





## *Director's Cut*

### SEEMA MAHAJAN

Our Pravin Dalal School for Entrepreneurship and Family Business Management at NMIMS, being the pioneer in the segment for more than a decade, understands the emerging needs of family run businesses in these challenging and turbulent times. We were also amongst the first few to understand that thinking and acting entrepreneurially is more than just an inclination. It can be taught. We do it better than anyone else because we have a global outlook along with a customized approach for catering Indian family run businesses.

We believe that entrepreneurship can be a powerful force within organizations of all types and sizes, in established businesses as well as new ventures. In any industry, in any position, it takes. Entrepreneurial thinking and relative action to solve problems and make an impact. The school has a vision to be amongst the top 50 in the world at enabling the development of Leadership skills, for sustainability and scalability of their respective family run businesses and ventures. Today in our collaborative community at NMIMS, students gain the fundamental business skills and specialized knowledge necessary to cultivate an entrepreneurial mind-set. They then use that mind-set to navigate real business situations, putting what they learn into practice and becoming leaders equipped to make a difference on campus, in their businesses and across the world.

The programs MBA E&FB (2 years full time) since 1999, Integrated MBA E&FB (5 years post 12<sup>th</sup>) since 2015 and Weekend FMBA since 1999 at our school focuses on technical and strategic competence, self-awareness and moral judgment. Our balanced curriculum keeping in mind the Indian family businesses, their values and professional challenges, has been designed in such a way that it offers students a blend of skills and capabilities that are at the heart of the management, along with their values and beliefs. The Intensive International exposure at the right time of their career while they are academically geared, helps them to build a global perspective and thereby lead their scalability strategies.

I am sure the journey of students here at NMIMS must have been an unparalleled experience of intensive learning which will lead to a record of outstanding accomplishments in all walks of their life along with providing a deeper perspective to the ideas and practice of management of respective Family run businesses and new ventures. I also wish to thank my each and every alumnus (over 4,000 entrepreneurs) for believing in us and trusting us completely. These 4,000 plus alumni helped us understand the segment and carve specialization in the same.

***Prof. Seema Mahajan.***

## *About us*

Indian family businesses by far and large have been construed to be an integral part of the economy. Substantiating this is the fact that the top 20 Indian Family businesses control INR 26 Lakh Crore of the Indian GDP. Indian family businesses are also much respected for their founding principles and the values that they inherit. However, the family businesses image has also been tarnished by features such as non-professionalism, conservatism, poor corporate governance and lack of future planning in recent years. In the midst of all this fray lies the mammoth task of succession planning that each of the family businesses face at some point in time.

Rapid changes in the Indian business world has brought together new areas of focus for current family run businesses. Some of the key areas in Family run Businesses in this ever changing environment would be talent management, robust innovation, out-of-the-box thinking, and at the core of the organization, strategic planning. Efficient management of which will provide thrust to the wings of family run businesses, helping them soar high and achieve hallmark status in the world at large.

We The Anthologists students of Pravin Dalal School of Entrepreneurship and Family Business MBA Entrepreneurship & Family Business look towards researching on these intricacies and learning through:

- Debates and discussions with industry experts
- Brainstorming and creating business case studies
- Organization of workshops and networking events
- Creation and development of research papers

***This document has been compiled by students of Pravin Dalal School of Entrepreneurship and Family Business. The data has been assimilated using freely available information from the public domain. The document is for Internal and academic purposes only and for facilitating discussions in these relevant areas.***

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## *Preface*

The myth that family firms face extinction beyond the third generation is a serious issue which needs to be countered and catered. The answer to survival lies in the professionalisation of the family firm.

To professionalise would mean to emulate the legacy systems, the governance mechanisms in place in a family run business. This research document also highlights the various operational and financial challenges the promoters face inevitably supporting the argument of dilution of power to outsiders. Furthermore, the document would also detail the environment (clustered, formed and manipulated) around the family run businesses and the heritage values they inherit and pass on to their heirs.

Institutionalising and incorporating professional systems and approaches in a family business firm would create an environment which may even be termed as "hostile" by the founder (*original promoter*). It becomes at times extremely challenging to impose such mechanisms as family businesses find it extremely difficult to distinguish the two elements - "family" and "business" from the operational aspects. Dealing with such a crossroad decision would entail for a detailed "to-be" analysis for its successful implementation.

*The ideation of a "professionalised" approach for a family run business could (on a lighter note) mean "globalisation" in the ideologies of such a business environment.*





*"An individual contributes towards the GDP  
of a country,  
a family business can contribute towards  
shaping the economy as a whole".*

## Introduction

### Professionalisation: Defined

The [Oxford English dictionary](#) defines ‘**professionalization**’ as – “*The action or process of giving an occupation, activity, or group professional qualities, typically by increasing training or raising required qualifications.*”

Whereas [Collins English dictionary](#) emphasizes it as – “*To professionalize an organization, an institution, or an activity means to make it more professional.*”

### Who is a Professional?<sup>1</sup>

It could be stated that a person having specialist knowledge, certified skills and relevant training/education in a particular domain can be referred to as a **professional**.

An individual who can be counted to be proficient enough to handle issues that require the nudge of an expert. Such an individual is highly competent in his domain of expertise and can deliver prompt solutions to the relevant problems.

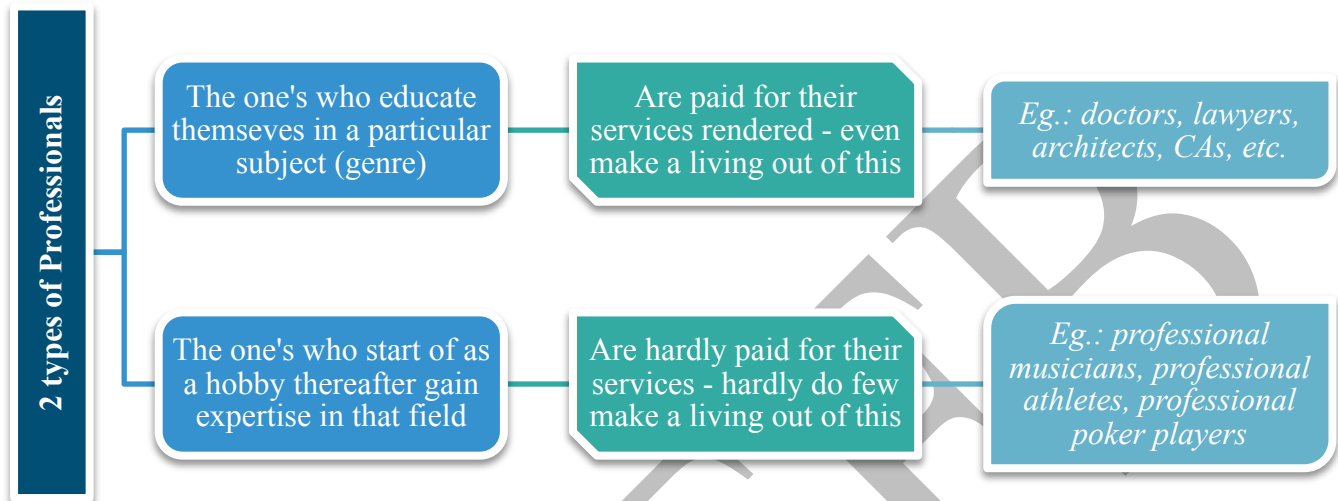
More often than not so does the payment terms of a professionals’ service(s) complement his expertise. A professional rather cares about the quality and integrity of the work being undertaken.

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<sup>1</sup> <https://dictionary.cambridge.org/dictionary/english/professional> ; <https://en.wikipedia.org/wiki/Professional> ; <http://www.businessdictionary.com/definition/professional.html> ; <https://www.hrpa.ca/Documents/Designations/Job-Ready-Program/What-it-means-to-be-a-professional.pdf>



*It could be even mentioned here that ‘professionals’ are of two types:*



Both the types of professionals mentioned above are extremely distinguished in the nature of work they perform. Furthermore, to add to the discussion we can even mention that we tend to accept the second type of professionals in whatever behavior they display. But, imagine a doctor singing inside an operation theatre! Weird isn't it?

Thus, goes our requirement of a professional needed to professionalize a business. Apparently an extremely efficient and competent (professional) promoter would go that extra mile to achieve success for his organisation; keeping his personal agony away from business.

## *The Thin Line<sup>2</sup>*

The concept of *professionalization* is extremely new to be adopted and adapted in Indian family businesses. As a result, the two distinct concepts of “family” and “business” are intermingled and create a challenge for new owners to succeed. The reason being the issue that bleed in family conversations often find their way into the workplace. This even results boardroom

discussions to dwindle down to finding solutions for such family issues.

Such is the influence of family dynamics in a business decision thereby causing business failure. The reason for occurrence of such incidents could be due to the unawareness of the blurred line between relationships.

*“Committing to family-business equilibrium is a positive first step, but finding that equilibrium can be like walking a tightrope.”*



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<sup>2</sup> <https://www.digitaldealer.com/family-business-separation-possible/>

### The Need<sup>3</sup>

It is quite clear that a business entity is separate from its owners – that’s what even our accounting standards say. It becomes all the more difficult to manage a business with too much involvement of your family members, each would have different perspectives to the same issue. It gets tougher to negotiate when you are unable to come to a consensus and as *emotions* play a vital role in manipulating your decision making (or taking) ability.

As such family businesses tend not define a certain parameter – “**accountability**” when it comes to family members at work. Even a person unfit to take up certain roles/ responsibilities are given the designations way above their capability. Is it love or affection that plays in deciding this?

The flip side? The biggest risk that a family business faces due to such an act is losing on the most able and trusted employee of his organisation.

It is good to have a family business but more so would it be to have a business family, who tend to understand this and keep certain things absolutely distinguished – “work” & “relation”. A family in business needs to showcase this professionalism in their approach in sustain in this globalized world.

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<sup>3</sup> <http://www.sbnonline.com/article/how-to-separate-personal-relationships-from-business-relationships-in-a-family-business/>; <https://investorjunkie.com/25503/business-personal-separate/>; [https://cfeg.com/insights\\_research/professionalizing-the-family-business-its-not-what-you-think-it-is/](https://cfeg.com/insights_research/professionalizing-the-family-business-its-not-what-you-think-it-is/)

## How do I do that?<sup>4</sup>

The first important point would be to understand that you are a team working towards attaining the goals of the organisation as a whole. Defining such statements to family members could be done only through educating them.

### Defined timelines

- It is quite essential to define the time to be devoted for work and for family talks. At times first generation entrepreneurs tend to be more involved in their business and give less attention to family relations creating a problem. It would be best to understand that you are in a real life job setting.

### Problem? - No Problem!

- Keep your family issues at bay when at work. Just get in that character and work for your business goals. Dragging your family issues to work would create an absolute hostile work environment.

### Understand what you have to be and when

- If your spouse/ sibling/ parent / child seeks your input for any business matter, you should be decisive enough to guide him/her as a colleague rather than a family member.

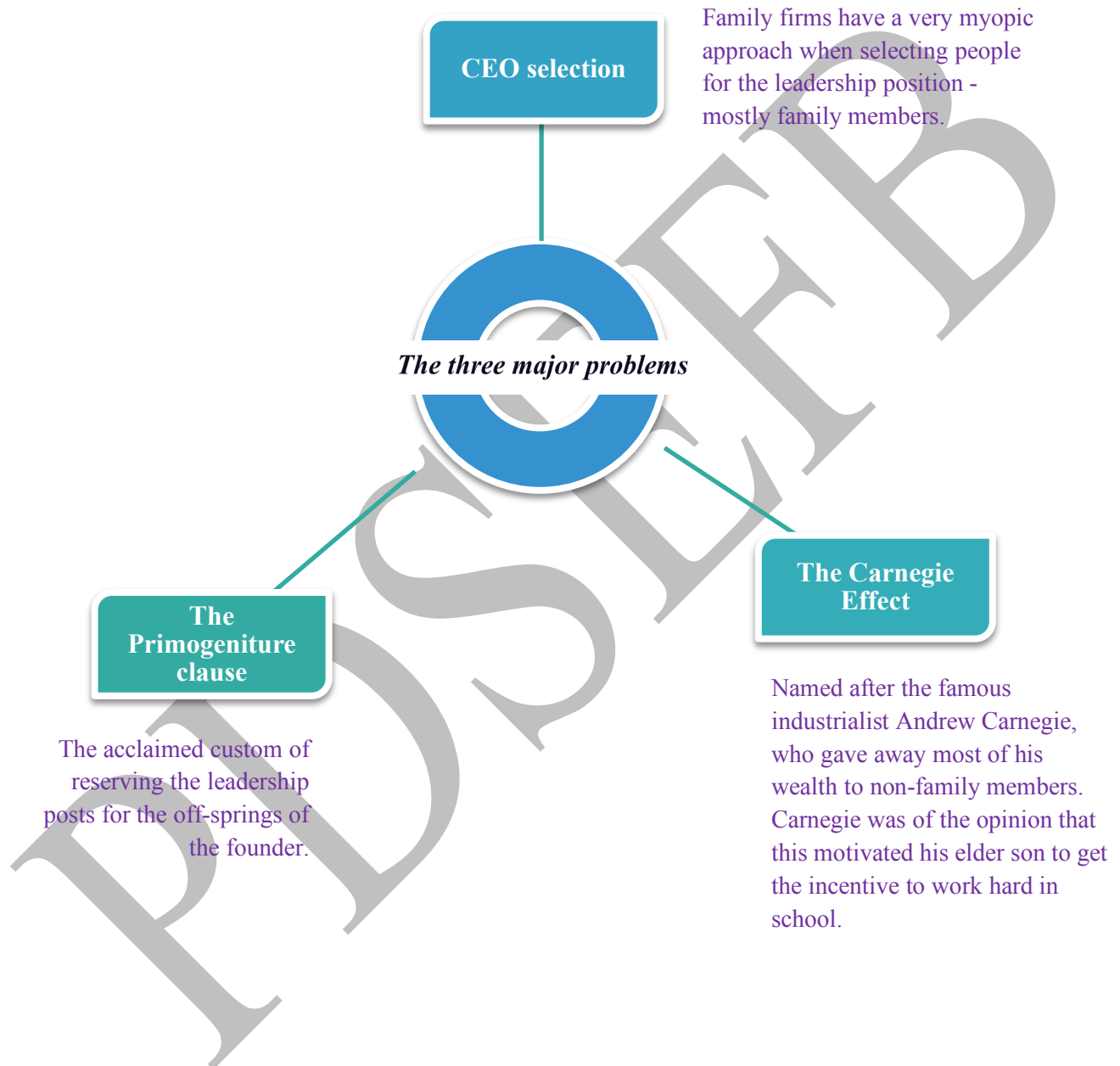
### How much time to spend?

- Quite a difficult question. Try to be as professional as possible with family members to maintain that relationship. You need to separate your work and relationship just as the many disciplines you might have imbibed.

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<sup>4</sup> <https://businesscollective.com/13-tips-for-separating-your-personal-and-professional-life/index.html> ;  
<https://www.relationshipscoach.co.uk/blog/family-business-relationships-5-top-tips-for-separating-personal-from-business/> ;  
<https://www.businessknowhow.com/homeoffice/homebizboundaries.htm>

*The three major problems with family succession<sup>5</sup>:*

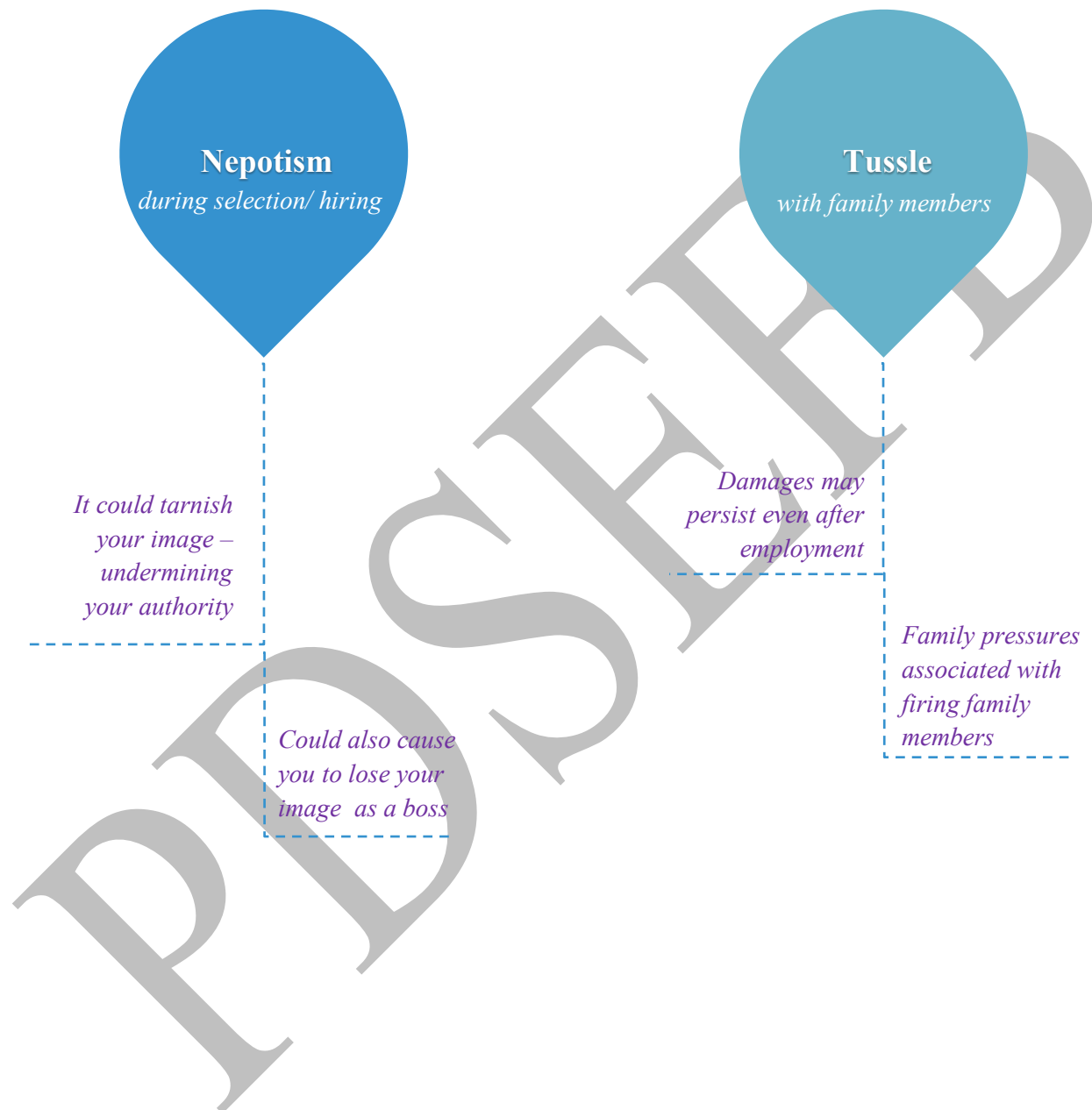


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<sup>5</sup> <https://hbr.org/2011/03/family-firms-need-professional>



## *Risks in hiring a family member<sup>6</sup>*



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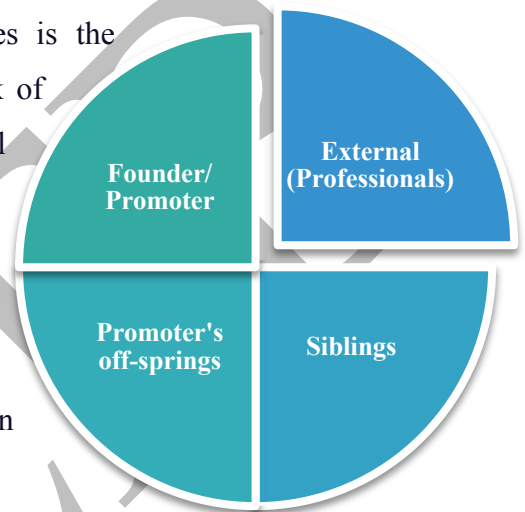
<sup>6</sup> <https://www.inc.com/adam-heitzman/the-good-the-bad-and-the-ugly-of-hiring-family-members.html>

## *Towards a formal setting*

### **The apt communication channel<sup>7</sup>**

Family businesses must define the communication channels in their organisation in a systematic and lucid manner. The biggest challenge that a family firm faces is the emotional communication impact on business decisions. A lack of well-defined communication channel might lead to several problems in the firm.

A family firm begins with the founder, then his off-springs and later the external stakeholders as well – expanding this myriad of relations would necessarily need a structured communication mechanism to succeed the business operationally.

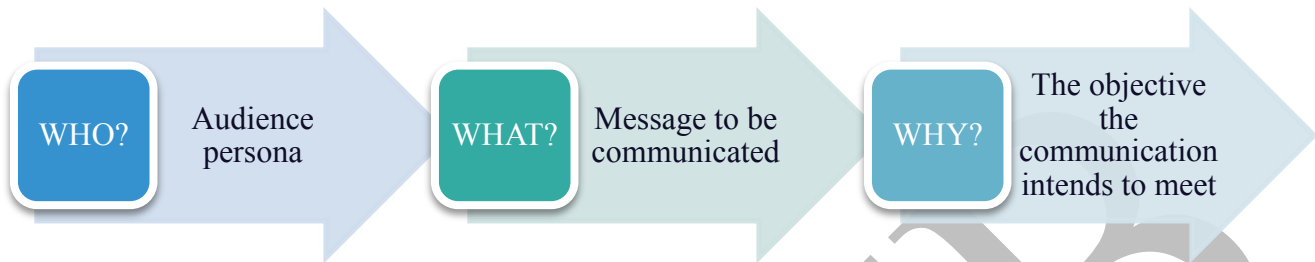


It is important to note that as the business grows, the channel also needs to get “re-designed”.

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<sup>7</sup> <https://www.grin.com/document/162972> ; <https://www.schencksc.com/education-center/articles/effective-communication-is-essential-to-family-business-success> ; <https://medium.com/@AmDee Elyssa/8-key-communication-channels-for-your-organization-568194a5916c>

*For any effective communication stream it is essential to define the 3W's:*



Communication is the key to a professional work culture. The method of communication a business chooses (whether written or oral) would depend on the audience, the message to be communicated and the goals of communication.

As a family firm successfully implements an effective communication channel, it can be assured of the advantages arising from it in the future.

### **The organisation structure<sup>8</sup>**

An organizational structure tactfully defines the roles of every individual mapped in the org-chart. This structure helps the individuals to plan their career objectives and goals for the firm. It is the appropriate communication structure that gives rise to an efficient and structured organisation.

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<sup>8</sup> [https://aede.osu.edu/sites/aede/files/publication\\_files/Organizational%20Structure%20of%20the%20Family%20Business.pdf](https://aede.osu.edu/sites/aede/files/publication_files/Organizational%20Structure%20of%20the%20Family%20Business.pdf)

## *A professional recruit managing your family business*

The biggest dilemma a business owner faces is that of inducting a board member outside of their family reigns. Especially so in case of family businesses in India as they have to shell out ‘control’, ‘stake’ and ‘ownership’ to an outsider. This is the major cause of concern as family leadership (per say family business in India) is hindered as it dilutes in the hands of an external person.



*On the flip side, the positives prowess of a professional manager inducted in a family business can help it gain the momentum to succeed in the globalized world.*

## The Goods<sup>9</sup>

Transition (of power) is a vital element of success (mostly measured in business continuity terms) for a family managed business. In fact, statistically acclaimed is the fact of failure of a family firm due to non-adherence to standard mechanisms and processes. A professional brings in such critical success factors which emanate a business success.

As in the case of majority of Indian family businesses, the business is mostly self-made upto the narrow vision of the founder and his proclaimed knowledge (arguably limited). Professionalism helps to keep the personal issues at bay thereby preventing a clash in the business' operating environment. Such professional managers tend to achieve the organisation's goals and objectives in a manner in which the business grows manifold. The

knowledge and skills that such managers tend to garner and hone can be an asset for the business if used well. This very well complements to the positives of the business.

A well-established team can help implement concrete plans and strategies for sustaining in the future. What might also add to this discussion is the rise in the competition and the need to be ahead of it. Professional managers create a strong foundation helping propel the business forward.

Interesting to note are the various business strategies and thought processes that a professional manager engages in and can be used to grow the family firm larger than even the third generation.

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<sup>9</sup> <https://www.businessdailyafrica.com/lifestyle/pfinance/Hire-professional-managers-to-grow-family-business/4258410-4248028-view-asAMP-cj8q4y/index.html> ; <http://www.campdenfb.com/article/challenge-‘outside’-recruitment-family-business>



## *Considerations when recruiting an outsider<sup>10</sup>*



### **1) Due diligence & background checks**

A comprehensive profiling of the external candidate should be a first step towards inducting such a person into an organisation. The family members should take reasonable steps to identify the candidates' social profile and other details available in the public domain to check for any adverse information. Having a brief and clear background check on the candidate would mean that the family members can put in more trust and delegate responsibilities in his/ her hand.

### **2) Defining family's expectation**

All members of the family engaged in business should detail and list his/ her:-

- Responsibilities
- Authority

The genesis around these two pointers needs to be clear as most professional managers tend to display maximum level of performance given the right balance.

### **3) "Power of Autonomy"**

It might pain family business leaders to divulge in this area. It can be argued that a professional manager might tend to ask for greater amounts of operational autonomy. Recommending that this act would entail crafting a detailed accountability charter for the new recruit and aligning him/ her with expectations from the family and towards achieving the organisational goals.

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<sup>10</sup> <https://www.inc.com/entrepreneurs-organization/7-considerations-when-hiring-professionals-for-a-family-business.html>  
<https://www.clydeco.com/insight/article/recruiting-non-family-members-into-a-family-business-is-key-to-business-con>

#### **4) Noting the requirements of your expected skills and capabilities**

Jot down the specific skill sets that your internal staff lack and the areas of your business that need improvement. With this in mind (rather with an honest review of the pain points) it would be easier to identify a capable talent. If still there arises a dilemma to choose between a family member and a professional, look at the organisation's higher goal to reconsider your otherwise overwhelming recruit.

#### **5) Career and growth**

Most family businesses lack charting out an employee's growth trajectory per say his career at stake. Most career decisions at such firms are based on the founder's hunch in mind. However, a professional hire may well demand career prospects and growth potential in their current designations (even though in the leadership position). A careful analysis of this topic is a must.

#### **6) Pay**

An extremely important component for any individual. Money does drive the brain! Most family firms retrench themselves from paying their employees as per the industry standards. Such a short-sighted approach would restrict top talent from getting associated with the organisation. The biggest issue faced by a family firm is that they fail to realise the perennial shortage of skilled, loyal, productive employees and that only competitive pay packages can attract such talents.

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PROSEPER

PRAVIN DALAL SCHOOL OF ENTREPRENEURSHIP & FAMILY BUSINESS MANAGEMENT was established to assist family owned firms to be in line with professional organizations. Being pioneers in the segment for more than a decade we understand the emerging needs of family run businesses in the growth and emergence of India as a strong nation. With an Alumni base of 1500 plus entrepreneurs from a family business background, in the last 14 years the School has taken serious initiatives and has developed expertise in Family Business and Entrepreneurship Management. The School focuses on understanding and respecting each culture and values system existing in Indian markets and brings in transformation by becoming a part of the family thereby actually doing mentoring and handholding.

The focus of the courses offered at the School, ranging from 32 weeks going to 2 years full time MBA and recently launched Integrated MBA (5 years) post 12th , remains on deeply understanding and appropriately delivering to Indian Family Businesses a strategic path to transform and grow their business while they play an important role in India's growth. To provide holistic and relevant information to our students, the focus is on understanding and discussing each sector, its multidimensional applicability, characteristics, survivability, proposed growth and challenges in a growing economy like India and in the global environment. Courses and initiatives undertaken at the Centre acquaint students with possible growth through Joint Ventures and Foreign collaborations. International exposure and linkages are established keeping in mind the student's objectives of global expansion and possible collaborations in the International arena.

*“On Jan 6, 2017, the School received a generous endowment from Mr. Nayan Dalal of The Dalal Family Foundation (USA), in honour of his father Shri Pravin Dalal who is a successful businessman and an active social worker. In recognition of the endowment extended, the School is renamed as the ‘PRAVIN DALAL SCHOOL OF ENTREPRENEURSHIP & FAMILY BUSINESS MANAGEMENT’.”*

#### **Achievements**

- Ranked 96th "Best Entrepreneurship" Masters world wide- Eduniversal Rankings.
- Only Program mentioned in the McKinsey Report "The Power of Many" - Realizing the socio-economic potential of entrepreneurs in the 21st century released at the G-20 Young Entrepreneurs Summit in Paris.

*For More Information please visit: <http://familybusiness.nmims.edu/>*





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