CHAPTER 7: SUSTAINABILITY OF THE FAMILY BUSINESS

An inevitable part of the long term outlook that is typical of a family business is the focus on sustainability which manifests itself as economic, environmental and social responsibility. Passing the Torch isn’t a sign of weakness, but a reflection of the full commitment to family ownership continuity and also ensuring adequate time and resources for the thorough preparation of successors, a smooth transfer of responsibility and authority and the passing along of the senior owner’s experience as part of the family legacy and business legacy.

A vigorous business in a changing market place can always use fresh ideas and diverse experience. There is nothing wrong in how the business and the family have managed in the past, but there is every reason to believe that they can be still better managed if adequate training and knowledge transfer through effective hand holding has been a precedent. The wisdom of experience can only be provided by the senior owner who steps aside and upwards. He has built the business beyond his capacity to run it in his way.

There is an unwritten rule for sustaining multiple generations in the business. It is important that the maturing process and time is reduced to allow the next generation to hit their productive phase. It is very critical at this stage to ensure that there is a sufficient effort made to accelerate to the businessman way of thinking. This transition time and effort are required to ensure sustenance of the speed. In the process of sustaining generations and sustaining business efforts have to be made to ensure that the status quo is not resulting into the business. Sustainability is a complex term with several different aspects. It begins with succession, since instinct makes them focus on inter-generational transition. You then start thinking of risks, competencies, and markets. You follow it up with environmental care and long term customer relationships. You also mature towards talent engagement, good and strong governance with impact on innovation and expansion.

Family business sustainability has two determinants,

1. Functional Families
2. Profitable Business

It is based on research of home based businesses that indicate that personal or family management practices affect the revenue of the home based businesses, (Olson, 1994). It also establishes that conflict threatens business viability, (Ibrahim & Ellis, 1994). A dominant perspective is that family influences harm a business and keep it from being managed in a professional manner, (Hollander & Elman, 1988-1991).

There are three aspects of model consideration:

1. Paradigms of Family Functionality
2. Paradigms of Business Success

When we look at paradigms of Family Functionality we see several theories which need to be reviewed Family Ecology Theory, (Bubolz & Sontag, 1993), Family Development Theory, (Rodgers and White, 1993), Family Systems Theory, (Whitchurch & Constanttine, 1993),
Family Resource Management, (Deacon & Firebaugh, 1988). We leave this at this level since it is not significant to this research contribution.

The paradigms of Business Successes allow us to examine two dependants as part of this research: The Theory of Firm in an Economy and Greensberger and Sexton Model of Venture Success, and the Economically Mobile Entrepreneur.

There is truth in the statement that both, families and business systems are critical to the understanding of Family Businesses. Sustainability of the family business can be looked at from a two phase perspective and is merely suggestive and needs to be viewed from the context of one's own family business.

**PHASE 1: THE FAMILY OFFICE**

For a successful family business owner of the first generation, setting up of a family office is the practical next step to take the business wealth to the next level. The business owner must realize that for running a business, achieving profitability in good times and bad times, creating a family office is the logical step. To preserve family harmony and to separate business issues with family issues such an installation of a family office becomes critical. The phase of this business life cycle after start up is most critical and it is important that this step is begun in true earnest to ensure comfortable and effective handover. This is starting point of letting go to handover to the next generation. This office should resolve inter-generational transfer, asset planning, succession planning, shareholding issues and also balance family expectations and responsibilities.

**PHASE 2: THE FAMILY FOUNDATION**

Impact investing or philanthropy is definitely on the horizon with more emphasis from the third or fourth generation. Education and Poverty alleviation is normally the two powerful impacts for the business owners. This is the final essence of the principal business owner’s quest to ensure continuity of his legacy for family members in generations to come. This helps future generations to understand all about the business, asset management, wealth management, taxes, responsibility, family values, and also planning for charity. The personality for the business is well developed through this channel to ensure sustainability of the business and balancing expectations and responsibilities.

**IMPACT OF THE FAMILY AND THE BUSINESS ON FAMILY BUSINESS STABILITY**

A research was undertaken to identify strategies for family businesses to implement in order to increase the success of both business and family based on the analysis of the 1997 National Family Business Survey Data, U.S. To achieve this purpose, the Sustainable Family Business Model was used. The SFB model implies that family sustainability is a function of both business success and family functionality. In difficult times, family business survives because of the family and not because it is a good idea. Family businesses have potential for resource exchange between the family and business that is not present for other households. The results of the research showed that:
The larger, older and more unbalanced the business location and greater the owner effort, the more income the family will derive from the family business.

Whenever there is shortage of cash in the business, the family income can be transferred to the business.

During hectic periods, the owner reallocates time from sleep to the business rather than reallocating from the family to the business and also hires temporary help rather than asking out friends or relatives.

Opposite to the owner’s perception, the businesses are more successful if they employ more family members.

Success depends on how the family manages to overlap between family and business rather than simply on family or business resources.

**CRITICAL THINKING AND SUSTAINABILITY**

In a recent survey by the American Management Association, when 2100 executives were asked about the most important skills required for business sustainability in the twenty-first century, 68% described it to be critical thinking, surpassing even innovation and information technology. A study by Pearson has shown employees who score high on critical thinking display good analysis and problem solving skills; are good in judgment & decision making; are creative; have better job knowledge and are more likely to move up in the job. Critical thinking is the ability to distinguish fact backed by evidences from opinions; evaluating arguments and arriving at an appropriate conclusion. Thus, critical thinking is defined as the ability “to comprehend and express the meaning or significance of a wide variety of experiences, situations, data, events, judgments, conventions, beliefs, rules, procedures, or criteria.” In other words, a critical thinker is someone who has “a probing inquisitiveness, a keenness of mind, a zealous dedication to reason, and a hunger or eagerness for reliable information”. Michael Scriven & Richard Paul perceive critical thinking as “… the intellectually disciplined process of actively and skillfully conceptualizing, applying, analyzing, synthesizing, and/or evaluating information gathered from, or generated by, observation, experience, reflection, reasoning, or communication, as a guide to belief and action. In its exemplary form, it is based on universal intellectual values that transcend subject matter divisions: clarity, accuracy, precision, consistency, relevance, sound evidence, good reasons, depth, breadth, and fairness. It entails the examination of those structures or elements of thought implicit in all reasoning: purpose, problem, or question-at-issue; assumptions; concepts; empirical grounding; reasoning leading to conclusions; implications and consequences; objections from alternative viewpoints; and frame of reference.”

Critical thinking — encompasses thoughts that are historical, anthropological, economic, moral, and philosophical.

Critical thinking forms the foundation of the other three C’s required for business sustainability: Communication, Collaboration and Creative thinking. Critical thinking does not always come with education, nor it can be inherited. Under the back drop of family
business, critical thinking can be harnessed through dialogues between managers, owners or successors sharing their experiences, knowledge, perspectives and goals.

As Sanders (2002) puts it “Linear thinkers tend to rely on past experience to travel from Point A to Point B. Nonlinear thinkers tend to look for changes since the last time they made the trip. A failure to recognize those changes is why blue-chip giants often get caught off guard by small, innovative companies such as Southwest Airlines, Starbucks, IKEA, Old Navy, DirecTV, Hotmail and Netbank.”

Ayad (2010) demonstrated that Six Sigma methodologies such as 5 Whys to identify root causes of defects, business process variations, and other business problems are insufficient without Critical Thinking (CT) as CT could guard judgment from biases, bad data, wrong interpretation, and fallacies in reasoning.

Danes and Lee (2004-2008) found that spouses who are in the family businesses identified business goals as growth, reputation with customers, profit, long term viability and adequate income for family members, good family relationships, secure income for family members and secure retirement resources as family goals. For our purpose of this study we considered gross sales revenue, good family relationships, reputation with customers, long term sustainability and the perceived future of the children in the business as measures of business sustainability. Thus the final conceptual model that is used for the study can be summarized through the following diagram.

**SUSTAINABILITY FOR THE PURPOSE OF THE STUDY**

In the literature review there are different definitions of family business sustainability. Family processes in times of both stability and change are affected by family expectations and family values. For a family business to survive and sustain in the long-term there should be adaptability to change, (Danes and Amarapuka, 2001). Open communication on issues related to business goals in times of misunderstanding and disputes help in the achievement of success.

**BUSINESS SUSTAINABILITY**

There are different approaches to understanding the concept of business sustainability in the field of organizational decision making, (March & Simon, 1958; March & Olsen, 1989-2006; Simon, 1997), organizational ecology, (Aldrich, 1979, Hannan & Carroll, 1992; Baum & Singh, 1994a, 1994b), and learning organizations (Sarge, 1999). An organization first grows at a slow pace, then at a higher rate and finally after reaching a certain point there is growth stagnation. The whole process is achieved through competition and legitimization, (Hannon & Carrol, 1992). Scott and Bruce (1987) proposed 5 stages of business development; Inception, Survival, Growth, Expansion, and Maturity.

Barker (1999) has defined resiliency or sustainability as “the ability to recover, spring back, or return to previous circumstances after encountering problems or stresses”. The behaviour of resiliency is observed after a stressful situation has happened, (Wildavsky, 1988), though its potential adaptability can be measured, in normal times. Survival of government, the family and firms depend upon its problem solving ability. Complexity of
the society, institution and organization determine its problem solving ability, hence probability of survival or collapse, (Tainter, 1988, 1995, 1996a, 1996b, 1997, 2000; Allen, Tainter & Hoekstra, 1999). Production of knowledge has been found to be effective in problem solving but with an increase in complexity of knowledge diminishing return has been observed. For instance, as the society increases in complexity it becomes more dependent on information, and its members require higher levels of education. In 1924, S. G. Strumilin evaluated the productivity of education in the erstwhile Soviet Union. The first two years of education, Strumilin found, raise a worker’s skills at an average of 14.5 percent per year. Adding a third year causes the productivity of education to decline, for skills rise only an additional eight percent. This confirms the theory of diminishing return of knowledge with growing complexity.

Lee and Lee (2006) perceive resiliency as an interaction of individuals with the environment. The environment must have resources to support sustainability and individuals must possess the willingness and motivation to capitalize on these available resources. Researchers have been able to measure an organization’s potential resiliency by using adaptability measures, (Sommers, 2009). Some of the key factors identified by Sommers (2009) were: (1) the perception of environmental risk by organizational managers, (2) the extent to which managers seek information about environmental risks, (3) the structure of the organization, (4) the extent of participation in community planning activities, (5) the level of compliance with continuity of operations planning (COOP) and (6) whether the department has professional accreditation.

Men and women owners perceive business sustainability differently. While men are profit and growth oriented in their approach, women prefer work-life balance (Anna et al., 1989). The masculine approach in decision making is less people orientated, hierarchal with objective of growth. Women leadership is participatory, people oriented based on historical familial values and seemingly resistant to growth, (Bird & Brush, 2002). Women would look for social capital for resiliency in times of crisis.

Sustainability of the family business depends upon different factors depending upon the stage of growth of the business, (Dobson and Swift). Each stage of growth is preceded generally by a crisis. A strong positive motivation is of pertinent importance for success at the start-up phase and in the initial loss making period. Ability to raise finances through savings, mortgaging the house, start-up loans from a bank, borrowing from family members, market research and projection of cash flows is critical at this phase.

In the next phase, which can be the called the strategic development phase is most challenging for a family business. This is the phase wherein the firms are trying to cope with the expectation of customer demand, technological changes and growing competition. The family finance may have drained during the start-up phase, so management of available resources is significant at this phase. Strains are often seen in family relationship at this phase.

The final phase, when the business is stabilizing, in the family environment, succession plan is required for business sustainability. The successors may not share the same kind of business acumen or involvement with the business. Hence, family businesses do not survive beyond two-three generations.
GLOBAL FACTORS FACILITATING SUSTAINABILITY

These are called Built-to-Last factors and are common across all family businesses and across all generations. They have been validated by Ernst & Young, as well.

1. Growth and Resilience
2. Taking a long term view
3. Building a robust family business
4. Adapting to new realities and changing conditions
5. Financing growth
6. Not standing still, but keep innovating
7. Succession intentions
8. Talent and People management
9. Keeping it in the family

It is very important to sustain all of the above.

SUGGESTIVE MODEL OF THE FAMILY AND BUSINESS

FIGURE 7-1: SUGGESTIVE MODEL OF THE FAMILY & BUSINESS
SUSTAINING THE FAMILY BUSINESS FOR TOMORROW

Keeping business healthy is becoming a tough proposition. Since 1955 only 77 companies in the fortune 500 list have stayed independent. More than 80% have been sold, acquired or have vanished. The reasons are many. Business has matured, technology has changed, markets have changed, suppliers have shifted, customers have adapted, competition has enhanced, profits has depleted, industry has consolidated, regulations have shifted, and many more reasons, some known, some unknown.

There is further complexity. We need to keep the families and the business healthy. This is serious and getting worse by the day. The very nature of the family business environment increases the scope for ensuring a non-conducive environment. Both are two different sociological necessities. Balancing these two branches is a significant process. You need to look at five elements. (Carlock & Ward, 2010).

1. Control
2. Careers
3. Capital
4. Conflict
5. Culture

![Family System vs Business System](image)

**FIGURE 7-2: FAMILY & BUSINESS SYSTEM**

There is constant Family System versus the Business System. Goals for both are different. What one needs is balance. When you over emphasize Business then you erode family communication, identification, loyalty, time and emotions, and when you over emphasize Family then you erode on business communication, appraisals, relation decision making and strategic options, (Hubler, Aynes, 1996)

The process of balancing for sustaining is achieved through a process of Parallel Planning of the family and the Business. This has four constituents

a. Family values and business philosophy are the foundations of the planning process
b. Strategic thinking is reflected through commitment from the family and the business

c. Successful family and business are driven by a shared future vision

d. Long term success will happen if plans are formulated through family and business plans

It is possible to do a statistical survey to reflect correlation between a healthy family and successful business through the parallel planning process. It is a matter of separate research by itself.

For brevity's sake we still wish to highlight the need to look at Planning for the Family and planning for the Business “separately.”

**PLANNING FOR THE FAMILY**

There are four aspects to it:

1. Securing family commitment
2. Encouraging family participation
3. Developing leaders and managers (next generation)
4. Developing effective ownership

**THE CONCEPT OF COMMITMENT**

Family commitment is what makes family business. What starts of as a simple entrepreneurship idea may or may not last into enduring family business based on the level of commitment the family reflects towards the idea with two broad issues:

1. Is there an interest in maintaining ownership for the financial and social benefits that they will receive?
2. Are they ready and willing to accept active ownership?

There is process related to this as under:

1. Understanding the family commitment
   a. Define it
   b. Discuss how it was built
   c. Commission a questionnaire
2. Exploring family commitment: Describe how the family talents and resources will perpetuate family ownership
3. Discussing core family values: Ask questions on how solutions will be arrived at say with succession, careers, compensation, wealth creation, governance, code of conduct
4. Identifying the family Business philosophy: Discuss the three most important imperatives
   a. Family first
   b. Business first
   c. Family enterprise approach
Also establish the influences on the choice. Articulate the philosophy
5. Discussion of the Family Vision: This essentially explains the future state.
6. Discussion and Release of Family commitment: This secures the going forward and allows further processes to be enabled

THE CONCEPT OF FAMILY PARTICIPATION

a. It is tangible demonstration of family commitment
b. It keeps the talent at home
c. Dimensions of participation
   I. Active involvement in contributing to the future of the business
   II. Expanding the family role in the decision making process
d. Create an environment that supports participation
   I. Understanding family conflict
      i. Accept the inevitability of conflicts
      ii. Bring about readiness to communicate
      iii. Cost of avoiding conflict is high
   II. Fair process in making
      i. There is Parent, Adult, Child impact already within
      ii. Families and businesses are not inherently fair
      iii. Younger generations were not part of creation but the wealth and status have shaped them.
      iv. Fairness has three processes:
         • Engagement
         • Explanation
         • Expectation
   III. Family meetings are an important tool. There are several issues in it
      i. Goals of the meetings
      ii. Who should attend
      iii. How has it evolved
      iv. Who should conduct
      v. What is the agenda
      vi. Recognizing the need
      vii. Organizing it
      viii. Structuring it
      ix. Conducting the meeting
      x. Follow up
   IV. Developing family agreement
      i. Encourage consistency
      ii. Support family harmony
      iii. Increase family effectiveness
      iv. What should it cover
         • Family behaviour
         • Conflict resolution
         • Family education
         • Family unity
         • Family performance
This is basically an issue of management development for two reasons, creating meaningful careers for the next generation, and family members are ready made talent for the business.

A. Life cycle review on the family business careers
   1) Birth of a child creates a potential employee
   2) There are difficulties in negotiating transition in family events
   3) Life cycle spirals creates conflict, while creating transitions
   4) Family members occupy positions for a long time, as compared to professional organizations, and they are in different stages of the business
   5) Management of the overlap period is a tough one between the existing generation and the succeeding generation.

B. Understanding future management needs
   1) Identify the Family leadership roles required apart from the business roles and identify the participant who can do this
   2) Identify the Management skills required for the business for the present and for the future

<table>
<thead>
<tr>
<th>Inter-personal roles</th>
<th>Family business context</th>
</tr>
</thead>
<tbody>
<tr>
<td>Figurehead</td>
<td>Ceremonial head of the business</td>
</tr>
<tr>
<td>Leader</td>
<td>All round abilities</td>
</tr>
<tr>
<td>Liaison</td>
<td>Like a link</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Informational roles</th>
<th>Family business context</th>
</tr>
</thead>
<tbody>
<tr>
<td>Monitor</td>
<td>Scans and maintains contacts</td>
</tr>
<tr>
<td>Disseminator</td>
<td>Clarifies and reinforces</td>
</tr>
<tr>
<td>Spokesperson</td>
<td>Represents both sides</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Decisional roles</th>
<th>Family business context</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneur</td>
<td>Thinker and developer</td>
</tr>
<tr>
<td>Disturbance handler</td>
<td>Conflicts and issues</td>
</tr>
<tr>
<td>Resource allocator</td>
<td>Allocates</td>
</tr>
<tr>
<td>Negotiator</td>
<td>Consensus builder</td>
</tr>
</tbody>
</table>

C. Family business as a career
   1) It has to start young. Initiation can never be compromised. There are three levels for economic literacy development of a child (Thomas Hirschfield)
      • Intelligent consumer
      • Managing personal finance
• Understanding the business and economics.

2) Exposing family members to the business: You have to understand the life cycle and manage it.

3) Family employment agreements

4) Launching a family business career
   • When should one enter
   • What is his career path
   • Importance of outside experience (recommended)
   • What is the right job
   • Multiple mentoring relationship development
   • Planning personal development

5) Planning a meaningful career
   • Child at home
   • Young adult outside the business
   • Professional inside
   • Successor designate
   • Leader
   • Chairperson

6) Giving successors the feedback they need: Reality check, accurate perception, mentoring, developmental actions
   Identifying the next generation of managers and leaders: They are reflected in the 7 C behaviour given below:

<table>
<thead>
<tr>
<th>Conscience</th>
<th>Ethical behaviour in dealing with the family and business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Credibility</td>
<td>Respect of the family and business</td>
</tr>
<tr>
<td>Coaching</td>
<td>Ability to teach and develop</td>
</tr>
<tr>
<td>Capability</td>
<td>Intellectual and emotional talents</td>
</tr>
<tr>
<td>Commitment</td>
<td>A personal decision to support the family and business</td>
</tr>
<tr>
<td>Competence</td>
<td>Technical ability and skills required</td>
</tr>
<tr>
<td>Communication</td>
<td>Meaningful relationship</td>
</tr>
</tbody>
</table>

E. Planning for the next generation relationships
   i. Rationalize salaries and promotions: business first or family first or overall balance
   ii. Assign positions based on business needs
   iii. Strengthen the employment clause in the code of conduct

THE OWNERSHIP IMPERATIVE

There are 4 aspects of ownership continuity:

i. Ownership education programs
   • shareholder responsibility
   • understanding ownership role
   • considering other stakeholders
   • business knowledge
   • business strategy
   • organization culture
   • governance responsibilities
ii. Ownership agreements
   • They provide a framework for defining relationships
   • They provide a framework for resolving disputes
   • They shape ownership structure to support the family vision

iii. Estate plans and asset management
   • Have a liquidity plan (transferability, clear terms and conditions, valuation formulas, shareholder rights, financial expectation)
   • Choice of ownership structures
   • Retirement funding
   • Distribution of assets in the family

iv. Family and business governance structures
   • Family council
      It is professional approach to addressing and resolving family issues. It is a representative council. It is imperative when the size of the family grows. One needs to spell out the task and responsibilities.
      • Board of directors
      • Stewardship as a family ownership value

Ownership configuration move through the following cycles:
   • Entrepreneurship
   • Owner managed
   • Family partnership
   • Sibling partnership
   • Cousin collaboration
   • Family syndicate

Factors shaping ownership configuration:
   • Life cycle events like birth, death, marriage etc.
   • Ownership decision and Ownership configuration
     i. Equal distribution to heirs
     ii. Family tradition of ownership to male only
     iii. Based on employment in the family business
     iv. etc
   • Family ownership forces
     i. Participation of multiple generations
     ii. Expanded potential number of owners
     iii. Separation of management and ownership roles

---

**PLANNING FOR THE BUSINESS**

**ASSESSING THE FIRM’S POTENTIAL**

There are three basic questions to be asked:

1. Where to compete
2. How to compete
3. What is the required investment
   i. DEFINE THE FIRM’S POTENTIAL
II. Develop a SWOT analysis

III. Ensure internal analysis
   - Analyze on the basis of:
     - Marketing capabilities
     - Organization capabilities
     - Financial capabilities

IV. Address the financial strength

V. Analyze the business performance

VI. Analyze the profitability

VII. Analyze the cash flow

VIII. Analyze the investment level

IX. Assess the firm’s marketing success

X. Assess the firm’s organizational resources

XI. Do the external analysis

XII. Analyse the general environment

XIII. Analyse the market and industry

XIV. Do a competitor analysis

---

**EXPLORING THE POSSIBLE STRATEGIES**

1. Assessing a potential
2. Discussing the strategic priority: renew the A levels, reformulate the B levels and regenerate the C levels as given in the above matrix.
3. Selecting a strategic direction
4. Reviewing the strategies
5. Recommending the strategic alternatives
6. Finalizing the strategy and reinvestment decision
Johannisson (1991) posited four cornerstones of entrepreneurship:

1. An ability to impact one’s personal environment.
3. An ability to create support networks.
4. An ability to create a linkage from vision to action.

Dennis Jaffe, who has forty years of experience as a researcher and consultant to various family business organizations all over the world has suggested that family businesses undergo four stages of development: start-up or venturing (funding) stage, maturity, and eventual decline or renewal, intermitted by entrepreneurial and succession crisis (see, figure 8-1 below).

Three levels of generational shift were identified in our study: G1, G2, G3 transitions. The same trend was observed, even if there were additional generations. The business usually begins with an entrepreneurial perspective and develops if enabled with a vision. It is important to note that these transitions have been examined in retrospect, although the impact is seen as a development phase in each transition. The transitions do follow the path reflected in the figure above, and also take the form expressed and seldom deviate. What is important is to recognize that there is a transition and it is important to have one (Ivan Lansberg, 1999). For ease of understanding, the diagrammatic view is represented in figure 8-2 below:
Mentoring and coaching are important management tools for knowledge transfer in these firms (Deakins et al., 2002; Clarysse and Moray, 2004). While the basic skill acquisition is achieved by the entrepreneurs through on-the-job training and on the shop floors of the local established manufacturers, most of the 2nd generation firm owners found it difficult to survive in the initial years, if not properly mentored by the parents. Family support is essential in all stages of the businesses. Most of the finance is arranged by the families in the start-up phase. There is hardly any financial contribution to the family income made by the entrepreneurs in the early stage of the business. All earnings in the start-up phase are reinvested in the business.

Success of the family firms depend on its image, trustworthy reputation, unified ownership and management by family members, creativity, attention to research and development, long-run orientation and expectation, and emphasis on the firms sustained performance (Habbershon & Williams, 1999, p. 5). Family plays a critical role in all stages of the business. Entrepreneurial risk taking ability is a trait inherited from the family. A young entrepreneur needs financial and moral support from the family during the start-up of the business, in times of crisis and during succession planning and knowledge transfer.

There are many challenges faced by the second generation owners, in most cases with siblings or cousins. Often, family feuds may hamper businesses. Siblings grow up together, so intense emotion is evolved in the relationship and normal disagreement in business decisions, often leads to disintegration of the firm (Ward, 1997 and Ward and Aronoff, 1992). This may be perceived as a succession crisis. After succession, a business either declines or revives. Business options available to the second generation owners can be visualized as provided in figure 8-3 below:
Some of them are risk averse (which would not encourage entrepreneurs to innovate), lack of trust on partners, predecessors, or stakeholders; changing values and styles, living up to parental expectation as seen in the case of Arvind who has high regard for his parents and has feelings of indebtedness for all the support they have showered on him in times of crisis, aspire to take the business to new heights.

Other factors that drive the decisions of the second generation owners are aspirations of developing a self identity, desire for family justice, seeking of partnership with peers. There is big mindset shift across generations and this is well pronounced at this juncture. Most of the shift is to move with demands of Business or Demands of the Family. Lack of interest in the succeeding generations in the business or having no desire to learn is also detrimental for long term sustainability of the Family Business (Grote, 2003; Le Breton-Miller et al., 2005).

The functional and strategic transition the in Family Business depends upon the ownership structure and the business options chosen by the second generation owner. The different ownership structures are as follows:

1. First generation in control, and second generation in important positions.
2. First generation not in control, but second generation also not in control.
3. First generation controls through reverence.
4. Second generation controls through discretion.
5. First and second control together.
Vision and mission of their enterprise binds them together. The founder has immense responsibility playing the leadership role, liaising activities, and the mentoring and coaching role.

**RECOMMENDATION**

It is true that competitive forces extinguish inefficient forms of business enterprises. Only those that are suitable in the prevailing market conditions are allowed to continue. Family enterprises are definitely efficient organizational forms that change the market expectations. The issue is lack of research, which explains the prevalence, prominence, or even existence of this institution (Schulze, 2010).

Family is the original economic unit and all other forms have sprouted from it. Their ability to make and enforce decisions without breaking the norms, customs and traditions is critical. Mainstream management research views this business as a form of anachronism. There are several roles played by the entrepreneurs -- as owners of the firm, responsibility as managers, obligation to each other as family members and leaders or potential leaders. The past decade has been a period of renaissance in this field as far as research is concerned.

Conceptual Model for Knowledge Management for Sustainability of Family Businesses

**FIGURE 8-4: CONCEPTUAL MODEL FOR FAMILY BUSINESSES**

Hypothesis generated are as follows:

H01: Effect of motivation, self efficacy, trust, family relationship, will determine socialization, externalization, combination and internalization of knowledge.

H02: Education and training will effect creation of intellectual capital.

H03: Intellectual capital and structure of the business determines the business sustainability.
Different ownership structures have been suggested to allow cash flow rights and management control. Family participation in management especially with the rise in the level of education through formation of Family councils are recommended to ensure settlement of disputes and correction of courses. Relationship based corporate governance serves to facilitate trade and economic development in the markets (Khanna & Palepu, 2000). Succession models through consultation to satisfy the desire for continued familial control is recommended (Burkart, 2000).

In the likelihood of absence of documentation of business processes at various levels, it is important to maintain the rigor and the depth of knowledge transfer. Along with it comes the legacy of strong values built in the business. Family governance and leadership creates unique conditions more effective than non family firms. (Le Breton Miller, 2007)

Improving professionalism and managing agency at controlled costs encourages efficiency. Knowledge repository, knowledge development and sharing are critical and conditions precedent for generational shifts. A well written, documented familial constitution can be developed collaboratively for family members to encapsulate the values, beliefs and objectives of the family, as a family with specific reference to the family’s relationship and dealings with its family enterprises. In entrepreneurial ventures strategic goals may change from generation to generation. But innovation, experimentation and development and adaptation of new technology would be key for the success of small enterprises.

Strong spirit communication between family members as well as the employees is to be streamlined through frequent meetings on business issues, strategic issues as well as familial issues. Normally Owners may not have solutions to all problems. The constitution of a board consisting of family members, key employees and industry experts can help. It can also manage venture fund for family members and create new directions of sources and wealth.

Members feeling of guilt or complacency about having wealth, and being entitled to privileges often make them often feel isolated in the society and suffer “what next” syndrome. Several early research also points to stress and strains of having inherited a huge wealth. "Inherited wealth is a real handicap to happiness. It is as certain death to ambition as cocaine is to morality" (Schickel, 1985).

A person will not be really happy in the midst of wealth, finding an enduring sense of satisfaction and meaning, if as a consequence of having it, his or her unique individuality has gone undeveloped. Training, education and skill development are key motivators for any succeeding generation.

New generation's focus must be enabled to reflect passion and develop competence and fight for positions across generations. Family leader's development is critical across generations. The leader has to realize that it is not 'his' business or wealth but of the 'family' and hence action for successors through knowledge transfer and development is critical. This will put Governance into action.

Developing family social capital which forms a springboard for firm specific organizational capital will create smooth transition in generations. Familiness enhances prospects of the firm’s survival by helping to create conditions of trust, identity, and norms of reciprocity.
and obligation and creates human capital (Simon & Hitt, 2008) Family social capital is inexplicably tied to the institutions of the family and its socio cultural foundations. They are a source of competitive advantage.

For long term survival of the Family Business there should be clear demarcation between the three dimensions, business, ownership and family. The business should be learning oriented with sufficient ability to transfer across generations and also intra-generations’ seamlessly. Value statements can define the familial and business values. Legacy of strong values should be considered as a springboard to success.

**FIGURE 8-5: TEN COMMANDMENT’S OF THE FAMILY BUSINESS**

The above ten commandment's if well adopted will ensure smooth transition for all times to come.