

Flexibility and Multiplicity in Family Business Systems

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Abstract—Family run and managed businesses are the oldest form of business. They create employment opportunities for family and non-family members. This paper focuses on how two fundamentally different systems- family and business when they overlap, conflicts emerge. If conflicts are not addressed at the right time, they can be detrimental for functioning of either of the systems. This study delineated the flexibility and multiplicity of roles required in a family business to succeed amidst conflicting situations. A case study is used to illustrate the multiplicity of roles played by members by being part of family, business and ownership systems. It argues that the systems need to be flexible to accommodate the needs of the other in order to survive. The members playing multiple roles in these systems need to be flexible for effective conflict management.

Keywords— Conflicts, Family Business, Systems Theory.

I. INTRODUCTION

THERE is an ample and complex array of theory, research and practice from multiple disciplines on conflicts. Studies on conflicts have been a fascinating area for researchers, practitioners, theoreticians and people in general. Conflicts can be seen at micro-level like intrapersonal, interpersonal or small group behavior. At macro-levels like among nations, among trade unions and even among different interest groups. Conflicts are inherent to human nature it dates from the times of Ramayana and Mahabharata. Karl Marx is referred to as father of the social conflict theory. He believed that the key conflict in society was strictly economic. Today conflicts can be between any groups where there is a possibility for inequality to exist like racial, gender, religious, political and economic groups.

The origin of conflict in family business is mostly due to co-existence of personal and professional relationship within the family business system. Conflicts in family businesses are different from conflicts in organizations. The reason behind it is that the fights are in the context of family relationships. Even the business management and control issues are deep rooted in the family system. The links between the two systems are strong but subtle.

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In the Indian context, understanding of conflicts is minimal as they are either ignored or suppressed. Its prominence is seen only at the last phase when conflicts are manifested openly leading to disruption. The initial and middle phases need to be studied in order to avert such huge losses. What is more alluring is to study conflicts in a family business, for they exhibit a unique interaction among blood relations working together in a commercial enterprise. Conflicts can make or mar not just the business but also relationships especially when it is a family business. In the current study we are looking chronological development of conflicts as well as a cross sectional view on conflicts.

II. REVIEW OF LITERATURE

The concept of viewing family business as a system began with a few articles in 1960's and 1970's. These classic works focused on basic issues in family business like sibling rivalry, nepotism and unprofessional management. The underlying concept was that family businesses consisted of two independent systems that were overlapping, namely the family and the business. Issues arose when members belonging to both systems had to meet the demands of each of them simultaneously. The conflicting pressures that the family and business had on the individual in the middle of both systems was the first practical concept that was studied. Tagiuri and Davis during 1980's in Harvard, worked with family firms of all sizes. They felt there was a need to distinguish between the members who were involved in business and from ones who were not. The need to make this distinction between owning and managing the business became very important. As the members involved in business looked at business decisions with the view of growing it whereas members not involved in business viewed it in another way. Thus emerged the three circle model of family business.

Tagiuri and Davis (1996) [1] and Whiteside and Brown (1991) [2], building on the earlier work of Kepner (1983) [3], use the system approach to family business to identify the overlap between the family and the business. Whiteside and Brown (1991), view that both family and business interpenetrate each other. The extent to which they intersect as well as the extent of the interdependence of the two systems is what differentiates family businesses from other organizations. Thus the root cause for conflicts, the nature and the way they get exhibited differ in a family business. The Three-Circle Model of the Family Business System shown in figure 1, was developed by Renato Tagiuri and John Davis.

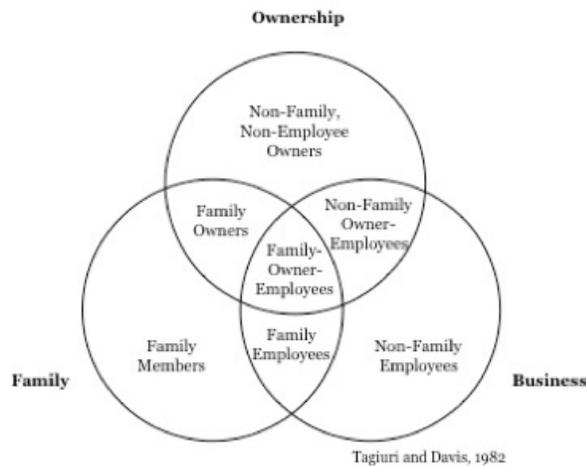


Fig. 1 Three- Circle Model of Family Business

The overlap among the three systems- family, business and ownership, often creates conflict among family business members because of different viewpoints on family business issues [4]-[5]. Researchers [6], stated business systems are work-oriented, focus on customers and grow through innovation, whereas family systems are people-oriented, focus on family members and are contented with self [7]. It is evident that both business and family systems are pursuing different goals and conflicts are inevitable. Researchers [8] have highlighted the importance of characteristics of family members and family system to understand aspects socio emotional wealth, which are key drivers of a family business, which are concealed if research focuses only on business system. Thus it is essential for us to focus on both the family and business angles to get a better and deeper understanding of family businesses. Hence knowledge about characteristics of the family becomes vital.

III. METHODOLOGY

A. Sample

This paper provides a segment of insights of a large study involving 90 family business owners. In this paper one case is discussed. The case study was written on family business member who was an owners of the business and involved in strategic decision making at both work and family. The business was in existence for less than a decade. The business and family were located in Bangalore city, India.

B. Data Collection

The family business owner was interviewed at her work place. An in-depth interview with the owner was conducted using a predesigned interview schedule. It had questions revolving around conflicts in family business like succession, birth order, generational conflict, and sibling rivalry and work-family balance. Questions about the handling business and family were also incorporated. The interview lasted

approximately 1.5 hours. The interview was tape-recorded and later transcribed from which major themes were identified.

IV. CASE STUDY

Raj Infra Pvt. Ltd. was an infrastructure company. It was a private corporation but held by family members. The family business had been in existence since 2006. Currently the business was owned by 4 members of the family- father, mother, their daughter Ambika and son. There were 6 family members who were actively involved in running the business- the father, the two his two children, their cousin and an uncle.

Ambika was the only female member who owns and runs the business. She was interviewed and case study was written. The respondent was the most appropriate person as she had membership in the family, business and ownership. She was also the Chief Executive Officer of the business. She had been working in the business for the past 3 years. She was a graduate and represented the 2nd generation in business. She was the first born in the family. The respondent was the most pertinent person as she had membership in the family, business and ownership. The respondent said that there were two potential candidates who could take on business in the future- herself and her younger brother. The father made the major decisions, both in the business and family.

A. Family Business Conflicts

At the interception of family business and ownership, conflicts are bound to occur. The interview had questions about family business issues. It helped to ascertain information about various issues that interfered with family run businesses and the intensity of these issues. The dip in business affected the home environment, suggesting a close link between the two sub systems. It was testified that reporting to other family members in business did create some issues. Allocating power to other members in business, managing non performing family members in business were also seen as a cause of concern.

B. Business System

The company is a private corporation. It has 500 employees. They have a turnover of more than 20 Million. Their business financial status was described as making profits in the last 3 years but they see challenges ahead. Their business retained earnings were that they relied on long term debt and some sort term debt, cash flow was adequate to run the business. Their business has met but not exceeded its performance objectives. While reporting about the future of the business they said that both the owners and workers had a clear vision about where the business was heading. Here the family and non-family members worked together as professional. This may be as it's a private corporation and number of employees is more unlike the other cases. The family members were appointed in business based on their abilities and talents not just their membership in the family. Irrespective of the competition their market share did not reduce.

C. Family System

The respondent belongs to a nuclear family. These were her views about her family – in her family people take time to

listen to one another, they are happy to be with each other, feel a lot of love for each other and support one another in times of need. They also believe they can face any problem. The younger generation however does not seem to confirm to all that the older generation want. They don't always think alike. But the older generation seems to have a protective attitude towards the younger generation.

V. RESULTS

A. Themes

There were 2 themes that emerged from the content analysis of the case study. They are as follows:

1. Role of women in business

In the case study we found that the mother-daughter duo were owners of the business along with the male members of the family. The mother was part of business mainly for taxation purposes, whereas the daughter was actively involved in business. We notice a trend in the involvement of both daughter and son in running the family business. Both being given equal opportunities to be part of the decision making in running the business.

2. Multiplicity of roles

The family members who owned the business were also members of family and played an active role in business except for Ambika's mother. The other members played multiple roles in the family as well as business. There were times when there were clashes as the boundaries between the three circles became overlapping. They did report conflicts but also knew how to resolve them. The flexibility in roles they displayed while managing the responsibilities in each of the systems helped them tide over conflicts in an effective manner.

VI. CONCLUSION

The paper highlights the importance of studying the family, business and ownership circles in order to get a holistic understanding of the workings of family business. In the study we have noted that individuals playing multiple roles in the different systems need to be flexible in order to accommodate better adjustment. The role of women in business is changing and they are actively getting involved in business. The case study illustrated some of the areas where conflicts arises be it home or the business system, one needs to play multiple roles to meet demands of all systems in order to manage conflicts effectively.

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