
[64] cf. Bertrand and Schoar, 2006, p. 80.
[65] cf. Sampath, 2001, p. 61.
[66] cf. Dixit, 2008, p. 13.
[67] cf. Harriss-White, 2003, p. 109f.
[68] cf. Sharma and Srinivas Rao, 2000, p. 315.

- Other sons than the eldest might feel being more adequate for the position as head of the company or persons with fewer abilities take up important positions because the tradition wants them to. Especially in families without open discussions and agreements about the succession process, difficulties will arise as the example of LA B has shown.

- The eldest son might not want to inherit his father or might want to make his own decision about if and when to take over the position.[69]

- The successor struggles with the feeling that he has to be equally successful in business or even more successful than his father, either through imitating him or through acting independently.[70]

- Equal sharing of heritage can lead to conflict between the brothers, similar as the right of primogeniture might lead to the feeling of unequal treatment.[71]

- The sharing of heritage is accompanied by lack of transparency in financing and salaries, which also leads to conflict due to repressed emotions.[72]

- The previously mentioned paradoxes between business equity and family equity can lead to a struggle in the succession process.

Indian business families have their own way of conflict resolution: the process is marked by informal contracts, as the sons are expected to behave as the tradition in the Indian joint family wants them to and are trained to follow the path their fathers went in the previous generation, respectively to take up the second generation of family-business-management. Due to cultural aspects in regards to respect and formality, sons mostly do not openly disagree with their fathers.[73] Different interviews revealed the changes and following problems the business family experiences when applying the traditional system, where the eldest son inherits the patriarch: LA B felt being the most appropriate to be the next head of the family business after his father's death. The problem arising is, as he is not the eldest son, his older brother should take the position of the father. The question is not discussed openly in the family and subsequently leads to conflict.

Additionally, the concentration on single business units the sons are controlling can result in losing the sight of the development of the whole family business.[74] As long as the patriarch is alive, he will try to take care of combining the different business interests the sons are having. The example of

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[69] cf. Wimmer and Gebauer, 2009, p. 61.
[70] cf. Saxena, 2010, p. 11.
[71] cf. Bertrand and Schoar, 2006, p. 79.
[72] cf. Ward, 2000, p. 275.
[73] cf. Sharma and Srinivas Raocf.| Ibid.|, p. ^pp.Cited Pages., p. 314.;cf. Wardcf.| Ibid.|, p. ^pp.Cited Pages., p. 274.
[74] cf. Ward, 2000, p. 275.

AN Automotives supports this: the middle son is successful in his own IT business, which he founded during his stay in the US. The business is integrated in the family business, and despite the success of his IT company, the son is not allowed to give it more importance than to the rest of the company and the father concentrates on automotive parts instead of supporting the IT business. It will be questioned what will happen when the father dies or steps out of business, but in the meantime he controls his sons and leads the company in a strict and traditional way, as the eldest son will be his successor and the two others head different departments of the family business.[75] By applying strict traditions, conflicts over the topic are avoided, but do not vanish. They are addressed usually when the patriarch deceases and frequently the conflicts get treated in court, as various family members have different plans concerning the strategic direction of the family business.[76] Often a split of the family business follows.[77]

When individuals start to lose the feeling of the importance of traditional institutions, more problems in the succession process might arise. Additionally, through changing family situations, as e.g. the higher education for women indicates, which just starts to be common among high-class business families, the traditional position of the son is in danger, and thereby also his privilege of becoming the business leader without having to show the greatest ability.[78] Here a field for future research is opened up. While the way of succession is still very traditional and marked by informal contracts ensuring the old pattern, changes in the society and thereby increasing individualization and chances for disadvantaged groups might lead to an institutional change, where the sons are querying the traditional institutions and at the same time are afraid of losing them.

3.1.3   Fathers and patriarchs: balancing roles in business and family

> *"As per Hinduism's belief in the inequality between sexes and occupations,*
> *Indian family is by and large patriarchal in structure."[79]*

Especially in India, where the organization of family life is based on authority, hierarchy, trust, respect and loyalty, the patriarch has a special position inside the family and the family business. The male line and especially the eldest member of the family is responsible for decision making and in turn gets treated respectfully by other members of the family.[80] He has not to consult other

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[75] See case study *AN Automotives* in appendix B.
[76] cf. Sampath, 2001, p. 61.
[77] cf. Saxena, 2010, p. 26.
[78] cf. Ward, 2000, p. 276.
[79] cf. Mullatti, 1995, p. 16.
[80] cf. Ibid., p. 23, cf. Ward, 2000, p.

members of the family, also when they are affected by the decision. The family is expected to follow his directives without questioning or showing criticism.[81] His word is taken law-like.[82]

The business owner always plays a special role in the family business, and strong ties between him and the family can make it difficult to differentiate between the business and the family, also at the cost of business opportunities.[83]

The situation in the past can be described with the system of *jajmani* or *panchayat*[84]: the patriarch had to care for the needs of his social group and had to be the fair decider over disputes or questions of allocation. It is said that the Indian individual puts the welfare of his surrounding society above his individual well being.[85] This feature of the Indian culture can be transferred to the mind-set of the business owner. The duties the patriarch has in the family meet the duties he discharges in the family business.[86]

His position is difficult, as he has to balance the different needs of the family and has to be very careful not to disregard the needs of any stakeholder.[87] The supervision of money or investment is in his hands and he takes care of the recruitment of adequate partners, who usually are male relatives.[88] Additionally, he decides how to structure assets, as for tax reasons the equity is seldom held individually.

In the family he decides about the education of his sons and later on he governs the managerial positions the sons will undertake in the business.[89] As the chapter about the relationship between the employees and the business family will show, he manages his employees according to the level of faith he has in them, and also in the family, respect, loyalty and faith are the foundation pillars of his position as the family eldest.

It is in the family's interest to respect his position, especially in cases where the business is the main source of income. Here it provides not only monetary benefits out of the generosity of the owner, but also working place guaranty. At the same time, it is in the interest of the patriarch to focus on

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[81] cf. Cohen, 1974, p. 29.
[82] cf. Piramal, 1996, p. 143.
[83] cf. Bertrand and Schoar, 2006, p. 78.
[84] *jajmani* decribes the system of transactions among different social layers, which could be found in old village communities. It was not a system of barter, but of caring for the mutual needs of the group. *Panchayat* was the group in a community, which cared for equal treatment of its (the communities) members. cf. Karofsky, 2000, p. 340.
[85] cf. Derné, 2000, p. 325.
[86] cf. Owens, 1971, p. 229.
[87] cf. Dutta, 1997, p. 67.
[88] cf. Harriss-White, 2003, p. 109f.
[89] cf. Owens, 1971, p. 226f.

cooperation with other males of his family, as he can reduce transaction costs through strong ties in respect to trade secrets, costs of hiring or capital acquisition.[90]

According to Sudipt Dutta there exist three kinds of patriarchs in Indian family business:[91]

1. The entrepreneurial kind
2. The eldest son who inherits his father, when he dies or steps out of business
3. The patriarch, who is not in this position because of heredity, but of capability[92]

The first kind has power and authority, not depending on the position in family hierarchy. He has the obligation to care for other family members by providing working places or building partnerships with close male relatives. This includes his brothers, but also cousins. He also has to participate in financing the extended family.[93] VD from CG India said that his first company he had been in, was a partnership with his cousins.[94]

The second type is trained to be the future patriarch from childhood on, and has a very close relationship to his father. According to Dutta, he will receive the same authority as his father had, as he is seen as the natural successor and especially after the decease of his father as the one with the greatest authority. He has the duty to lead the family business, but his brothers might have the same stake in it, as the heritage is usually divided among the brothers on an equal base.[95] This is, as earlier mentioned, one of the difficulties the business family faces: a mixture between family equality, where everybody gets treated the same, and Indian specific business logic, where the eldest is at the same time regarded as the most capable one.

In the third group, the position of the new business leader is the most challenging. As he is not seen as the natural successor from a traditional point of view, several family members, and especially the elder male members, who did not get chosen, will feel the natural hierarchy deranged. For face-saving reasons, the eldest male member will receive a title, which theoretically puts him above the real business leader. Additionally, the "young" CEO will face difficulties in exercising his authority against other family members working in the business. His decisions will sometimes not be regarded, as he has not the natural authority an elder member would have.[96]

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[90] cf. Harriss-White, 2001, p. 6.
[91] cf. Dutta, 1997, p. 65ff.
[92] According to Dutta, this kind is the rarest.
[93] cf. Dutta, 1997, p. 70.
[94] See case study *CG India* in appendix B.
[95] cf. Bertrand and Schoar, 2006, p. 79.; cf. Ward, 2000, p. 274.
[96] cf. Ritu Bhattacharyya, 2007, p. 625f.

All three groups have to balance different needs in the family and the business. He is expected to sacrifice his own desires for welfare of family and business and avoid short-term speculation. At the same time, the family expects him to take growth opportunities, which is, apart from the monetary aspect, as well important for accommodating the growing number of family members.

As mentioned before, he will try to put his sons at the management position in different sub-companies. When one of the enterprises is growing and starts to become more successful than the traditional business, the focus will start to turn to the new venture. As seen in visited companies, this is a slow process and it is again in the responsibility of the patriarch to ensure that the new business is not built on short-term success through gambling and speculation.

In the Hindu language there even exist a pair of expressions to explain the business strategy the patriarch should pursue:

Vyapar indicates steady trade and business, while *dhandha* labels short-term success through speculation and gambling. While the patriarch always has to focus on *vyapar*, *dhanda* can be used to accelerate growth, but is not respected in society.[97]

While the role of women is changing slowly, as the next chapter will show, the position of the patriarch remains basically the same. Balancing the different needs of family and business and being the steward of the family will is not an Indian specific pattern in leadership of family business, but the conjunction with his family is enforced through the structure of the joint family and the duty to sacrifice own needs for the family will.

3.2 The female family members: from daughters, daughters-in-law to mothers

The situation of women in Indian family businesses gets differently described in literature. Not only difference through caste exists, but also regional differences, e.g. between northern and southern parts of the country.

Women are seen as being in a very traditional position, with focus points on the household and the reception of male heirs. Their role in business is marginal, but of great value in household organization and familial topics. Changes are mainly seen in educational questions, as only recently higher education is being considered of importance for women and subsequently, women start to ask for managerial positions in the family business.[98] The legal position of women has changed through the Hindu Code Bill of 1954/1956, which gave the daughters the right to own property. In

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[97] cf. Dutta, 1997, p. 67ff.
[98] cf. Ward, 2000, p. 274.

practice, this right gets rarely exercises, as the family system still is male-dominated and very traditional.[99]

Apart form the mentioned topics, the role of women in the family business seems to remain influenced by traditional institutions and life-cycle stages.

3.2.1 The role of daughters

Daughters are on the one hand beloved family members and have a special position, shown through affection from fathers, mothers and brothers, but on the other hand hold the very difficult part of being the ones who get married and move away from the family after a dowry[100] was paid to the family of the husband.[101] Especially the monetary aspect led to a decreasing birth rate of women in the past, as female fetuses got aborted more often than male fetuses. The birth of a girl was accompanied by higher financial responsibilities for the parents than the birth of a son and additionally, general son preference exists in India. Her birth is more often followed after a short time by the reception of a next sibling, as the parents try to receive at least one son. This leads to an increasing number of children and especially in poor families to decreasing resources available. Additionally, the danger of a spread of infectious diseases is higher in families with more children.[102]

During her education, special emphasis is put on the management of the household.[103] Here a change has been noticeable during the last decades. While it is still common to concentrate on the organization of the household, higher formal education plays an increasing role in the life of women. With higher education a higher level of self-awareness goes hand-in-hand, and the wish to start an own career increases.[104]

But still daughters (or daughters-in-law) in business families have different main duties:

(1) Providing for and taking care of male heirs.

(2) Getting married strategically to ensure good contracts between different business families.[105]

(3) Not to endanger family solidarity in the family of her husband.[106]

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[99] cf. Mullatti, 1995, p. 16.

[100] *Dowry* is the word for monetary or other material payments made to the family of the future husband. The height of the sum has to get determined according to the status of the two families and serves as a status symbol. Ccf. Lawrence and Dalmia, 2005, p. 71f.

[101] cf. Mullatti, 1995, p. 19.;cf. Dutta, 1997, p. 84.; cf. Kakar and Kakar, 2006, p. 61.

[102] cf. Arnold, Choe, et al., 1998, p. 301ff.; cf. Mullatti, 1995, p. 14.

[103] cf. Harriss-White, 2003, p. 108.

[104] cf. Ward, 2000, p. 277.

[105] cf. Harriss-White, 2003, p. 118.

One of the rare aspects of change, which got empirically proven, is the age at which daughters used to get married. Traditionally, this happened at a very young stage of life, around the age of 15 years and is now rising to 18 years.[107]

The relationship between daughters and mothers is generally described as very affectionate. One of the reasons for the expressed affection may be the circumstance that mothers know about the difficult situation their daughters are in.

While the ties of sons to the extended family get strengthened throughout live-cycles as they stay with their family, daughters' relations get disjoined at her marriage and rejoined in another family. Through the missing sense of group protection, they might develop self-reliance and independence more than men are forced to.[108]

3.2.2 Daughters-in-law, mothers and wives

Social norms expected the daughter in law to move to the family of her husband after marriage.[109] This implied to find her position in an entirely new household, supported by her husband whom she did not know very well at the beginning, as the marriage was usually arranged.[110]

The relationship between the new and old family members is described as being formal, traditional and respectful. The newly wed wife is hierarchically seen on the lowest place in the social order of the family.[111] The relation to the family (mothers-, sisters- and brothers-in-law) is formal and distant and especially to the father-in-law, almost no direct relationship is built up. Only among other daughters-in-law an informal relationship occurs.[112]

The reception of a son changes the situation, as the daughter-in-law becomes a mother through fulfilling one of her main duties, which is to give birth to a son. The close relationship between mothers and sons has different reasons. While the other relationships are usually formal, in the caretaking of the child, the woman can express otherwise suppressed feelings.[113] Additionally, when the sons of the daughter-in-law grow up her position changes in regards to family hierarchy. The bonding between mothers and sons is very high and mothers become informal heads of the joint

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[106] cf. Dutta, 1997, p. 81.
[107] cf. Mullatti, 1995, p. 20.
[108] cf. Derné, 2000, p. 342.
[109] cf. Shah, 1968, p. 129.
[110] cf. Derné, 2000, p. 328.
[111] cf. Kakar and Kakar, 2006, p. 62.
[112] cf. Dutta, 1997, p. 81.
[113] cf. Derné, 2000, p. 329.

family. Sons show great affection towards their mothers.[114] The conducted interviews provide good examples. The mothers got generally described as the caretakers of the households, who keep the family together.[115]

The wives of business owners usually play a major role in household organization, but have a minor position concerning business topics. The only time when they are important in managerial questions is when acting as stewards in case of a death of the husbands before the sons can take care of the business. But also here their role is limited, as usually other male family members will take up the representative duty. Women usually do not own or lead businesses, apart from small side ventures, especially created for them and not being seen as important for the growth of the family business.[116]

In cases where women lead family businesses, the formal title is given to a male family member. During the interviews, the only female business leader we met was Sushma S. QU. In her case, the husband and also the husband of her sister work with her in the family business. According to the homepage of the company, the father is the chairman, even when during the interview she made clear that she leads the business.[117]

Besides caring for the family, they engage in philanthropy or organize in special sections of international social service clubs, like Lions Club or Rotaries.[118] This engagement is considered to be relevant for the Indian society, as it has a long tradition and can take respectable size. It works for two sides: on the one hand, the respective purpose of this philanthropy gets supported, but on the other hand the women engaging in it can find a position outside the household where they get equally valued and respected.[119] Also the wives of the business owners met during the research trip were in several cases engaged in philanthropic topics or women associations of business-interest-groups or the management of charity foundations.[120]

After displaying different stages of a female life in a business family, the question remains if and to which account there exist institutions, which lead to change or continuity in this role.

On the one hand there is tradition enforcing several norms on the daughter, e.g. to move out from home to the new family after marriage, accept the difficult position she inherits until she has children of her own and to have a formal relationship with the new family members. Also the

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[114] Cf. Ibid., p. 330.
[115] See case studies in appendix B.
[116] cf. Dutta, 1997, p. 79ff.
[117] See case study *QU* in appendix B.
[118] cf. Harriss-White, 2003, p. 118.; cf. Ward, 2000, p. 274.
[119] cf. Pushpa, 1996, p. 417ff.
[120] See case studies in appendix B.

restricted situation in terms of own capital, accumulation of wealth and managerial position add to a self-enforcement of traditional institutions, which put women in a position in the household, where they are at the beginning on a hierarchically low position, but later on gain the authority, as soon as they have children of their own, they are missing outside.

A change is visible on different stages in life: the age of marriage is shifting, influencing also the time when they move out from home. At the same time education gains importance and women start to decide on their own about if and where to work. They engage in philanthropy, start little businesses and take important roles in business-interest-groups.

The informal institutions, explained at the beginning, always imply that the main part of the social groups acts the same to enforce the institution. Institutional changes occur when parts of the social environment start to act differently, against the norm. This usually leads to punishment by the surrounding group, but, when the part acting differently is large enough, the new movement will become norm at some time. The current generation of business wives mainly acts according to old institutions and it is not clear without ambiguity, which life they plan for their daughters and whether the male part of the families insists on tradition, or will be open for new ways. The young women themselves will, as new possibilities are visible for them (through media, increasing education and experiences in foreign countries, to name a few possibilities), try to break with traditional institutions and need the support from the family.

4 The business family in interaction with its direct environment

After the family itself and the different roles in the business family got displayed, the next step will be to look at its interaction with its direct surrounding, that is the employees in the company, and its position and behavior in the society.

4.1 Between the family business and employees or professionals

As employees and professionals get treated differently in the family business, in the following chapter this distinction will be made as well. In this subtopic, the focus lies firstly on the relationship between the family and the employees and secondly, the focus will be on its interaction with non-familial professionals.

4.1.1 The family business in interaction with its employees

The literature on employment in Indian family businesses is scarce, as the main focus point when analyzing the Indian workforce rests on issues of caste, familial background and gender.[121]

Nevertheless, by focusing on the existing literature, a picture of the relationship between the family business and its workforce can be drawn. It has to be subject of further studies to be able to offer a more detailed view.

There is a special relationship, based on differing levels of loyalty and trust, between the family business owner and his (more seldom hers) employees. Beside the already mentioned caste-issues, another grouping of employees takes place in the family business and describes the relationship between the two groups.

Employees are commonly segmented in three groups:

1. The permanent labor force (usually male)
2. Casual laborers (male)
3. Causal laborers (female)

Especially the first group has a special loyalty towards the family business owner. This group is usually small and is not defined by different levels of salary, but by the level of trust, increasing with caste proximity, which is involved in the task. This labor group is put under a special patronage by the owner, which reminds of social welfare, but in fact is the personal welfare of the patriarch, as he helps (financially) in cases of sickness or marriage, and also gives credits to the employee.[122] The payment level of the first group depends on its standing with the business family and is proportional to the status the employee has in the company.[123]

This creates an informal bonding, shown through strong loyalty, but also immobilizes the employee when rethinking the employment situation. Additionally, the group is almost never unionized.

The second group is occasionally unionized, but misses the patronage from the owner. Usually they are not treated as permanent laborers, but may be situated on every level of work, where no trust is needed to fulfill the included tasks.[124] Accordingly, the level of trust and discretion is decreasing with the status of the worker, while the level of hierarchical behavior from the side of the family

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[121] cf. Bhatnagar and Rajadhyaksha, 2001, p. ; cf. Harriss-White, 2003, p.
[122] cf. Harriss-White, 2003, p. 114f.
[123] cf. Dutta, 1997, p. 183f.
[124] cf. Harriss-White, 2003, p. 114f.

member is increasing.[125] The relationship between family members who work in the business and non-familial employees is because of the high status the business family has for the workers not based on equality. Accordingly, when family members are unable to manage employees, this can lead to demoralization.[126]

The third group consists of female casual workers, which usually is the most disadvantaged class. As women are usually not unionized and also do not benefit from the privileged patronage of the owner, they suffer from significant lower wages and partially physical and mental harassments.[127]

This caste-like stratification implies a level of hierarchy, where trust is put in those who are near (also in a caste-like sense) to the patriarch, and as such are related via various contracts with the family business.[128] On the one hand there are formal contracts, as contracts of labor, and on the other hand there exist informal bonds, displayed in relationships between employee and employer and leading to commitment and closed group relationships. The behavior of the business family, especially the owner, provides the employees with security in their social standing in the family business, regardless of the level. Internationalization and growth of businesses and thereby also increasing inner distance to the owning family might change the patterns, and it can be expected that in professionally managed companies a more equal positioning of the labor force will exist.[129] Especially in the growing IT-sector, a new way of managing employees is noticeable, towards a more egalitarian way of employment. Modern strategies like uplifting motivation and skill oriented working place structure get introduced into management.[130] This change could be noticed during an interview with the IT company Infosys. Without being a family business, it is a modern IT company, which includes common practices of HR towards its employees.[131]

It has to remain the subject of further studies, whether this change will be transferred to Indian family businesses as well.

4.1.2 The family business in interaction with non-familial professionals

For a better understanding of the term professional, the following definition will be applied in this subchapter:

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[125] cf. Dutta, 1997, p. 184.
[126] cf. Ritu Bhattacharyya, 2007, p. 625.
[127] cf. Harriss-White, 2003, p. 114f.; cf. Harriss-White, 2001, p. 4f.
[128] cf. Carney, 2008, p. 224.
[129] cf. Dixit, 2008, p. 9.
[130] cf. Cappelli, Singh, et al., 2010, p. 93ff.
[131] As *Infosys* is no family business, it is not included in the case studies. See for further information: cf. Infosys, 2011, p. ; cf. Cappelli, Singh, et al., 2010, p.

„(1) their [the professionals] actions are driven by a set of general principles or propositions independent of a particular case under consideration,

(2) they are deemed to be "experts" in the field of management and to know what is "good" for the client,

(3) their relationships with clients are considered helpful and objective

(4) they gain status by accomplishment as opposed to status based on ties to the family, and

(5) they belong to voluntary associations of fellow professionals."[132]

Professional managers from outside of the family had a mixed position in the past in the family business. First, an owner tried to fill open posts with his kinship before referring to non-familial professionals.[133] Especially in the past this has been the case, and still the search for a professional manager will only take place, when nobody from the male line of the family is adequate.

Different reasons might nonetheless force the company, to include professionals into the management board.

- A growth of the business might lead to a shortage of male family members. The adequacy of the different members might even before be questioned, but as long as they have been suitable in general, they filled the management positions in the several companies. After the company has reached a certain level of growth, there simply might not be enough male members to fill the different managerial positions. Additionally, with increasing globalization, the question for the adequacy of a distinct member of the family might become more prevailing. This could force business owners in the past and present to include professional managers into their board.

- The increase in competition since the reforms in 1991, has forced companies to concentrate on well-trained and especially experienced managers. The sons of the owner might be too young to be successful in the competitive field.

- The changing family structure can as well be a reason for the inclusion of professional managers. As mentioned previously, the structure (while not the psychological reality) of

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[132] cf. Schein, 1968, p. 11. taken from cf. Chittoor and Das, 2007, p. 69.
[133] cf. Bertrand and Schoar, 2006, p. 78.

the joint family is changing. When the sons decide to leave the joint family and to live elsewhere, there can be a new need for non-familial managers.[134]

- Besides, professional management can be made responsible for mistakes. In the Indian family this can be a difficult situation, as it is very important to stand loyal to each other and not to lose face in front of public.[135]

Due to different reasons, some of which have been highlighted above, an ongoing separation between ownership and control is identifiable in Indian family businesses.[136] More professional managers are introduced into high management positions. Especially in the last 20 years, due to major changes in the institutional framework of the economy, a growing awareness about the necessity of professional managers is noticeable and in many of the large business groups the management is no longer in the hands of the family.[137] In the visited companies, the management still was in the hands of the family, but in almost all cases also professionals were integrated. The relationship towards those was described as cordial and productive – and under all circumstances necessary for running the business successfully.[138]

The feelings accompanying the inclusion of professional managers had been mixed in the past. This might be due to the fact, that professionals are still seen as interfering the family-ness of a company and considered as outsiders, who might derange the culture of loyalty and trust among the male members of the family working in top positions. Professional managers are seen as less "vision"-driven and more impersonal in their relation towards others.[139] Another reason for difficulties of Indian business owners with the integration of professional managers can be the difference between the informal management position of the owner vs. the formal position of the professional.[140] While, as mentioned before, the position of the owner/manager is similar in family and business, as he is treated with greatest respect and loyalty, the professional manager cannot rely on his standing in the family to be transferred to business.

One prominent way to overcome these problems was to make the professionals to quasi-family members. When they have spent enough time in the company, they belong to the inner circle of the

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[134] cf. Dixit, 2008, p. 12.
[135] cf. Chittoor and Das, 2007, p. 71.
[136] cf. Dixit, 2008, p. 3.
[137] cf. Manikutty, 2000, p. 289.
[138] See case studies in appendix B.
[139] cf. Dyer, 1989, p. 223.
[140] Cf. Ibid., p. 224.

ones the owner considers to have the highest ratio of trust with.[141] Therefore, they also can enjoy various benefits (financial and non-monetary kind) and the loyalty towards the owner is higher than towards the company. The manager will even learn the local language to be able to communicate with the owner in his mother tongue, even when both know English and Hindi well.[142]

The above-mentioned reasons for family business to integrate professional managers have been especially challenging since the opening of the Indian economy 20 years ago.

This indicates "a widening of the ratio of trust" for Indian family businesses, as they have to concentrate more on formal institutions of corporate governance, than on closely held groups of own kinship, where selective "trust" is the institution on which most business owners rely. The selective trust is put on kinship and has to get transferred also to formal institutions by an extension of its barriers.[143]

4.2   Between the family business and the society

In the foreword to the book: "Tradition, change and conflict in the Indian business family" by Allan Cohen, Suresh Srivastva declares three guiding principles for the business family's behaviour in public:[144]

1. *Samman* principle

    The principle of respect, honor, reverence and pride allows meeting each other with politeness, which in turn makes the individual safe from being met with discourteousness in public. It helps to prevent conflicts from going into the public sphere.

2. *Sambandh* principle

    The principle of relationship describes the aim to maintain good relationships with the surrounding, also in cases of divergent views or personal situations. It sets the norms for the behavior towards each other and aims to provide stability and safety in relationships.

3. *Samyukta* principle

    The principle of unity is the basic form of hierarchy, which gets reflected in the relationships of Indians among each other. It allows those with high status to pressurize on those with low status. Additionally, it allows the punishment of deviants from family or business strategy.

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[141] cf. Dutta, 1997, p. 174.
[142] Cf. Ibid., p. 186.
[143] cf. Harriss, 2003, p. 757f.;cf. Ibid., p. 766f.
[144] cf. Cohen, 1974, p. 11f.

These three principles describe the public face, which the business family tries to maintain. They are concentrated on respect, good relations, hierarchy and reputation. The principles are not only a thing from the past, as present examples show:

While the family business is the main producer of goods and services, its position is not restricted to a simple producer. Most of the visited company owners said to see a real purpose in creating working places and good products for the society.[145] This can enhance their reputation in the society. Apart from its basic duty, the family business is an important provider of charitable actions to help uplifting the poor, especially in cases where the government fails to do so.[146] As mentioned before, all visited family businesses had some kind of charity trust, where mainly the women were engaged.[147] Additionally to corporate social responsibility (CSR), the family stands loyal towards each other and the society, conflicts are not made public as long as possible. The respect the society meets the business family with, is very important. The owner of AN Automotives provided a good example, as he often talked about the social standing the family has in the society. Exemplarily he mentioned his car: he refused to buy a modern, big car for a long time, as he was afraid that the society could judge this.[148]

Good relations, honor, loyalty and hierarchy are guiding principles and aim to secure reputation in the community and society. This in turn can help to ensure "worldly" needs: business owners with a good reputation will have easier access to credit, at lower interest and on short notice and have more access to information and skilled, trustworthy labor.

This can turn to the opposite as well, when the reputation is lost in the society. Therefore, the family business will ensure its position through credit-giving and helping the poor.[149] Additionally, the family business will engage in industrial organizations. On the familial side, the family will try to stand loyal towards each other without letting too much information out to the public.[150]

5 Summary

The business family still is organized over a joint family structure, even when the households might not be commensal in the majority of cases. Still, the main duty of the family is to care for each other, regardless of their ability to add to family wealth or not. LA B emphasized the role of one

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[145] See case studies in appendix B.
[146] cf. Dutta, 1997, p. 198.
[147] See case studies in appendix B.
[148] See case study *AN Automotives* in appendix B.
[149] cf. Iyer, 1999, p. 109f.
[150] Cf. Ibid., p. 111.

member of the family, who does not work in the business, but is equally important through being the spiritual "leader"[151]. Others told us of illnesses of family members, who nevertheless have been in business, or of a younger brother "who found his place in business"[152], even when before difficulties got mentioned.[153]

The male line is trained to participate in business, with the eldest son usually being the successor of his father and the others being placed on high positions in different enterprises of the family business (if existing), respectively in high positions in the single company.

The patriarch gets treated with great respect, partially due to cultural norms, but also because of economic reasons, as he is responsible for the allocation of positions in the business and also cares for the family in financial topics.

The institutional character lies in the implications the traditional way of succession has on the family business. In a large company, the processing of information and the building of trust between different partners can be a difficult task to accomplish. In an Indian family business, where the partners get chosen by the patriarch out of the male line of family members, relations are usually close and social norms and guidelines can be enforced easily or be self-enforcing through the long period of time they have already existed in the family business. The passing of information requires less transaction costs when the partners are close in relationship and partially also in living place, as a joint family in the classical sense is. At the same time, the hierarchical structure of Indian family businesses reduces the flow of information, which in turn leads to higher transaction costs.[154] Changes occur mainly through a change in the competitive field. With a growth of the company, there might not be enough male family members to staff all positions in the family business. Additionally, through a growing IT sector, which concentrates on modernization of the employer-employee relationship, and the growing possibility of finding a working place in another company or even country, family business owners are forced to rethink their hiring policy and to let an increasing number of professionals into top positions in management.

The family business system is reinforced through norms and expected behavior from the participating family members. The family values and norms are implicit and trained from a very young age on and by thus develop a considerable force of resisting pressure from the outside.[155] The

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[151] See case study *B Group* in appendix B.

[152] See case study *AN Automotives* in appendix B.

[153] See case studies in appendix B.

[154] cf. Harriss-White, 2003, p. 111.

[155] cf. Stewart, 2003, p. 14.

guiding principles are supportive in the reinforcement of traditional behavior.

The female line is trained to manage the household, with the patriarch as official family leader.[156] Informal, the mother heads the household, with her daughters and daughters-in-law as supporters. Mothers are beloved and treated with great respect, while daughters-in-law traditionally live in a formal, respectful relationship with the parents-in-law and other family members. Their position changes when they are becoming mothers themselves. The professional life of women takes traditionally place in philanthropy or side ventures of the family business.

Changes occur mainly in the role of women. With the increasing age of marriage and level of education, the will to decide for themselves about if and where to work increases. The question remains, whether these changes will be effective and finally lead to a greater participation of women in the family business, as seen in the case of QU, or whether the sons are pressing on traditional institutions, as they see their position as traditional successors in danger.

The relationship between the different family members is formal and based on traditional behavior. Daughters-in-law are expected not to address the patriarch directly, but through intermediaries, or to cover their faces in front of him. Daughters are beloved and treated with affection, but leave the family after marriage. Sons stay in or near the parental household. Embedded in the formalized behavior of all members, a culture of open conflict resolution does usually not exist. The example of LA B shows that conflicts remain under the surface, as not to displease the patriarch. After the death of the patriarch, these conflicts remain, and sometimes also get addressed in court or lead to a split of the business.[157] Generally, the family is based on loyalty towards each other and this loyalty gets transferred to the family business as well.[158] But, as it can be seen in the mentioned case, the loyalty can sometimes be more based on psychological reality, than on real-life behavior.

In the relationship between the business family and employees/professionals also the hierarchical aspects play an important role. Employees are rewarded according to their relative standing to the business family and professionals are seen as "quasi" family members, and as such they can be regarded as belonging to an inner circle and treated with the same trust as family members are.

All informal business conduct is concentrated on reputation and a good standing in the society. The positive relationships are enforced through the guiding principles and loyal behavior towards

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[156] cf. Ward, 2000, p. 274.
[157] Cf. Ibid., p. 275.
[158] cf. Ritu Bhattacharyya, 2007, p. 624.

customers or trading partners.

Changes in the traditional behavior of the business family occur, due to different reasons.

While it is stated in literature, that the joint prosperity of the family and the closed group is more important than individual needs, there also exists the position that individualism is an increasing pattern in the Indian society.[159] This might lead to a decreasing role of traditional institutions in the Indian business family. Growing pressure from a globalized economy might also lead to a change in the traditional patterns. As stated above, companies working in an international environment already try to introduce modern forms of working place structure and also in the family, the role of the joint family might be decreasing.

Eventually this can be one of the main challenges the Indian joint business family has to face in the present and future: to balance the growing awareness of individual wishes and needs with the general desire for familial loyalty and standing in the society und the influence of informal institutions, which will remain important in the future, despite all changes.

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[159] cf. Derné, 2000, p. 338.; cf. Owens, 1971, p. 245.

6   Case Studies

1. CG India

Company information
- VD: CEO/Partner of CG India
- Business Organization: Subsidiary of CG Austria, six enterprises in India
- Branch of industry: plastic bottles and bottle tops
- Turnover: € 45 mill.
- No. of employees: 580
- Founding date/generation: 2005/1. Generation
- Company location: Hyderabad (headquarters)

History of CG India

CG is an Austria based family business, which has a subsidiary in India. VD, who not only is the CEO of the subsidiary, but also owns company shares, leads the subsidiary. After education in India, he went to the US and did his MBA in Chicago.

His own view of himself as a family entrepreneur derives from the fact that he already had plastic companies before he became the chairman of CG India. His business history started with him returning from the US, where he could have made his PhD. Instead he came back to India and started a small plastics company with a customer of his father, who had been an entrepreneur of a small plastic business. VD started several companies together with his cousins, which did not end well in the first place. The cousins had different objectives, which resulted in the wish to sell the business or go public. After a meeting with the owners of CG India, they decided to become partners. Several disputes with the cousins led to a change in business organization, as Apla Austria wanted to have VD as the sole CEO, without the cousins having a stake in the company. Therefore, *CG* Austria bought the parts the cousins still owned. VD became CEO with 26% of shares of the Indian subsidiary. The amount of shares allows him to put his veto in. Since then, the company has established relations to foreign customers.

Influence of the Indian business history on the family business

License Raj marks the founding time of his business. VD returned to India due to the will to create working places in the controlled economy. The government supported entrepreneurs, but only in businesses, which fitted in the economical plan of the government. Following VD's words he got support of governmental banks. Until 2004, the growth of companies dealing with synthetic materials was restricted and companies were forced to stay small.

After 1991 important foreign customers could be won, the change in the economic policy eased partnerships with foreign customers. Still the business conduct is influenced by governmental restrictions, and VD emphasized the importance of good relationships with politics to gain necessary permissions.

Caste, religion and society

According to VD neither religion nor caste plays a role in business today. He is not informed about the ethnical groups his employees derive from.

He is a *Brahmin*, which is the highest caste in India. In the past *Brahmins* had been priests or scientist, but in modern India they can obtain all jobs. *Brahmins* were also active in politics, which implies that VD's family might have had positive relations with the government and therefore could gain necessary licenses to start the business.

Dealing with professionals

He values the cooperation positively.

Family Organisation, conflicts and roles
- **Formal organization**

VD started the business with two cousins. The relationship worsened over time, as the purpose of business was not clearly defined.

The third party, in this case *CG* Austria, was necessary to find a way out of the cousin dilemma, where all wanted to be equal even if the abilities of the cousins did not be equal. *CG* Austria could play a neutral role and discuss on the business level without moral hazard. Otherwise, the family would have been loyal towards each other and the business would have been sacrificed for the family.

VD made clear that through the family involvement, business neutrality did not exist. He would not start a business with family involved again and would not recommend this to his children, except for the case when contracts clearly define the decision making power of the family members.

- **Role of patriarch/father**

His father inspired him to open up a company but plays no role in the *CG* business today.

His father and uncle did not temper in difficult decisions regarding the business Vagish founded with his cousins, as they could not have been neutral. The conflict was not discusses openly, and the third party was needed to resolve the situation.

- **Role of mother/general role of women in the business and family**

His wife lives the typical life of a wife of a businessman. She is engaged in charity and keeps the family together. She tried to keep out of the problems with his cousins. The wife of one of his cousins was also engaged in the discussions. VD described the role of women as powerful in the family organization.

- **Siblings**

VD started different companies together with his cousins, which all did not end well. On a basis of equal shares, they did not want to reinvest in the business growth, but earn money with dividends. As such, the purpose was different. VD tried to sell them out, but failed in the first step. When *CG* showed its interest in having VD as a partner, he managed to go on with the cousins first. Then *CG* offered to buy the shares from the cousins and hand them over to CG India. Following this, the cousins where not afraid to lose business to Vagish, but sold it to *CG*. The family loyalty had to be saved, independently from the conflict, therefore, the only possibility to resolve the conflict without losing reputation and loyalty was to involve CG India as neutral partner.

- **Succession**

No reference

- **Conflicts**

As mentioned before, the business history with the cousins is very difficult. They worked together under difficult conditions as they had different purposes regarding VD. He had the purpose to create

jobs and bring people to work, while his cousins wanted to earn money in the first place. The conflict existed, but was not discusses openly, as no one of the family members wanted to interfere.

Philanthropy/ Business associations

VD always emphasized the relevancy of charity in his life. His first purpose in starting a company was to give people a job, then to give more people more jobs. Now he wants to bring children into the schooling system, the next step is a work programme for very poor children. Remarkably is that the charity programmes VD runs are all business related and fit well in the context of his plastics business. In the past he always tried to spend a lot of time on charity. This worked well several years, but after the start of CG India he concentrated on the business. Now he tries again to spend a remarkable amount of time on charity.

His wife, who is also part of a group of business wives, who are all engaged in charity, does the other part of the charity. They also want to strengthen the role of women in the working life.

VD is part of several business organizations, which take part in lobbying activities. This had been necessary for obtaining permissions to start or change businesses and is still important, as the members support each other in politico-economic questions.

2. Dr. XY's Laboratories

Company information

- S XY: Managing director / COO/ family member
- Business Organization: Holding enterprise with different subcompanies
- Branch of industry: Pharmaceuticals
- Turnover: $1,7 bill. (2010)
- No. of employees: 14.000
- Founding date/generation: 1984/ 2. Generation
- Company location: Hyderabad (headquarters)

History

DRA XY founded the company in 1984. In 1986 they went public and started to enter international markets. From 1991 onwards they also entered markets, which have not been reachable before (e.g. Russia) and start a research foundation. They mainly produce generic pharmaceuticals, but do also own research. The family owns 26% of shares, therefore has veto-rights.

DRA XY is chairman of the company, with his son S XY being managing director and chief operational officer (COO), the son-in-law of DRA XY is vice chairman and CEO of the group.

Influence of the Indian business history on the family business

The company was founded during *License Raj,* but in a sector where the governmental rules like price setting etc. where not applicable. As such, they did not meet many restrictions. After 1991 the company focused on internationalisation as trade liberalizaton eased business conduct with foreign partners and the access to foreign capital.

Dealing with professionals

Working with professionals is appreciated in the company as they respect each other on a professional level. The size and internationalisation level of the company imply that there have to be professional managers with own responsibilities.

Caste, religion and society

The caste or ethnical group the family derives from plays no role in business organization. The religion plays no significant role in daily life.

Family Organisation, Conflicts and roles

- **Formal organization**

A charta is in the progress of making, but no formal meetings take place in the family. They meet on informal basis. They live in a joint family. To keep the family together they want to establish a self-understanding as a business family, also through external support.

- **Role of patriarch/father**

His father is not involved in the day-to-day business. He is prominent in philanthropic and research questions and the chairman of the company.

- **Role of mother/general role of women in the business and family**

Women are not integrated in the business but in the charity foundation. The father wanted to treat all children equally, therefore also gave shares to the daughter.

- **Siblings**

He works together with his brother in law. They have different functions in the business. They work very close and meet on an informal basis.

- **Succession**

He wants to leave the opportunities open for the next generation, but they have no formal plan of succession. The children are expected to make experiences elsewhere, before returning to the family business.

- **Conflicts**

He did not talk about conflicts very much, but his general opinion was to discuss problems openly.

He states that roles and competencies are clearly defined, which aims to keep conflicts at a minimum.

Philanthropy/Business associations

They have a foundation, which spends money on health education and creation of livelihoods.

3. DV Group

Company information

- SA DV: CEO and owner together with his brothers
- Business Organization: Holding with six sub companies
- Branch of industry: engineering/electricity
- No. of employees: 1600
- Annual turnover: $100 million (2010)
- Founding date/generation: 1973/2. Generation
- Company location: Bengaluru (headquarters)

History

Dr. S.K. DV founded the company in 1973 after a successful career as a professional in different companies. He started the business out of different reasons: he wanted to give as many people as possible a job, but preferably to people who had no opportunity to get a job elsewhere. Another reason was to create an Indian engineering brand. In 1981 they already delivered to Bosch as the first Indian company. In general more than 60% of the annual revenue is done by exports.

1999 S.K. DV retired from the day-to-day business and decided to hire professionals as CEOs to train his three sons to become professional business leaders. 2007 S.K. DV also retired from the board and let his sons – by then managers of the family business – decide whether they want to have him in board meetings or not.

The eldest son, SA DV, became the CEO. After this step, the son changed the business structure – he closed companies and sold some of the existing ones to joint venture partners. He tried to take care of the employees not losing their jobs.

In the last years they created their own management theory: the power of oneness. This means to work together but let everyone develop his own abilities and to foster the growth of every individual.

Influence of the Indian business history on the family business

The company was founded during "License raj", but during the interview there is no reference to the usual difficulties entrepreneurs met when founding a company in this time. Nevertheless, they were able to have business relations with foreign companies, as they were the first Indian business supplying directly to German companies.

Dealing with professionals

Professionals are highly appreciated in the business. As CEOs for the different business units they take out- and insider. The father had the aim to make the business professional and tried to fulfil this aim by hiring professional managers.

Caste, religion and society

SA DV makes no reference to the caste or ethnical group the family derives from, nor does he talk about the castes his employees derive from.

Family organisation, conflicts and roles
- **Formal organization**
The CEO works very close with his two brothers, but no official meetings take place in the family. The brothers try to have a meeting at least once a month.

They used to live with their parents, but two years after marrying they move out to nearby houses to stay close to each other. The mother wanted to stay in a joint family structure, but the Sa DV stated that the need for building an own identity through moving elsewhere was existent. Nevertheless, the family is close to each other and the siblings try to communicate as often as possible.
- **Role of patriarch/father**
The father wanted to keep the sons together in the family and the business. He is recognized as the patriarch and the CEO talked prideful of him. Today he is engaged in a charity trust.

- **Role of mother/general role of women in the business and family**

The mother kept the family together and is engaged in the company trust with the father.

The women in the family are not engaged in business. When they want to open up a company/charity foundation they get financial support and a period of time in which they can try to be successful. If it works they are allowed to go on, but the businesses stay side ventures.

- **Brothers/Siblings**

The brothers are very close with each other. They try to talk often, at least over the phone. After marrying, they decided to live nearby. The business roles are defined over different fields of responsibility, as the eldest is the CEO, the middle brother is responsible for finances, and the youngest for HR. Additionally, every brother is responsible for one subcompany.

- **Succession**

He wants his children to decide on their own about their future. The father planned the succession and as he could not decide to whom of his sons he could hand over the business as the official successor, he gave it to the eldest son after discussing it with the other brothers.

- **Conflicts**

No reference.

Philanthropy/Business associations

They have a trust where father and mother are engaged in. The trust focuses on the topics: education, rural upliftment and environment.

4. QU

Company information
- SUS QU: family member and manager
- Business Organization: non profit organization with several support – profit organizations
- Branch of industry: schooling
- Turnover: n/a
- No. of employees: 25.000
- Founding date/generation: 1986/ 1. Generation (2. planned)
- Hyderabad (headquarters)

History

The organization was founded in 1986 by the parents of SUS QU, Dr. BS QU and Dr. JL QU, who where trained doctors. They started the schooling with a female campus and grew over the years to a girls and boys schooling system, where the students live on the campus and pay for living and schooling. As it is not allowed to conduct profitable business with schooling, they established a system of companies, which are engaged in support businesses for the non-profit organization.

Influence of the Indian business history on the family business

The company got founded in 1986, therefore influenced by *License Raj*. The government was supportive for the educational sector, it can be concluded that they were able to gain the necessary licenses. After 1991, the business diversified in an institutional related way, by opening up several other forms of colleges and schooling systems.

Caste, religion and society

She makes no references to the ethnical group the family derives from and explains that also among the employees it plays no role.

Dealing with professionals

They have professionals on every level of the company and they are included in strategic questions.

Family organisation, conflicts and roles

- **Formal organization**

She is close to her father, who discusses business related questions with her. The family works very close together, as the two sisters with their husbands and the parents form together the management team. She makes no references to a formal organization of the family.

- **Role of patriarch/father**

The father is very important for the daughter, as he founded the business and considers her as his successor. She admires his way of being a doctor and than starting, out of opportunity, the schooling business.

- **Role of mother/general role of women in the business and family**

Women seem to be on equal terms with men. As the parents have two daughters, those are expected to succeed their father, especially the elder daughter plays an important role in management. Their education took place partly in the US, and they are married to men their parents have chosen for them.

SUS is working very hard, as she has two small children and manages the company. Professional childcare is organized to support her, but nevertheless she usually takes her children to the office on weekends or during school holidays.

- **Siblings**

The two sisters work very close with each other and their husbands. The younger sister has respect for the elder and especially also for the husband of the elder sister. Their duties in the company are separated, as everybody takes care for a special division. They feel equal with each other. The husbands are included in the management team.

- **Succession**

SUS QU is supposed to follow her father, but no formal agreement is made.

- **Conflicts**

No reference.

Philanthropy/Business associations

No reference.

5. AN Automotives

Company information
- PE AN: Chairman and CEO
- Business Organization: holding structure with three sub companies
- Branch of industry: Automotive parts/construction equipment/IT
- Turnover: $65 million (2010)

- No. of employees: > 1200
- Founding date/generation: 1974/ 1. Generation (2. Generation working in the business)
- Company location: Bengaluru (headquarters)

History

PE AN founded the company in 1974, but also before a family business with a long history existed. PE AN is Chairman and CEO, but his three sons joined the business as well. The family is active in business for ten generations, in the past they organized caravanserais and camel trade.

Influence of the Indian business history on the family business

PE AN is extremely proud of the history of his family business. This is noticeable when looking at the way he told us from his family and the business history of his family, which goes back several centuries. His family started with caravansaries, camel breeding and trading. This business form was mainly present during the Portuguese times (from 1450 onwards) and also through the high times of the English EIC. His own business formation fell in the times of *License Raj*, from which he told us nothing, but one can expect that he had advantages through the long history of his family in business when negotiating with the government. Additionally he was heading several business associations (CII Karnataka) and working in the state government (Karnataka Government industrial finance body), which increased the likelihood of getting relevant licenses. The relatively free market after 1991 is noticeable when analysing the business behaviour of his sons: all got educated in the US and, back in India, started profitable businesses in different sectors, like the IT branch

Caste, religion and society

PE AN said nothing about castes. The society played an important role in his view of life, as he was extremely aware of how the society looks at his family. In his opinion the family is dependent on the society and if the family "misbehaves" in the view of the society, it will go down.

Dealing with professionals

No special reference was made, but he stated that every subcompany has a board of directors. Nevertheless, PE AN declared that they do not need the assistance of a board to take decisions.

Family Organisation, Conflicts and roles
- **Formal organization**

He did not mention formal meetings or a family charta, but e.g. the wealth management in his family seemed to be a very traditional one. Before him, his father and before his father, his grandfather was responsible for organizing the family wealth and also of distributing it between the different family members. He is following the role, which was prevailing in the family for generations.

They have a board and foreign advisors, but do not use it. When problems occur, they discuss it in the family. The family of the father lived in a joint family household, but separated in the following generation. Still they live together in the neighbourhood. His father acted as arbitrator in family and business questions, which is the role PE AN tries to keep for himself.

- **Role of patriarch/father**

He as a very strong position and is aware of the responsibilities. He tries to control his sons and also the business they are doing. Even if his sons do not longer live with him under one roof, they are still in the neighbourhood together with their wives, who got chosen by the parents.

His logic of argumentation is out of the family level: the children get treated depending on their age, not their ability. The height of the salary depends on the age.

He could not let go of any power: his wish is to control the family, in business and private questions.

His statement was that there exist several traditions, which have to be maintained to keep the family together and the business successful.

- **Role of mother/general role of women in the business and family**

The role of the wife of PE AN was described as an important one in private questions. As the other owners we visited, the mother was called the "angel" who kept the family together. Also his mother was decribed as keeping the family together and being the sensual leader of the family.

- **Siblings**

The three sons of PE AN all got educated in the US and then came back to work in the family business. They are in different positions depending on their age, as the eldest is treated like the successor of his father. Roles in business are created for them if no vacancies exist. The youngest son has no special position, but acts as a supporter for his brothers. They do not dare to talk to their father openly, which was noticeable when the eldest son told us about his successful IT business, which already is responsible for 20% of the annual turnover of the family business, but is not recognized as being important for the business by the father. Even if all sons are considered to be equally important for business success, the eldest is considered to be the leader.

- **Succession**

The father wants the eldest son to succeed and the sons were compelled to spend time abroad before joining the family business. For the next generation trainings in non-family businesses are planned before they get a position in the family business.

- **Conflicts**

They did not talk about conflicts – the father was sure to control everything. Decisions are taken consensual, with PE AN having the last word. Family loyalty is rated highly, and PE AN stated that he is sure every family member is loyal and fair towards the other members.

Philanthropy/Business associations

Charity gets not mentioned specifically. But as the view the society has from the family is very important for the patriarch, it can be assumed that there is an amount of money they spend on charity. PE AN has been chairman of business associations, therefore being able to maintain good relations to the government.

7. B Group

Company information
- LA B: manager/family member
- Business Organization: one flagship company with 6 divisions and several subcompanies
- Branch of industry: edible fats and fertilizers; trading
- Turnover: $200 million

- No. of employees: >1000
- Founding date/generation: 1959 / 2. Generation (3. is partly working in the company)
- Company location: Hyderabad (headquarters)

History

BK B and his brother founded the company in 1959. Three generations play a role in business organization while the fourth is still in the educational process. They started with edible and non-edible fats, but diversified to different trading goods. His sons work as managers in different subcompanies and the eldest son is expected to inherit his father as the company CEO. BK B died in 2011.

Influence of the Indian business history on the family business

As the company was founded in 1959, no direct influence of the colonial times is noticeable. The company was founded was during *License Raj,* therefore was accompanied by strict regulations concerning business conduct. As such, it was not easy to open up a company and several applications and restrictions had to be fulfilled. Despite the "License Raj" setting, the company grew mainly in a product related way. Diversification is visible as also a power company got established and different trading companies are existent

Caste, religion and society

Family B is a *Marwari* family, an ethnical group from Rajasthan, which is known for its entrepreneurial behaviour and its ability in banking and business. The *Marwaris* migrated from former Rajasthan to different other parts of India. As the family is part of this ethnical group, its development as a business family is the classical way.

Religion plays a huge role in daily life; spiritual family members are highly appreciated even if they do not work in the family business. LA B makes no reference to the caste his employees work in.

Dealing with professionals

Professionals support the brothers, who are all in CEO positions in the subcompanies.

Family organisation, conflicts and roles

- **Formal organization**

A family charter is in the process of making, but there are no formal meetings of the family. The father owned 80% of the company and the shares will get divided equally among the sons. Different male family members work in the company, but until today no female members.

- **Role of patriarch/father**

In the *Marwari* group, it is common to have a strong value system where the patriarch is honoured highly. The same applies to the B family: the father as the founder of the business and family patriarch got treated with greatest respect. At the same time, the father cared for all family members financially, regardless of their position in the business.

- **Role of mother/general role of women in the business and family**

The mother did not work in the family business, but was called the "angel" of the family. She kept the family together. Women do not work in the business and, from the moment there are married onwards, have no stake in family wealth. They move out and belong, according to LA B, to the family of the husband.

- **Siblings**

The siblings lead the subcompanies, but have no interest in meeting for general strategy planning.

- **Succession**

He is not sure on how the succession will work in the company.

- **Conflicts**

LA B asked us not to make notes while he was displaying intra-family conflicts. As such, just the following got recorded:

Conflicts are not discussed openly. A formal setting where conflicts could get solved is missing. A written family charta (or similar) is in the progress of establishment, but until the date of the meeting not yet in use. The help of outsiders – consultants or similar – is not likely to get accepted, as the family wants to solve problems internally. In the past the support of distant family members got accepted. As long as the father was still alive, it was taken care of the fact that he shall not be made upset through the open discussion of conflicts.

Philanthropy/Business associations

The company is engaged in several philanthropic initiatives, mainly concerned with uplifting the poor. The focus points are: food, health, education, rural development. Additionally they run a college   for   women.

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