

## Inter-generational Business: A challenge or an Opportunity for Family business

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### Abstract:

Family business is best tradition that we can pass on to next generation, so many benefits the next generation will get if they continue with their family business. Though this system has certain disadvantages also, there are 2 objectives of this research paper 1. How first generation is transferring their business to next generation? 2. Is next generation ready to take over the business of first generation? This paper will help to understand the opportunities as well challenges faced by new generation while continuing the family business. Various literatures analysed for this research as a base and survey has been conducted on 1<sup>st</sup> and 2<sup>nd</sup> generation for this research. After conducting research data reveals that both generations face the problem as well as they found the good opportunity to develop the business.

### Introduction:

A family business is a business that is owned, operated and handled by two or more members of a family. These members should be blood-related, related by marriage or adoption. A family-owned business has to have the following qualities-

- A sole family has to own the majority percentage of the ownership
- Has to have control over the voting system.
- Possess power in strategic decision-making.
- Multiple generations of that single-family have to be involved in that business.
- The same family has to draw the senior management of that firm.

A family business is of utter significance in the economy of a country. It is one of the oldest economic systems with a substantial contribution to the GNP or Gross National Product of a country, total export, and total employment.

## Family Business Examples

Some noted family business organisations around the world are as follows.

| Company             | Country | Industry     | Family Name |
|---------------------|---------|--------------|-------------|
| Walmart             | USA     | Retail       | Walton      |
| Tata Group          | India   | Conglomerate | Tata        |
| Reliance Industries | India   | Conglomerate | Ambani      |
| Berkshire Hathaway  | USA     | Conglomerate | Buffet      |
| Ford                | USA     | Automotive   | Ford        |

|                   |             |                      |        |
|-------------------|-------------|----------------------|--------|
| Dell Technologies | USA         | Computer Hardware    | Dell   |
| BMW Group         | Germany     | Automotive           | Quandt |
| Toyota Group      | Japan       | Automotive           | Toyota |
| Samsung Group     | South Korea | Conglomerate         | Lee    |
| LG                | South Korea | Consumer Electronics | Koo    |
| Hyundai           | South Korea | Automotive           | Chung  |

## Family Business Characteristics:

Some of the main elements and characteristics of family business are-

- **Members:** Family business management is conducted by a group of individuals who are also the members of a single family is the owner and runs the enterprise.
- **Position of members:** The role and position of the family members in the business enterprise depend upon the relationship between the members.
- **Control:** The family exercises control over the enterprise since the family is the major shareholder in the company.
- **Mutual Interest:** The family members who hold key positions in the business are supposed to influence the business policies as determined by the mutual interest of the firm and the family.
- **Involving Multiple Generations:** The family looks after the business management and operations, and thus the rain is passed from one generation to the next.
- **Mutual Trust:** All family members must have mutual trust in every involved member since they have a mutual origin, the same values, business orientation and ethics.
- **Integrity and Transparency:** These characteristics are built by strong moral principles and determination toward business goals and honesty in transparency in business.

## Types of Family Business

There are in general three types of family businesses. They are as follows-

- **Family-Owned Business:** This kind of business refers to the one which controls the size of the significant and controlling ownership stake. This stake is controlled and owned by the family members.
- **Family Managed and owned Business:** In these businesses, a single family or an individual member of the family owns the controlling stake of the business. The major owner allows the family to create and decide upon the objectives, policies and methods.

- **Family Led and Owned Business:** In this kind of business, while the owner can belong to the family or a member of the family, at least another family member should be a member of the company's board of directors. The family member can therefore influence major strategies, direction and plans.
- **Other than these business ownership models, there can be First Generation Entrepreneurs and Second-Generation Entrepreneurs.**

### **First Generation Entrepreneurs:**

They are the ones who invest money and take risks and uncertainties of setting up a new business. They create wealth and is the pioneer of the business. They innovate and come up with new ideas to create a successful business.

### **Second Generation Entrepreneurs:**

The Second-Generation Entrepreneur controls and runs the previously established business of their parents and grandparents. However, their decisions and activities will be under examination. They involve in the business as middle and top-level management, and after they showcase their potential in handling business craftily, they are handed over the rein of the business.

## **LITERATURE REVIEW**

1. **Isabelle Le Breton-Miller, Danny Miller (2016):** conducted study on “Family firms and practices of sustainability: A contingency view”, in their study they said that Different conceptual lenses can be used to stress family firm positives and negatives in this regard. We identify those lenses and summarize the sustainability implications that can be extracted from them. Then we propose a set of moderating factors that may serve to arbitrate under just which conditions family firms are most apt to pursue positive practices of sustainability.
2. **Salloum Charbel, Bouri Elie, Samara Georges(2015):** conducted study on “Impact of family involvement in ownership management and direction on financial performance of the Lebanese firms.” The aim of this study is to better understand how family involvement in ownership management and direction affects the financial performance of the Lebanese companies. In order to authenticate our hypotheses, researcher has collected primary data by using a quantitative method. In fact, we performed an inquiry by surveying 75 Lebanese companies through a questionnaire formed by closed and semi-open questions and modulators. While finishing the empirical study, we concluded that family involvement in ownership and management has a positive relationship with the financial performance of the Lebanese company. Moreover, issues like

entrenchment and asymmetric altruism did not prove to have a significant relationship with the financial performance.

3. **Hot et.al (2010):** state that the field of family business research is advanced by further examining the validity and reliability of Klein, astrakhan, and simonies' family influence of power , experience, and cultural scale. Data from 831 family businesses ale analyzed to assess the measures construct validity using exploratory and confirmatory techniques. The hypothesized three factors model emerged to include culture, power, and experience. Extending the previous effort, the measures convergent validity was tested by assessing differences between the measures score and the desires of the senior generation and the commitment of the next generation. Results support an initial level of convergent validity.

4. **Casillas et.al (2010):** has examined the present research to improve scholars understanding of the relationship between entrepreneurial orientations (EO) and the growth of family firms in two areas. The authors propose that the EO-growth relationship is contingent on different contextual variables- environmental dynamism and environmental hostility-and an internal variable-generational involvement. Also, they consider EO to be a composite construct integrated from and related to different independent dimensions. Using information from 317 Spanish family firms, results show that (a) EO positively influences growth only in second- generation.

## OBJECTIVES OF THE STUDY

1. To identify that second generation is ready or not to continue the business first generation.
2. To analyze the view of second-generation regarding finding opportunity to continue the family business with innovative ideas.
3. To analyses the preference of second generation towards their business and job.
4. To identify the pros and cons of family business.

## RESEARCH METHODOLOGY

The research design of a study outlines the nature of information required for the purpose of the study, the method of data collection, the technique used for the analysis and interpretation of the data for the study.

### •Type of the Study:

This research work is in the form of empirical study, in which the researcher tried to study the overall impact of Television Advertisements on consumer's mind and in their buying behaviour.

- **Sample Design:**

Keeping in view the problem of the study, Convenience sampling method was adapted to 50 respondents from Rajkot city. Which represent an overall picture of the state.

- **Sample size:**

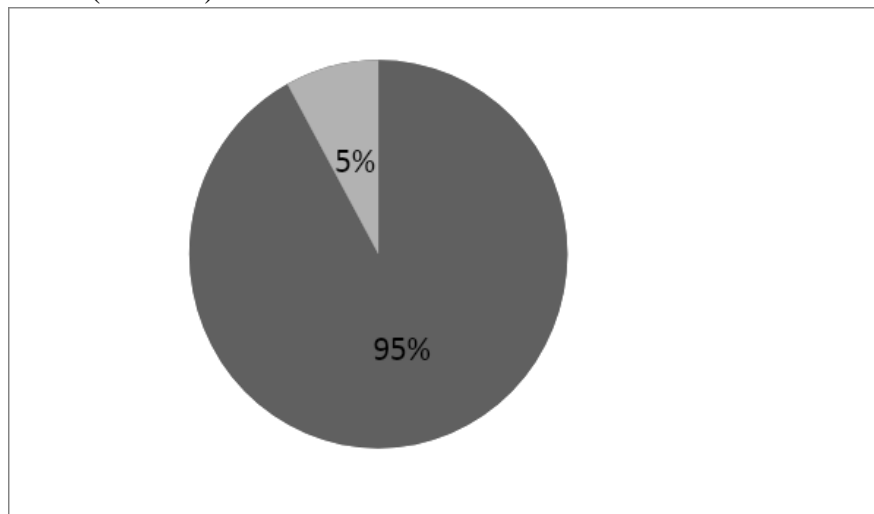
For this study the researcher has taken 50 respondents for the study. Convenient sampling method is used.

- **Tools & Techniques:** Percentage analysis.

## ANALYSIS AND INTERPRETATION:

**Respondent's Statement regarding the second generation is ready or not to continue the business first generation?**

(Chart: 1)



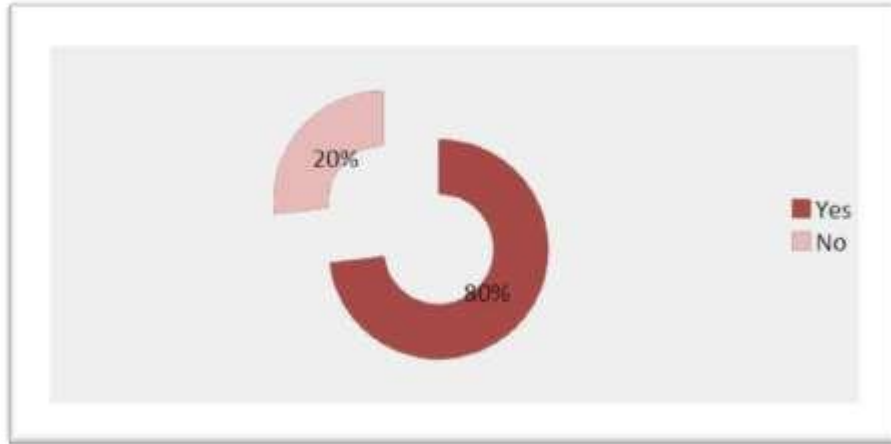
(Source: Primary data from survey)

### **Interpretation:**

From the above graph we can interpret that the majority of the respondents 95% think that yes, they will continue their family business. Only 5% believes that they will explore their career somewhere else.

5. **Respondent's Statement** to analyze the view of second-generation regarding finding opportunity to continue the family business with innovative ideas.

(Chart:2)



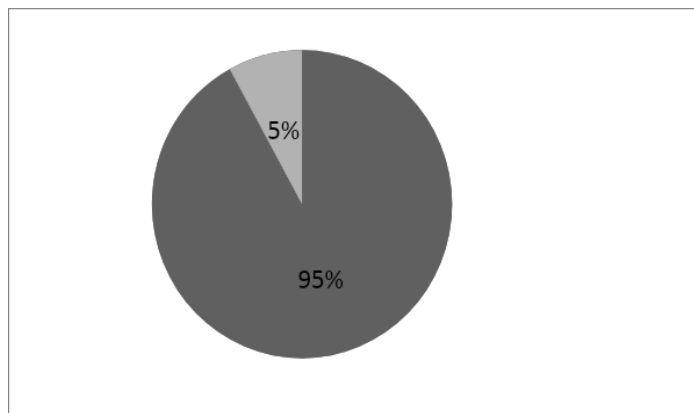
(Source: Primary data from survey)

**Interpretation:**

The above figure we can interpret that majority of respondents are willing to continue their family business with innovative ideas. While some of them believes that no need to adopt any creativity already the business is running success.

**Respondent’s Statement regarding priority of second generation for job or business.**

(Chart: 3)



(Source: Primary data from survey)

**Interpretation:**

From the above graph we can interpret that the majority of the respondents 95% think want to select the business, only 5% of respondents wants to do the job.

## FINDINGS

- Based on the study it can be concluded that, the majority of respondents believe that wants to continue the family business means second generation is ready to take over the business.
- Based on study we can interpret that second generation found more opportunities in family business as they are getting the readymade platform for business.
- Based on study we can interpret that majority of second generation wants to grab the opportunity to expand their business with innovative ideas.
- There are so many pros and of family business like, Readymade platform for next generation, ease for business, no worries for capital, minimum risk etc.
- There are so many cons as well like no platform for creativity, family members involvement is high, control over the business is difficult.

## CONCLUSION:

Based on the stud we can conclude that second generation is ready to take over the business of first generation. There several opportunities as well as problems are associated with it. We can observe that very few people are willing to do the job as Gujarati peoples are known for their business sense, they want to develop their career in business only. Both the generation are facing the problems while dealing. But there are scope for family business expansion and growth.

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