A Study of Conflict Typology and Causative Factors Leading to Splits in Multigenerational Family Owned and Managed Businesses in India

THESIS

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By
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Under the supervision of
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To (Late) Prof. Bakul Tripathi

Mentor and inspiration

BIRLA INSTITUTE OF TECHNOLOGY & SCIENCE

PILANI (RAJASTHAN)

CERTIFICATE

This is to certify that the Thesis entitled **"A Study of Conflict Typology and Causative Factors Leading to Splits in Multigenerational Family Owned and Managed Businesses in India"** submitted by **Ms. Mita Dixit,** ID No. 2003PHXF023 for award of Ph.D. Degree of the Institute, embodies original work done by her under my supervision.

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List of Abbreviations

AIAI	All India Association of Industries
ASSOCHAM	Association of Chambers of Commerce and Industry
AUL	Authoritative Leadership
BCCI	Bombay Chamber of Commerce
BSE	Bombay Stock Exchange
BT	Business Today
CII	Confederation of Indian Industry
CMIE	Center for Monitoring Indian Economy
CMS	Conflict Management Survey
ETIG	Economic Times Intelligence Group
FICCI	Federation of Indian Chambers of Commerce and Industry
FMBO	Family Managed Business Organization
GDP	Gross Domestic Product
GNP	Gross National Product
IFERA	International Family Enterprise Research Academy
IMC	Indian Merchants Chamber
JITO	Jain International Trade Organization
LCF	Latent Conflict
LCP	Lack of Conflict Prevention Norms
MNC	Multinational Corporation
MODE	Management of Differences
MRTP	Monopolies and Restrictive Trade Practices
NGE	Next-Gen Exclusion
NSE	National Stock Exchange
PCF	Process Conflict
RBV	Resource Based View
RCF	Relationship Conflict
RoC	Registrar of Companies

ROCI	Rahim Organizational Conflict Inventory
SEBI	Securities Exchange Board of India
SME	Small and Medium Enterprise
S & P	Standard & Poor
TCF	Task Conflict

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ABSTRACT

Family businesses are the backbone of all the free economies of the world. Statistical estimates acknowledge that family owned businesses represent 60 to 70 percent of the GDP in all free markets economies. Indian industry is largely dominated by family owned and managed businesses and account for a significant contribution in socio-economic-political spheres of the country.

Family businesses have unique characteristics and competitive advantages. Entrepreneurial spirit of the founder(s) and involvement of family members promote long-term commitment, loyalty, stability, and passion toward creating enterprise value. However, time and again, family businesses get overshadowed by internal squabbles and lack of dynamism leading to sensational failures. Research estimates that only 30 percent of family businesses survive beyond first generation and only 4 percent survive beyond third generation.

A family business is a complex, dual system consisting of the family and the business. Each system is has distinct, incompatible characteristics and its own rules, roles, and responsibilities. When these systems overlap, conflict occurs and intense conflict threatens the survival of the family business. Scholarly research on family businesses is a recently evolved discipline and is still fragmented in its focus and findings. Conflict is a prominent characteristic of family businesses. However, very little is known about how the conflict is managed and what is its impact on the business and on the family. As organizational conflict is an extensively researched subject, it provides insights and theoretical underpinnings for family business conflict.

This study aims to contribute to the research on conflict and its impact on family businesses. It reviews and analyzes concepts, characteristics, and contribution of family businesses, overall and specifically in Indian context. Since liberalization of the economy, Indian businesses have been exposed to a plethora of business opportunities and at the same time, due to an onslaught of global competition, they are facing a dire threat of survival and a message from the environment - change or parish. Feuds and rancorous splits in the business houses have started appearing more than ever before, shaking the age-old institution of family business. In the given study, an attempt is made to present from a historical to a contemporary perspective of Indian family businesses, with a focus on causative factors of conflict and typology of conflict, leading to divisions and splits. Conflict as a phenomenon is discussed along with its constructive and harmful effects on the family businesses.

A conceptual framework of causes of conflict and their classification into types of conflict is initially developed, followed by an exploratory survey of 25 family businesses comprising 52 owner-managers as respondents. This survey strengthens empirical research process by developing precise sample selection criteria for family businesses and owner-managers as respondents, followed by a random selection of sample family businesses. Two analytical models, factor analysis, and discriminant analysis are applied to the data collected in a structured questionnaire from 124 family businesses. From these sample businesses, 77 have never gone through a split and 47 have gone through a split(s) during their family business life cycle. Factor analysis had led to the reduction and classification of 27 causes of conflicts as independent variables into new smaller parsimonious sets of 7 factors. These factors are further analyzed through two iterations of discriminant analysis for discriminating between two groups i.e., split and no-split family businesses. The analysis has shown that 4 out of 7 factors differentiate between the two groups. These are: relationship conflict, latent conflict, task conflict, and authoritative leadership.

The results of empirical data analysis in the form of Conflict-Impact model specify three factors that positively contribute to the split in the family business. These are: relationship conflict, latent conflict, and task conflict. The fourth factor - authoritative leadership contributes negatively to the split that is, it reduces or mitigates the possibility of a split in the family business.

The research contributes to the understanding of conflict phenomenon, its causes and typology, and impact in the form of split in the family business. It also presents insights into essential characteristics of Indian family businesses such as participation of women, succession planning, entry of younger generation, separation of ownership from management control, family council, and attributes of ‘split’ family businesses. The study suggests directions for future research.

Chapter 1
Introduction

1.0 Background

Family business is the world's most prevalent and pervasive form of business organization. It constitutes a broad spectrum of enterprises, from large, multinational family-controlled conglomerates to small and medium sized enterprises (SMEs), owned and managed by families. Estimates show that worldwide, more than 75 percent of all business enterprises are owned or managed by families and approximately one-third of the 1,000 large companies in the world are controlled by families (Ramachandran, 2009). Family-owned businesses represent 50 to 90 percent of the Gross Domestic Product (GDP) in all free market economies (Kenyon-Rouvinez & Ward, 2005). Family businesses, also known as family firms (the term interchangeably used in the study), largely consist of private sector, and are crucial for economic development of the nations. Not only family businesses are important and omnipresent, they also perform well economically. Recent study on family controlled firms on the S&P 500 – a list of top 500 companies in the world, has concluded that family firms have outperformed non-family firms (Kenyon-Rouvinez & Ward, 2005).

Donnelly (1964) defines a firm as a family business when it is identified with at least two generations of a family, and where the policy and the direction of the business are subject to significant influence by one or more family units. Family controlled businesses are fundamentally different from non-family controlled, widely held public listed companies primarily because of their discrete nature of ownership and voting control. More specifically the voting control is defined here as "the power to exercise discretion over major decision making, including specifically the choice of directors"

(Leach & Leahy, 1991). Generally when the ownership and the control of management reside in the hands of family members, the business is identified as a family business.

Regardless of their various legal compositions, family businesses share some common characteristics. These are due to the interacting and overlapping domains of family, business, ownership, and management. Family members are often the significant controlling stake holders and play multiple roles in managing and governing the business (Tagiuri & Davis, 1982). The entrepreneurial spirit of the founder(s) and the involvement of the family members promote long-term commitment, loyalty and passion towards enterprise value creation (Dyer & Handler, 1994). Generational continuation of the family business reduces limited tenured leadership issues experienced by the large, public corporations (Jensen, 1989). The uniqueness of family businesses is in the competitive advantages they offer over non-family owned and managed businesses, such as retaining entrepreneurial character, a strong sense of social responsibility (Neubauer & Lank, 1998), shared history, identity and common languages of the families (Gersick et al., 1997), and an element of familiness in organization (Gordon & Nicholson, 2008). Values, traditions and priorities of family members spring from a common source and commitment, even to the point of self sacrifice that can be asked in the name of general family welfare (Gersick et al., 1997).

Indian industry is largely dominated by family owned businesses and account for significant proportions in all spheres of socio-economic-political life of the country. According to a Business Today survey (1998), 93 percent of country's corporations were owned and controlled by family businesses during mid-1990s, at the beginning of liberalization of economy. More than half of the top 100 companies in the BT 500 (Sahad, 2005), are family owned. Ward (2000) estimates about 6 million small scale industries in India with less than Rs. 2.5 crore[1] net worth and almost all are family businesses. India's small and medium sized enterprises predominantly consisting of family owned and managed businesses are projected to contribute 22 percent share in national GDP by 2012 (Jindal, 2008). Family businesses, either privately held or public

[1] Estimated Rupee value for $5,00,000, mentioned by Ward, 2000

listed companies, have been playing a pivotal role in the economic progress of the country.

Although family businesses are pervasive in almost all the countries of the world and make up most of the GDP, the research suggests that the beauty of successful family enterprise gets overshadowed by sensational failures, and the dark side of the family businesses erupt time and again onto the business pages – often the front pages (Gersick et al., 1997; Levinson, 1971; Ket de Vries, 1996). Narayan (2005) quotes a CII study that family businesses are the backbone of any country's business and trade, contributing about 60 to 70 percent of the GDP in developing as well as advanced countries. But in second and third generations, internal squabbles and lack of dynamism lead to disintegration with only 4 percent family businesses surviving beyond third generation. Survival of the family businesses is challenged by several reasons such as overlapping of roles of family members, lack of common agenda, autocratic leadership, resistance to change with time, lack of professionalism, and rivalry among family members. (Donnelly, 1964; Gersick et al., 1997; Ket de Vries, 1993). Conflict in family business, family strife, and factional infighting become extremely complex as families survive a number of generations and are run by large families (Ket de Vries, 1996).

Since economic reforms and liberalization, the Indian family businesses are undergoing a paradigm shift (Dash, 2003). The enterprises used to operate in a controlled economy and license raj, are facing challenges from the global players, not only in terms of management but also in terms of long-term viability of the business. According to a recent study done by McKinsey including 30 leading family–owned businesses in India, the next 10 years will see most family owned businesses coming under threat because of the conflict of interest among family members. The study has pointed out that only 7 percent of fully family owned businesses have survived beyond the third generation (Rao, 2002). Scandals and family feuds frequent the newspaper headlines, with the recent ones being Reliance group (Singh & Goodrich, 2006), Bajaj group, and Mafatlal group (Tribune, 2003; Narula, 2003).

A family business is a composite structure of family and business domains, where family members involved in the business are a part of a task system and also a part of a family system. When these two systems overlap, conflict occurs. This is because each system has its own rules, roles, and requirements (Bowman-Upton, 1991). For example, the family system is an emotional one, stressing relationships and rewarding loyalty with love and care. Entry into this system is by birth and membership is permanent. Each member’s role – husband/father, wife/mother, child/brother/sister carries with it certain responsibilities. Conversely, the business system is non emotional and contractual. Entry is based on experience, expertise and potential. Membership is contingent upon performance and performance is rewarded materially. Each role in the business like president, manager, employee etc. carries specific responsibilities and expectations.

Conflict arises when roles assumed in one system intrude on roles in the other, when communication patterns relevant to one system are used in the other, or when there are conflicts of interest between the two systems. Major conflict among family members arises from the issues of succession and inheritance. The family drama of the patriarch– fierce, confident, and sons and daughters who struggle to find a role and a place in the universe where the patriarchal shadow is writ large, always lies in the background for the overt challenges to sustain and develop family business (Jaffe, 2003). Some of the underlying causes for such conflicts are:

a) Parent’s dream to be fulfilled by the heir, as an obligation to the legacy
b) Heir’s search for personal identity due to western education, liberal upbringing and ultra modern life style
c) Sibling rivalry for ego and power struggle
d) Issues of family justice, estate or the business linked to personal feelings of “deserving it, being entitled to it, or wronged by the parents” (Jaffe, 2003).

The competitive industry scenario fodders disputes, quarrels and feuds among family members on one side and motivates best practices, corporate governance and leadership on the other side. Critical responsibility of the family business leadership is not only meeting the endless challenges in the business environment but also the survivability of the business and preserving values for the family members and for all stakeholders (Aronoff & Ward, 1995). Therefore, the critical issue addressed in this study is conflict, its genesis, and its impact on long term survival of the family business.

1.1 Gaps in Literature

Family business research has evolved as a field of scientific study in recent years and the awareness is growing especially among public policy makers on the role of family firms in creating new jobs, incubating new businesses, and promoting economic development of local communities (Astrachan et al., 2003; Heck & Stafford, 2001). However, the research on family firms remains fragmented in its focus and findings (Bird et al., 2002; Sharma et al., 1996, 1997). The reciprocal influence of family and business dimensions on family firms makes them a complex research setting. Succession being a key challenge faced by the family businesses, a large majority of writings and research is focused on this topic (Handler, 1989a; Wortman, 1994). In a survey conducted by Chrisman, Chua, & Sharma (2003) of 190 articles published between 1996-2003 provides an analysis of the field of research in which succession is a dominant subject with 22 articles focusing on this issue, other topics include economic performance (15), firm governance (10), conflict (6), and professionalization (2). Academic research on family business borrows heavily from other disciplines such as psychology, sociology, economics, law, family systems, and management (Wortman, 1994; Dyer & Sánchez, 1998).

Conflict is a prominent characteristic of family businesses. However, very little is known about how the conflict is managed and what is the impact of conflict management strategies on either the business or the family (Sorenson, 1999). Also the research process and frameworks are based on case descriptions and theoretical articles about conflict (e.g. Levinson, 1971; Kaye, 1991; Harvey & Evans, 1994) and there are relatively few data-based studies (Sorenson, 1999). Gordon and Nicholson mention in the introduction of their book *Family Wars* (Gordon & Nicholson, 2008) that there are plenty of books on good governance and best practice, but few books systematically explore the nature of conflict, its origin, and conditions.

Scholarly research on conflict is extensive and largely relevant to industrial and organizational conflict (Thomas, 1976). Much of the previous literature has discussed detrimental effects of conflict (Blake & Mouton, 1964; Pondy, 1967; March & Simon, 1958), benefits of conflict (Tjosvold, 1991; Amason & Schweiger, 1994; Jehn 1994, 1995], general theory of organizational conflict (Pondy, 1967), levels of conflict (Deutsch, 1990), types of conflict (Thomas, 1976; Jehn, 1997) and conflict resolution strategies (Cosier & Rose, 1977; Kabanoff, 1985; Thomson, Mannix, & Bazerman, 1988; Eisenhardt & Schoonhoven, 1990; Van der Vliert & Euwema, 1994). Management of conflict is also discussed extensively based on organizational behavior literature (Dyer, 1994; Putnam & Folger, 1988; Rahim & Bonama, 1979; Thomas, 1976; Filbeck & Smith, 1997; Rahim, 2002).

Two prominent elements of conflict dynamics are the ways in organizations manage constructive (functional) and destructive (dysfunctional) conflict. Both in organizations and in inter-personal relationships, conflict is an important theme to study as it may hinder productivity, job satisfaction, can be a threat to relationship endurance. Such situations necessitate conflict to be studied empirically by gathering data on its appearance, causes and consequences, and on emotional, cognitive, motivational, and behavioral aspects (Nauta & Kluwer, 2004). There is a limited understanding about the causes of conflict. In the past twenty-five years researchers have not concentrated on finding causes (Deutsch, 1990), however, there are empirical studies, theoretic pieces, and astute observations that allow enumeration (Wall & Callister, 1995) of causes. Similarly research on the outcome of the conflict episode (Thomas, 1976) and its short-term and long-term consequences is scanty.

Extant research on organizational and familial conflict in family business broadly covers sources or causes of conflict (Levinson, 1971; Finch,2005; Donnelly, 1964; Janssen & Graves, 2003), conflict as the seed of destruction for the family business (Beckhard & Dyer, 1983a; Cohen & Lindberg, 1974; Ket de Vries, 1993; Bork, 1986; Hershon, 1975), typology of conflict (Jehn, 1995; Kellermanns & Eddleston, 2004), family dynamics (Daily & Dollinger, 1992; Dyer, 1986; Ward, 1987), business dynamics (Wakefield & Sebora, 2004; Dyer, 1986), ownership and succession

(Gersick et al., 1997; Harvey & Evans, 1994; Wortman, 1994), how to improve family relationships (Sharma et al., 1997), good governance (Neubauer & Lank, 1998), benefits of different types of conflict across a variety of organizations and contexts (Jehn, 1997; Kaye & McCarthy, 1996; Jehn, 1995), generational dispersion (Grote, 2003; Stavrou, 1998; Eddleston et al, 2008), conflict management styles (Sorrenson, 1999, Friedman et al., 2000).

Academic research on conflict in Indian family businesses is of recent origin and scant (Tripathi, 1992). Entrepreneurial and family business studies are largely in the form of news articles in print media covering famous family feuds, governance, and professionalization topics, conference proceedings, and memoirs, biographical literature, and souvenir volumes (Tripathi, 1992; Business Today, 1998; Indian Management, 2005). There is sparse literature that systematically explores the nature of conflict, and its origins and conditions (Gordon & Nicholson, 2008). The literature although provides anecdotal evidence of outcome of negative conflict in the family business, yet surprisingly there is lack of research on severe impact of conflict on family business. To date, the empirical research has not been conducted to determine if there is a link between the types of conflict and their impact on family business resulting in the split.

This study argues that given the duality of economic and non-economic goals family firms pursue (Danes et al., 1999), the complexities of ownership structures and management challenges of the millennium have risen greatly. It has become imperative for the family businesses to take cognizance of various types of conflict that may prevail in the family and in the business, for longevity and prosperity of the family business. Therefore, it is essential to research the conflict phenomenon that results in severe feuds and break-ups in the family businesses, and also to explore the practices of family businesses which do not allow conflict to intensify and create negative influences by disturbing family harmony and cohesiveness. The subject of research is contemporary, particularly at a time when the Indian economy is going through a paradigm shift and numerous macro environment forces are changing the landscape of Indian business and social structures. Many Indian business houses are experiencing repercussions of these changes on their survival. Family feuds, disputes, and splits are becoming more visible at social front, and therefore an empirical research on causes and types of conflict that lead to splits in the family business is required.

1.2 Objectives of the Study

The overall objective of this study is to identify types of conflict that contribute to splits in the Indian family businesses. The study addresses following topics in particular: demographics and characteristics of businesses; causes of conflict perceived and experienced by owner-managers; typology of conflict in which the causes can be classified; mechanisms of conflict management adopted by family businesses, and an association between the type of conflict and split in Indian context of family business. The detailed objectives guiding the research process are:

1. To review and analyze relevant theoretical literature and concepts on: family business as an entity; conflict and its origin, types, and handling mechanism; outcome of conflict in family businesses
2. To assess demographics and characteristics of family businesses those have experienced intense conflict resulting in the split, and those who have never gone through the split in their family businesses
3. To identify causes of conflict in family businesses from family, business, and ownership-succession dimension
4. To evaluate types of conflict and classify causes into the typology of conflict through a conceptual framework and exploratory research
5. To study the impact of conflict resulting in split in the family businesses by testing hypotheses using suitable quantitative methods
6. To find causes of conflict which identify the possibility of a split in family businesses, and types of conflict that discriminate between the split and non-split family businesses

1.3 Scope of the Study

Researchers have discussed conflict in family businesses operating at functional and at emotional planes (Cosier & Harvey, 1998). The present study aims to identify the typology of conflict at both the above planes, and also make an association with other facets of family business such as succession planning, entry of younger generation, family governance, separation of ownership and management control, and conflict prevention mechanisms.

It evaluates causes of conflict experienced by the owner-managers of two categories of family businesses: (1) those who have had split in their family businesses and have experienced severe conflict, and (2) those who have never had split in their family businesses, although have experienced conflict. The analysis classifies causes of conflict and characteristics of family businesses into 7 factors that impact positively, negatively, and indifferently on the possibility of “split” in the family business.

The empirical study is geographically limited to India. India is a country of diverse culture, religions, and traditions. Family businesses in India share a common cultural background of joint family system, familialness, and traditions embedded in religion. Therefore the backdrop of Indianness is important for the study. Family businesses are defined in several contexts, however, ownership and control of the business are two major criteria. This study adheres to the theoretical definitional criteria of family business in sample selection from where the data is collected. Qualitative data obtained through exploratory research is used in developing statistical analysis framework. A Conflict-Impact Model is developed in the study, which can be applied to family businesses to assess the intensity of conflict and predict possibility of the split in their businesses. The study concludes with recommendations, limitations and future scope of research.

1.4 Methodology Adopted for the Study

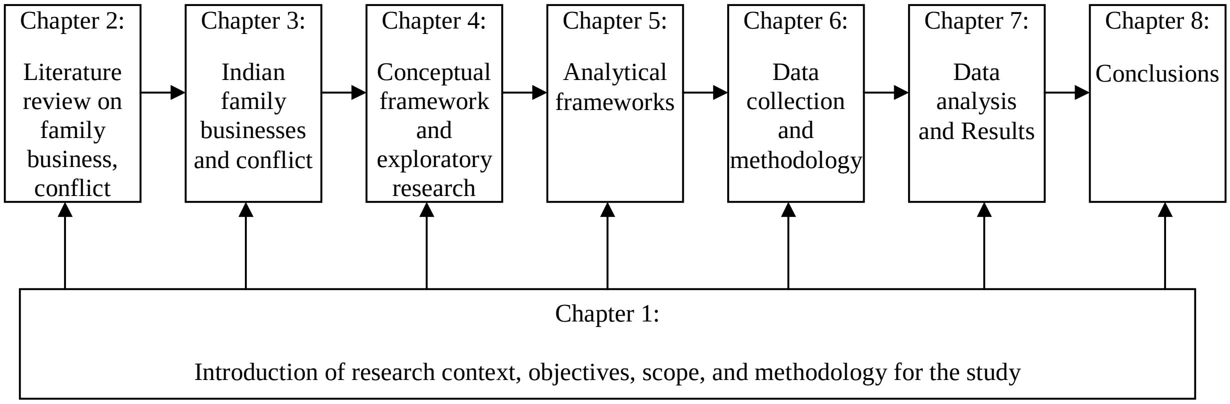
The objectives of the study defined earlier, are accomplished through the following tasks:

- An exhaustive literature review related to:
    a) The family business: research, definition, economic contribution, conceptual theories and models, strategies and competitiveness of family business
    b) Conflict theory, definition, models, typology, and conflict management
    c) Conflict from family business perspective, its effects, consequences, causes and management
- Contextual outline of Indian family businesses: historic evolution, development through various socio-political-economical phases; conflict genesis, causes and impact of conflict; and proactive measures to manage conflict
- Development of a conceptual framework of causes of conflict pertaining to three dynamics: family, business, and ownership-succession; and an exploratory case based research to identify conflict causes and characteristics of family businesses for further analysis and validation
- Development of an analytical framework, suitable for testing hypotheses
- Comprehensive data collection methodology by screening sample respondents and family businesses satisfying family business definitional criteria; and survey instrument design
- Internal consistency, reliability, and validity analysis of data

1.5 Organization of the Thesis

This introductory chapter is designed to guide the research process by setting forth the research context, defining the objectives and scope of study, and detailing the methodology of the study. Fig. 1.1 illustrates the structure of the study by depicting main phases of the research.

Fig. 1.1 Organization of the Thesis



Chapter 2 reviews extant literature encompassing three aspects of the study: family business, conflict, and conflict in family business. Chapter 3 evaluates Indian context of family business and conflict therein. It creates a perspective for studying the conceptual framework of conflict and foundation for an exploratory pilot survey to study conflict in Indian family businesses. Chapter 4 details the causes of conflict and typology of conflict as relationship, task, and process conflict, researched empirically by academicians. It also elaborates exploratory survey objectives, methodology, and derivations. Chapter 5 describes analytical frameworks selected for the statistical analysis of empirical data with hypotheses. Chapter 6 details the specific methodology of selecting sample, qualifying criteria for selection of sample, framing of the survey instrument, and pilot survey. Chapter 7 presents results of the statistical analysis leading to hypotheses testing. Chapter 8 concludes the study with a discussion on the inference of empirical results, addresses limitations of the study, and suggests the scope of future research.

Chapter 2
Literature Review

2.0 Introduction

This chapter reviews extant research literature relevant to the research subject of family business, conflict as an organizational dimension, and conflict in family businesses. Section 2.1 reviews family business research, its scope and definitions. Section 2.2 elaborates statistics on family businesses, their contribution in economic terms, and life expectancy. In section 2.3, a detailed appraisal of conceptual theories and family business models is done, followed by family business strategies and competitiveness overview in section 2.4. Section 2.5 exhaustively reviews literature on conflict, conflict models, typology, conflict management, and measurement instruments. Section 2.6 evaluates literature on conflict in the family business, its effect, causes, consequences, and conflict management strategies, with the conclusion in section 2.7.

2.1 Family Business Research

"Family business" as a subject of scientific enquiry and research has caught attention of the academia and the practitioners only recently. The subject has evolved as a field of academic research and as an independent management discipline in the western world and developed economies. In India, although family businesses are in existence since centuries, academic study and research is still at a nascent stage and the subject is considered as an extension of entrepreneurial research. Family businesses have unique characteristics from the other governance forms of business (Harris et al., 1994). Therefore it is essential to recognize the research evolution of family business subject and take a broad overview of the related literature on family business and the conflict dimension.

2.1.1 Overview

The study of family business as a distinct discipline is only a few decades old but has recently drawn significant attention from academics, researchers and practitioners. This deference is apparently in response to the recognition that family-controlled companies are the most prevailing form of enterprise throughout the world and the predominant mainstay of most economies (Wortman, 1994; Astrachan et al., 2003; Heck & Stafford, 2001).

Family businesses have served as the backbone of nations' economies since ancient times and civilizations, as well as have played a significant role in the development of western civilization. Greek and Roman civilizations had largely family controlled and household based economic activities and in succeeding Middle Ages and New World discovery period (Bird et al., 2002). Although family businesses have been in existence and operation for thousands of years, it was only in the 1975, Dr. Leon Danco published his pioneering work, Beyond Survival: A Guide for the Business Owner and His Family (Poza, 2004). In the beginning of 1980s the field started to be viewed as a separate academic discipline. Launch of a specialized journal, *Family Business Review* in 1986, was one of the key events to turn the study of family business into a field. Since then, several scholars have done extensive research work on the family business and its contribution to the socio-economic-business platforms in various countries (Poza, 2004).

Research work in the period between 1975 and early 1990s was anecdotal with stories of consultants and observers of privately held companies. Hall (1988) researched successful family controlled enterprises in America like Vanderbilts, Rockefellers, Carnegies, and Fords; the Rothschilds, Zegnas, and Heinekens in Europe; and the Li Ka-Shing, Salim, and Formosa groups in Asia. From Hall's historical overview of the family firms in the United States, it is evident that family-controlled enterprises drove the economic development process in the early phases of the industrialization age. Individual initiatives driven by opportunities were family rooted in their respective communities and clans. Handler (1989) notes that prior to 1975, research in the area of the family business was relatively limited, and Wortman (1994) points out that family business as a field of research is 30 years old. Neubauer and Lank (1998) concur that family business research has been largely ignored and 'there are significant white spots on the map of discovery".

2.1.2 Research Scope

Only from mid-nineties, the research has begun to address both, the unique characteristics of family-owned and family-controlled businesses and struggle with the definition of this form of enterprise. Key trends in family business research have been examined by Zahra and Sharma (2004), and they conclude that the family business research has come far but has a long way to go. Family Business is a field where family and business, two systems operate together and therefore, it is not only the business but the family aspects are equally important. Hence, there is a need and huge scope for doing research at the intersection of cross-disciplines like entrepreneurship, psychology, behavioral science, organizational dynamics, finance et al., thereby paying more attention to the context of the major decisions that family business owners make and promote a dialog with scholars in sister disciplines.

Sharma (2004) analyses 217 referred articles on family business and finds that the interest in family business studies is increasing, as the number of articles on 'family business' in peer reviewed scholarly journals have increased four fold from 1990-1999 to 2000-2003. Duffy and Solomon (2002) find that the rigorous qualitative research, grounded in the personal experience of family business members is limited in the current body of knowledge. They focus on subjective reality of family business members and use analytic induction to explore the specific experiences of organizational and interpersonal dynamics of family business members.

2.1.3 Family Entrepreneurship Research

Family business knowledge and research has come from a variety of disciplinary roots and a cadre of field of study. A current and prominent research trend focuses on 'family entrepreneurship.' Entrepreneurship research was originally developed by economists who presented the role of the entrepreneur in the economic growth and innovation (Schumpeter, 1934; Banmol, 1968). Written in early twentieth century, Joseph A. Schumpeter's *Theory of Economic Development*, centered around the place of the entrepreneur in economic theory. Only from early 1960s the attention of researchers shifted from a purely theoretical discussion to the specific or tangible role of the entrepreneur in economic and business development (Tripathi, 1992). The study of entrepreneurship was primarily prescriptive and based on the observations of small business owners. On the other hand, due to inappropriate use and lack of measurement instruments capable of determining personality and psychological aspects of the entrepreneur (Brockhaus, 1982; Brockhaus & Horwitz, 1986; Churchill & Lewis, 1986), the research on entrepreneurship was inadequate till early 1970s.

The history of entrepreneurship research offers some insights into the future of family business research (Brockhaus, 1994). There is a growing consensus that the family firm is a combination of the family system with the entrepreneurial behaviors of its members (Mishra & Heck, 2007). Heck and Mishra (2009) examine contemporary research and find an important and emerging premise that family firms are the manifestations of *family* and *business* systems as well as their interactions. Kets de Vries (1996), Brockhaus (1994), and Heck et al. (2006) analyze entrepreneurship and family business as interconnected disciplines. Brockhaus (1994) reviews research on family business and entrepreneurship and comments that from the research base provided by entrepreneurship, family research should be capable of avoiding many pitfalls that faced entrepreneurship research. Lansberg, Perrow, and Rogolsky (1988) analyze family business as an emerging field of research, and family business researchers are confronted with a definitional dilemma similar to those facing entrepreneurial researchers.

2.1.4 Family Business – Definition Issue

In most social sciences, establishing a clear definition of a concept is a challenging task. For example, a struggle for resolving the issue of definitions continues in the literatures of entrepreneurship (Shane & Venkataraman, 2000), corporate entrepreneurship (Sharma & Chrisman, 1999), and leadership (Yukl, 1989). Researchers acknowledge that the literature on family business does not have formally agreed upon definition of *family business*. Numerous attempts have been made to articulate various conceptual and operational definitions of family business and their consequences for research results and conclusion. This is probably due to multiple research approaches adopted by the researchers and rather recentness of the research on family business discipline. Various scholars have reviewed existing definitions, made attempts to consolidate thoughts, and conceptualized another definition of family firms (Sharma, 2004).

2.1.5 Definition Contexts

An analysis of the literature suggests three principal ways in which to consider the plethora of definitions: content, purpose, and form (Astrachan et al., 2002). Most definitions focus on content (e.g., Handler, 1989; Heck & Scannell, 1999; Litz, 1995). Earlier research cited definitions on ownership (Berry, 1975), ownership and management involvement of an owning family (Burch, 1972), and generational transfer (Ward, 1987). Recent definitions concentrate on family business culture (Litz, 1995).

One of the initial academic insights into the family business research is Donnelly's (1964) study on family businesses. His definition of the family business encompasses two generations of the family, and family members having mutual influence on the company policy and on the interests and objectives of the family. Donnelly identifies advantages and disadvantages of the family business and impact of family members' participation in success or failure of the business, and concludes that the key factor in the failure or success of family firms is the ignorance of the relationships among family members involved, and not *family participation per se.*

Handler (1989a) identifies a variety of family business definitions in use and points the heterogeneity that characterizes firms that fall under the domain of family business studies. He categorizes family business definitions under four headings: ownership and management, interdependent subsystems, generational transfer, and multiple conditions. Barnes and Hershon (1976), Lansberg et al. (1988) address legal controlling ownership. Gallo and Sveen's (1991) definition is more inclusive, mentioning majority ownership, total control, and participation in management. Upton and Heck (1997) analyze that most definitions of the family business or family firms revolve around family ownership structure, family control, family involvement, and/or the intention to transfer ownership and management control to the subsequent generation. Lansberg (1983) examines family and non-family businesses and analyses that the family component shapes the business in a way that the family members of executives in non-family firms do not and can not. Habbershon and Williams (1999) propose a definition that conceives of a dominant, controlling coalition that shapes the vision of a firm across generations.

Though several definitions of family business are recorded in the literature, the consensus on one single definition is still not arrived at. To explore, understand and gain new insights into the field of family business, it is necessary for the scholars and practitioners to articulate the definition (Zahra & Sharma, 2004). As suggested by Wortman (1994), there is a serious need to define the boundaries of the field so as to develop a "coherent comprehensive framework."

Chua, Chrisman, and Sharma (1999) conducted an exhaustive review of 250 research papers on family business. The authors segregated 21 definitions that touch on the degree or nature of family involvement. Most definitions qualify three combinations of ownership and management: (i) family owned and family managed; (ii) family owned but not family managed; and (iii) family managed but not family owned.

Habbershone et al. (1998) find that authors of 44 different research papers have offered definitions of “family business” where each definition has slight different nuance with the authors using definitions selected for different reasons. The focus of most of the research efforts has been on defining family firms so that they can be distinguished from non-family firms.

Steier et al. (2004) posit that although there is no universally accepted operational definition of a family firm, there seems to be a theoretical consensus that a family’s ability and intensions to influence business decisions and behavior are what distinguish family and non-family firms. While none of these articulations has yet gained widespread acceptance, most seems to revolve around the important role of family in terms of determining the vision and control mechanisms used in a firm, and creation of unique resources and capabilities (Chrisman et al., 2003; Habbershone et al., 2003). Some scholars classify definitions by degree of family involvement. Their three-tier categorization ranges from broad (little direct family involvement), to middle (some family involvement), to narrow (a lot of family involvement) (Shanker & Astrachan, 1996). As suggested by Astrachan et al. (2002), a family business definition should be clear about to which dimensions it refers, should be transparent and unambiguous. The authors consider three important dimensions of family influence: power, experience, and culture, in defining the family business. Their focus is on the extent and manner of family involvement and influence on the enterprise.

Variations and contextual differences in the family business definitions clearly highlight the need for a consensus on the definition. A connection between the family and the business is well established. The family almost universally appears to be society’s fundamental economic unit. Its connection with business is therefore obvious and unsurprising if we think of business as the ownership and management of productive assets residing in the family (Aronof & Ward, 1995).

2.1.6 Definitions at a Glance

Table 2.1 provides a representative sample of definitions published in the scholarly journals and books. The definitions imply six themes for clarifying the boundaries of the domain of family business: (i) ownership, (ii) management, (iii) the family's intention to continue as a family business, (iv) generational transfer, (v) family goals, and (vi) interaction between the family and the business.

Table 2.1 Family Business Definitions

Author(s)	Definition
Donnelly, 1964	a company is considered a family business when it has been closely identified with at least two generations of a family and when this link has had a mutual influence on company policy and on the interests and objectives of the family (p 94)
Bernard, 1975	an enterprise which, in practice, is controlled by the members of a single family (p 42)
Barnes & Hershon, 1976	controlling ownership is rested in the hands of an individual or of the members of a single family (p 106)
Alcorn, 1982	a profit-making concern i.e., either a proprietorship, a partnership, or a corporation. If part of the stock is publicly owned, the family must also operate the business (p 230)
Tagiuri & Davis, 1982	organizations where one or more extended family members influence the direction of the business through the exercise on kinship ties, management roles, or ownership ties (p 199)
Davis, 1983	it is the interaction between the two sets of organization, family and business, that establishes the basic character of the family business and defines its uniqueness (p 47)
Rosenblatt et. al., 1985	any business in which majority ownership or control lies within a single family and in which two or more family members are or at some time were directly involved in the business (p 4-5)
Pratt & Davis, 1986	one in which two or more extended family members influence the direction of the business through the exercise of kinship ties, management roles, or ownership rights (p 2)
Babicky, 1987	is the kind of small business started by one or a few individuals who had an idea, worked hard to develop it, and achieved, usually with limited capital, growth while maintaining majority ownership of the enterprise (p 25)
Churchill & Hatten, 1987	what is usually meant by 'family business'…is either the occurrence or the anticipation that a younger family member has or will assume control of the business from the elder (p 52)
Ward, 1987	we define a family business as one that will be passed on for the family's next generation to manage and control (p 252)

Contd.	
Lansberg et al., 1988	a business in which the members of a family have legal control over ownership (p 2)
Handler, 1989	an organization whose major operating decisions and plans for leadership succession are influenced by family members serving in the management or on the board (p 262)
Dreux, 1990	are economic enterprises that happen to be controlled by one or more families (that have) a degree of influence in organizational governance sufficient to substantially influence or compel action (p 226)
Leach et al., 1990	a company in which more than 50% of the voting rights are controlled by one family, and/or a single family group effectively controls the firm, and/or a significant proportion of the firm's senior management is members from the same family
Gallo & Sveen, 1991	a business where a single family owns the majority of stock and has total control. Family members also form part of the management and make the most important decisions concerning the business (p 181)
Lyman, 1991	the ownership had to reside completely with family members , at least one owner had to be employed in the business, and one other family member had either to be employed in the business or to help on a regular basis even if not officially employed (p 304)
Holland & Oliver, 1992	any business in which decisions regarding its ownership or management are influenced by a relationship to a family or families (p 27)
Welsch, 1993	one in which ownership is concentrated, and owners or relatives of owners are involved in the management process (p 40)
Litz, 1995	a business firm may be considered a family business to the extent that its ownership and management are concentrated within a family unit, and to the extent its members strive to achieve, maintain, and/or increase intraorganizational family-based relatedness (p78)
Shanker & Astrachan, 1996	a business with much family involvement has at least one family member in a management position and multiple generations work in and own the company (p 107)
Sharma et al., 1997	a business governed and/or managed on a sustainable, potentially cross-generational, basis to shape and perhaps pursue the formal or implicit vision of the business held by members of the same family or a small number of families (p 2)
Neubauer & Lank, 1998	a family enterprise is a proprietorship, partnership, corporation or any form of business association where the voting control is in the hands of a given family (p 8)
Chua et al., 1999	business governed and/or managed with the intention to shape and pursue the vision held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families (p 25)

2.1.7 Definitions for the Study

Lack of a clear and commonly acceptable definition of the family business leads to an unfocussed and subjective perspective of the research area. Hence it is imperative for any author to clarify the definition and the context used in his research (Astrachan et al., 2002).

For the purpose of the given study, ownership structure, number of family members actively involved in the business, and multigenerational presence of family members are considered as most notable variables. Three family business definitions are broadly applied in the study. One is based on the research study done at Stockholm School of Economics as, “a family business is one that is controlled by a family and has at least one of the three characteristics: (1) three or more family members all active in the business; or (2) two or more generations of family control; or (3) current family owners intend to pass on control to another generation of family” (Kenyon-Rouvinez & Ward, 2005). Another definition considered in the study is “a company is considered a family business when it has been closely identified with at least two generations of a family and when this link has had a mutual influence on company policy and on the interests and objectives of the family” (Donnelly, 1964), and the third definition considered is “a proprietorship, partnership, corporation or any form of business association where voting control is in the hands of a given family” (Neubauer & Lank, 1998). More specifically the voting control is defined here as ‘the power to exercise discretion over major decision making, including specifically the choice of directors” (Leech & Leahy, 1991).

2.2 Contribution of Family Business

Family businesses occupy a leading role in the economic and social life of all the free market economies, where entrepreneurial initiatives are strongly encouraged. As mentioned earlier, though being the most prevalent and worldwide form of business through all of history, only recently the subject has been recognized and given importance by the academicians, scholars, practitioners and owners of family businesses.

In spite of universal presence of family businesses, there are as good as no statistics complete enough to map the presence of family owned businesses in their respective countries (Cappuyns et al., 2002). Lack of general statistics might be influenced by several reasons, such as lack of universal definition of family business and a wide spread opinion about family business that is mostly built upon negative prejudices about the way family businesses operate compared to other forms of business. Another reason could be a prevalent prejudice that family businesses are predominantly small and medium sized enterprises (SMEs) where the management and operations are largely controlled by the owning family members. This may lead to lack of professionalism, compromise in governance issues, and non compliance of registering official data with the government bodies.

2.2.1 Family Business Statistics and Life Expectancy

Despite the shortcoming in knowing the exact expanse of family businesses in various nations, there is a unanimous agreement on the contribution of family businesses on national economies.

Poza (2004) has done an exhaustive research on the contributions of family businesses to the United States and world economies. According to his study, in the world's free economies, family businesses constitute 80 to 98 percent of all businesses and generate 75 percent GDP in most countries other than the United States. Family businesses employ more than 85 percent of the working population around the world. The statistics of the research are summarized in Table 2.2 as follows:

Table 2.2 Family Business: The Statistical Story

Family Businesses constitute	80-98%	Of all businesses in the world's free economies.
Family businesses generate	49%	Of the GDP in the United States.
Family businesses generate more than	75%	Of the GDP in most other countries.
Family businesses employ	85%	Of the U.S. workforce.

Contd.		
Family businesses employed more than	85%	Of the working population around the world.
Family businesses created about	80%	Of all new jobs in the United States in the last two decades.
A total of	37%	Of Fortune 500 companies are family-controlled.
A total of	60%	Of all publicly held U.S. companies are family-controlled.
Number of family owned businesses in the United States:	17 to 22 million	
Number of U.S. family-owned businesses with annual revenues greater that $25 million:	35,000	

Source: Poza, 2004

Gordon and Nicholson (2008) mention that some of the world's oldest companies have family ownership, including a 40th generation Japanese business that repairs temples (founded 578), an Italian vintner (founded 1141), and a French paper maker (founded 1326). Many of the world's largest and most successful companies such as Cargill (USA), Samsung (Korea), BMW (France) have retained their strong family identity. However, the failures of continuation are more than the long term survival for family businesses.

Although family businesses are pervasive, their life expectancy is a significant area of research. The problems of succession and challenges of continuity lead to a high mortality rate of family businesses. Earlier estimates (Dun & Bradstreet, 1973) indicate that approximately 70 percent of all family firms are either sold or liquidated after the death or retirement of their founders, only 30 percent of family businesses survive to the second generation and that their average life span is only 24 years (Beckhard & Dyer, 1983; Poe, 1980; Danco, 1977; Dunn, 1995). Dreux (1990, 1992) asserts that even with the most conservative estimates, the proportion of all worldwide business enterprises that are owned or managed by families is between 56 and 80 percent. Literature confirms the challenges faced by the family businesses for long run survival and sustainability. Ward's (1987) extensive study on life expectancy of 200 successful manufacturing companies in the U.S. from 1924 to 1984, reports that 80 percent of the businesses under observation in 1924 did not survive till 1984 and more than 60 percent of Fortune 500 companies in thirty years from 1955 to 1985, were sold or acquired or had shown a significant decline in their sales.

2.2.2 Family Business – Economic Contribution

Family businesses are large and small. Family-owned enterprises represent 50 to 90 percent of GDP in all free market economies. Small family firms in the United States generate 60 percent of all employment. In Holland, 75 percent of all the companies in the country are small family companies. Some of the largest enterprises in the world are family controlled, for example, Ford family controls 40 percent of Ford Motor company (4^{th} generation), Walton family controls 39 percent of Wal-Mart (2^{nd} and 3^{rd} generations). In India, 17 of the 30 top stock traded companies on Bombay Stock Exchange are family controlled (Moody's, 2007).

Table 2.3 given below refers to the numbers about the presence of family businesses in various countries spanning Americas, Europe, Asia and Australia, and their contribution in the respective national economies. Increasing number of research done lately confirms that family businesses are not only small and medium enterprises, but there are sizable numbers of prestigious companies controlled by families and occupying important positions in national and international business landscape and contributing substantially to the GNP of the respective countries.

From Table 2.3, high numeric majority of family businesses in their respective countries is clearly evident. In Europe, Italy (< 85 percent) shows the highest concentration of family businesses and the United States shows an overwhelming 96 percent (Shanker & Astrachan, 1996). There are still very few data available from Asian countries, even though one of the oldest businesses is a Japanese business founded in the sixth century. Family businesses in India and Indonesia are present to be an overwhelming majority as well (Cappuyns et al., 2002).

Table 2.3 Family Business and National Economies

Country	Family Business definition*	Quality of data**	% of Family Business	% Gross National product	Employment generated by Family Businesses %
North & South America and Canada					
Argentina	Broad	ES	65		
Brazil	Middle	ES	90	65	
Chile	Broad	ES	75	50-70	
Canada	Broad	ES		45	
USA	Broad	NRS	96	40	60
Europe					
Belgium	Narrow	NRS	70	55	
Cyprus	Broad	NRS	80		
Denmark	??	ES		45	
Finland	Narrow	RS	80	40-45	
France	Broad	NRS	> 60	> 60	45
Germany	Middle	RS	60	55	58
Iceland	Broad	ES			
Ireland	??	ES		47	40-50
Italy	Narrow	RS	< 85		< 82
Netherlands	Narrow	NRS	74	54	43
Poland	Broad	ES	50-80	35	
Portugal	Broad	NRS	70	60	
Spain	Narrow	NRS	75	65	
Sweden	Narrow	RS	79		
UK	Middle	NRS	70		> 50
Australia					
Australia	Narrow	RS	75	50	50
Asia					
India	Broad	ES		65	75
Indonesia	Broad	RS		82	

Source: Cappuyns, et al., 2002

* Broad (B), middle (M) or narrow (N) definitions[1] ** Estimates (ES), extrapolations (EP), non representative samples (NRS), representative samples (RS)

[1] Definitions in three categories: Shanker, M.C.; Astrachan, J.H. (1996):
Broad: effective control of strategic direction, Intended to remain in the family. Little direct family involved
Middle: Founder/Descendants run the business; Legal control of voting stocks. Some family involvement.
Narrow: Multiple generations; family directly involved in running and owning the FB; More than one owning family member having significant management responsibility. A lot of family involved.

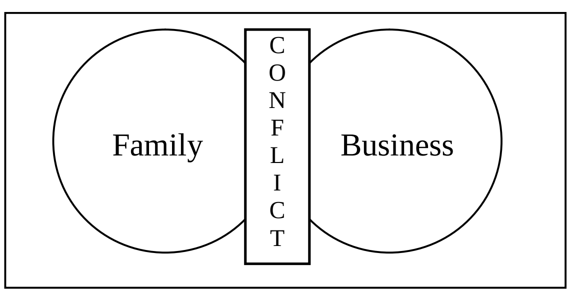
2.3 Conceptual Theories and Models of Family Business

In last few decades, two pronged development in the research of the family business has taken place. On one side, researchers from management and organization sciences have begun to apply their models from organizational behavior, human resource management, strategy, and finance to smaller-sized or privately held companies. On the other side, the family therapists have begun to apply concepts such as differentiations, triangles, enmeshment/disengagement to the subgroups of families who have businesses. Contributions from these scholars and practitioners have begun to coalesce into conceptual models of the family business (Gersick et al., 1997).

2.3.1 The Systems Theory Perspective (Two-Circle Model)

Family businesses are different from other kinds of business because they combine family and business. The first conceptual model, also known as the *Two-circle* model held that family businesses are made up of two overlapping subsystems: the family and the business. Depicted in two circles as given in Fig. 2.1, each of these "circles" has its own needs and goals, norms, membership rules, value structures, and organizational structures (Beckhard & Dyer, Jr., 1983; Lansberg, 1983). Families are governed by equality, inclusiveness, and caring feelings. Businesses are governed by meritocracy, selectivity, and critical analysis. These fundamental differences create opportunities for conflict in decision-making regarding employment, compensation, inheritance, reinvestment and so on (Gersick et al., 1997).

Fig. 2.1 The Two-Circle Model



Source: Kenyon-Rouvinez & Ward, 2005

When decisions like these are not resolved effectively over a period of time, conflict mounts and the result can destroy both the family and the business. Davis (1983) posits:

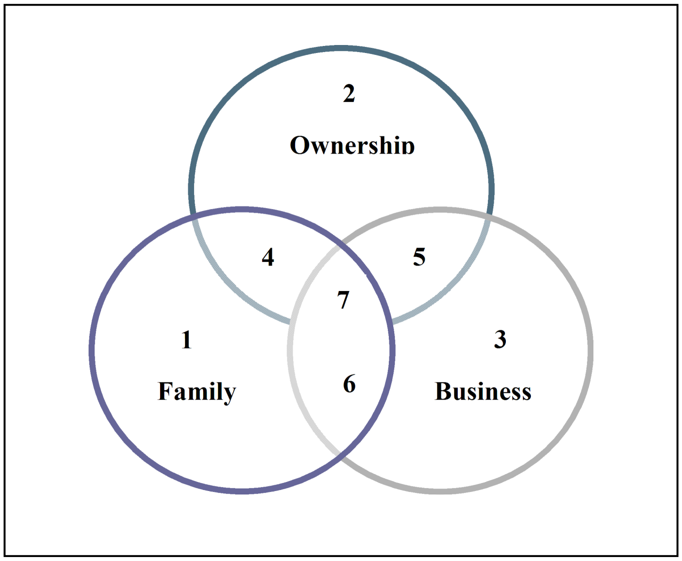
> *"Family businesses are those where policy and direction are subject to significant influence by one or more family units. This influence is exercised through ownership and sometimes through participation of family members in management. It is the interaction between two sets of organizations, family and business, that establishes the basic character of the family business and defines its uniqueness"*

To address the fundamental contradiction between family harmony and business performance is to develop a philosophy as a family that managing the business for performance is in the best interest of the family (Kenyoun-Rouvinez & Ward, 2000).

2.3.2 Three Systems Theory (Three-Circle Model)

Although there is no generally accepted definition of what constitutes a family business, several unique characteristics have emerged in the extant literature. Following underlying unique characteristics of family businesses can be identified from the literature: (i) the controlling ownership lies in the hands of a given family, (ii) the family has an influence on the firm's decision making, and (iii) the members of the controlling block-holder i.e. the family members, are bonded by family ties (Gersick et al., 1997; Hoy & Verser, 1994; Lansberg, 1999; Taguiri & Davis, 1982). Though there are large variations in ownership patterns, in participation styles of family members in the business, and in the quality and structure of familial ties, these three characteristics seem to capture the essence of family business. Taigiuri and Davis (1982) elaborate the two-system model and argue that there is a need to make a critical distinction between the ownership and management subsystems within the business circle for a more accurate portrayal of the full range of family firms. That is, in the family, there are some individuals who are owners but not involved in the operations of the business, others are managers but do not control the shares. The extended family of cousins brings in complexity in the dynamics of the family business. As a result, the Systems Model, also known as the *Three-circle* model has emerged, as depicted below in Fig. 2.2.

Fig. 2.2 The Three- Circle Model



Source: Gersick et al., 1997

The numbers in Fig. 2.2 indicate the following:

1= a family member who is neither an owner nor an employee

2= a shareholder who is not a family member and not an employee

3= an employee who is neither a family member nor an owner

4= an owner who is also a family member but not an employee

5= an owner who works in the company but is not a family member

6= a family member who works in the company but is not an owner

7= an owner who is also a family member and an employee

The three-circle model describes the family business system as three independent but overlapping subsystems: family, business, and ownership. Any family member in a family business can be placed in one of the seven sectors formed by overlapping circle of the subsystems. This model is very useful in understanding the source of interpersonal conflicts, priorities, and boundaries in family businesses. Specifying different roles and subsystems helps to break down the complex interactions within a family business and makes it easier to see what is actually happening and why (Gersick et al., 1997).

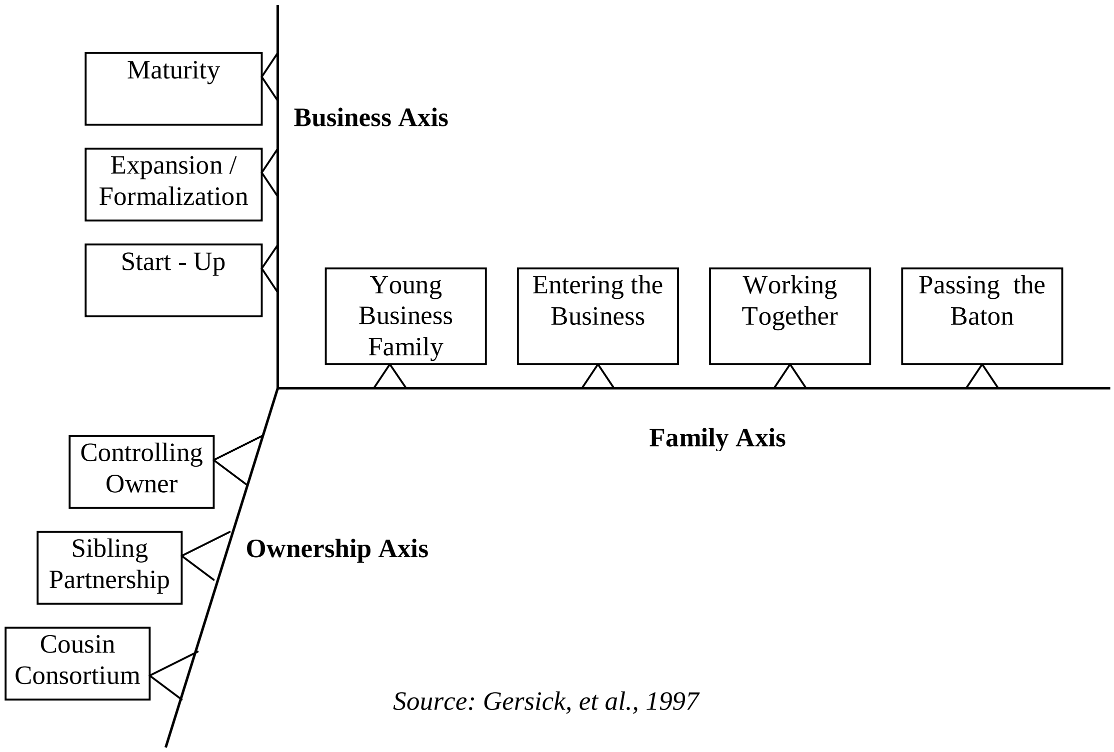
The three-circle model explains the business, the family, and the ownership dimensions in a uni-dimensional scale as a snapshot at a particular time. Though it is an important first step in understanding the business, it has a limitation because these dimensions change with time and most dilemmas in family businesses are caused with the passage of time. Individuals move across boundaries inside the system and the system's adjustments to this boundary-crossing journey of its members and the meaning of those journeys in the lives of the individuals are at the core of the entire family business phenomenon. The three-circle model does not take into account this 'development' aspect.

2.3.3 Three-Dimensional Developmental Model

Building on Tagiuri & Davis' (1982) static family business system model and on various life-cycle models, Gersick et al. (1997) have presented a dynamic three - dimensional developmental model, shown in Fig. 2.3.

In the given model, for each of three subsystems – ownership, family, and business – there is a separate developmental dimension. Different life cycle stages of the family, business, and ownership are taken into account. These developmental progressions influence each other, but they are also independent. Taken together as three axes of ownership, family, and business development, the model depicts a three-dimensional space. Each dimension has its characteristics and challenges, as shown in Fig. 2.3.

Fig. 2.3 The Three-Dimensional Developmental Model



Source: Gersick, et al., 1997

Each dimension has several stages. Adizes (1979) has earlier proposed that the organizational development follows a bell shaped life cycle. Each passage, from birth to death has a different mix of success factors. Greiner (1972) claims in his Growth model that a company's development over time is not linear and smooth, but is a process consisting of more stable "evolutionary" phases followed by "revolutionary" transition periods between them. The business development dimension suggested by Gersick et al. (1997) is consistent with the above theories and follows similar stages of start up, expansion/formalization and maturity.

Ward (1991) has classified family ownership into three subsequent stages, labeled as the founder(s), the sibling partnership, and the family dynasty stage. Similar to Ward's classification, the ownership development dimension in the model of Gersick et al. (1997) has three stages of ownership, such as: controlling owner, sibling partnership, and cousin consortium. Similar to the work of Levinson et al. (1978), the family dimension of the three-dimensional developmental model addresses the individual and interpersonal developments within the family as young business family, entering the business, working together, and passing the baton.

2.3.4 The Agency Theory Perspective

Agency theory is directed at the ubiquitous agency relationship, in which one party (the principal) delegates work to another (the agent), who performs that work (Eisenhardt, 1989a). Agency theory is applied universally. Essentially all contractual agreements, as between employer and employee, or the state and the governed, for example, contain important elements of agency (Ross, 1973).

In context to family business domain, the agency theory explains the relationship between the owner (the principal) and the non-family member (the manager). The relationship of the agency is one of the oldest and commonest codified modes of the social interaction (Ross, 1973). Agency theory deals with two problems that can occur in agency relationships. The first problem that arises when the desires or goals of the principal and agent are different, conflicting and it is difficult or expensive for the principle to verify what the agent is actually doing. The problem here is that the principal cannot verify that the agent has behaved appropriately. The second problem is of risk sharing that arises when the principal and agent have different attitudes towards risk. The problem here is that the principle and the agent may prefer different actions because of the different risk preferences (Eisenhardt, 1989a). Agency theory has been applied to a wide range of studies including finance, accounting, marketing, economics, organization behavior, ownership and financing structures, board relationships, governance et al. (Leftwich, 1981).

In case of family businesses, only recently the agency theory has started gaining interest among researchers. Empirical studies that used the agency theory framework, focused on several aspects such as ownership structure in family and non-family owned, professionally managed firms (Daily & Dollinger, 1992); ownership and growth of family businesses (Huff, 1997); types of agency problems within family firms (Schulze et al., 2001), efficiency, risk, and value of founding family controlled firms (McConaughy et al., 1997). Chua, Chrisman and Sharma (2001) have studied family business management issues related to agency theory. Researchers have concluded that family firms have one of the most costly forms of organizational governance. They posit that the altruism of owner-managers leads to increased agency costs emanating from their inability to manage conflict among owners and between owner-managers and non-family managers (Schulze et al., 2001). According to Agency theory, the company's Board is an important mechanism for limiting self-serving behavior of managers in situations where managers and owners have conflicting goals. For this reason, experts on corporate governance recommend inclusion of outside directors on corporate boards to ensure the board's independence from top management (Pozo, 2004).

Agency theory is applied successfully in several empirical studies, but it has been also criticized by many authors and researchers of social sciences. Perrow (1990) argues that the human beings do not inherently behave in a self-centered manner, as agency theory assumes. Perrow also posits agency theory focuses on agent opportunism and excludes the potential misbehavior of principals. Other critics indicate that application of agency theory outside of dyadic principal-agent relationships may not be feasible. Principal-agent relationships are blurred, goals are often jointly set and there is a lack of monitoring devices between the firms (Larson, 1992; Uzzi, 1997). In spite of critical evaluation of the agency theory, it is a powerful framework for research in family business context, as it indicates the relationship of family member (owner) with the professional manager, corporate ownership and its impact on performance, efficiency, and capital structure.

2.3.5 Institutional Theory View of Family Business

Institutional theory provides a theoretic framework for descriptive models that attempt to explain certain organizational phenomena including "the emergence of forms, processes, strategies, outlooks and competencies as they emerge from patterns of social interaction and adaptation" (Selznick, 1996). Leaptrott (2005) compares "old" institutional theory and "new" institutional theory dimensions and relates them with the "family systems theory dimensions." According to Leaptrott, both "old" and "new" institutionalism adds useful perspectives for the analysis of family businesses. "Old" institutionalism encourages the study of structural change as a result of environmental pressures. Organizational attributes such as particular structures are adapted as responses to environmental pressures. The family is an organization that has identifiable heterogeneous family structures, with numerous combinations of family members that can reside in a single household. For example, nuclear family, joint family, stems family, extended family, multiple family. Family businesses commonly include one or more family structures making relationships between structural configuration of the family and business aspects such as various business resources, distribution of income etc. complex.

Bowring (2000) posits "new" institutionalism supplements prior institutional theory by providing the insight that organizations have symbolic meanings and structures that are not the result of the pursuit of higher efficiency or effectiveness. Scott (2001) defines an institution as a collection of "cognitive, normative, and regulative structures and activities that provide stability and meaning to social behavior". According to Leaptrott (2005), institutional theory provides insights for understanding phenomenon in two institutions, the family and the business, that exist in a single organization, the family business. The use of both "old" and "new" institutional theory can help identify the heterogeneity among family businesses, though the institutional theory can not be the sole explanation for organizational phenomena present in family businesses.

2.3.6 Parallel Planning for Family and Business Systems

Carlock and Ward (2001) have developed an approach called "Parallel Planning Process." Planning together for the family and the business helps family members and management understand the critical factors for long-term business growth and helps to build long-term goals. Family commitment (Handler, 1992) provides a foundation for coordinating, directing and controlling business activities and long term goals balance the business family's additional challenges of management and ownership succession while maintaining family relationships.

Parallel planning for family and business systems is not full proof. It represents a special challenge for the family business because the development of family plan considering family needs, and business plan keeping business requirements in focus can not always proceed in lock-step fashion due to different time requirements of family and business systems (Carlock, & Ward, 2001). Business Strategy Plan as a high priority can be completed in a relatively short period but families require longer time to address the highly emotional tasks that are involved in securing family commitment and developing Family Enterprise Continuity Plan. It may take several years to interconnect two plans and goals of each to become harmonious, as planning for the future of the business and for the future of the family is a continuous process that is affected by changes and events that influence each system.

2.4 Strategy and Competitiveness of Family Business

Significant family business studies have been done in understanding how family firms are different from other businesses in both their organizational composition and performance capabilities (Habbershon & Williams, 1999). Notable contributions have been made by identifying the systemic nature of family firm behavior (Davis & Stern, 1980; Lansberg, 1983; Whiteside & Brown, 1991), in describing the psychological and process aspects of systems interactions (Ackoff, 1994a, 1994b), in delineating the dual characteristics of family and business as a source of both benefit and advantage (Kets de Vries, 1993; Taguiri & Davis, 1996), and noting the distinctive operational and outcome capabilities of family companies (Moscetello, 1990). Family business strategies and competitive advantages on these aspects are reviewed below.

2.4.1 Family Business Strategies – an Overview

For family business researchers, the subject of strategy and competitiveness for family business is of recent interest. Emphasizing the lack of empirical rigor in the subject, Wortman (1994) reviewed strategy research on family firms during 1980s' and 1990s', and identified only twenty-six articles related to this topic. Haris, Martinez, & Ward (1994) reviewed strategy literature related to family business and identified several characteristics of family businesses that influence strategy, including:

- "Inward" orientation (Cohen & Lindberg, 1974)
- Long-term commitment (Danco, 1977)
- Importance of family harmony (Trostel & Nicholas, 1982)
- Employee care and loyalty (Ward, 1988)
- Generations of leadership (Ward, 1988)
- The board's influence on implementation (Ward & Hardy, 1988)
- Slower growth and less participation in global markets (Gallo, 1993)
- Lower costs (McConaughy et al., 1993)
- Less capital intensive (Friedman & Friedman, 1994)

Several researchers argue that non-family firms pursue more growth oriented strategies (Daily & Dollinger, 1993; Daily & Dollinger, 1992). They explicitly state that "since professionally managed firms should grow at a faster rate than the family-owned and-managed firms, there should be significant differences in the strategy pursued by the firm" (Daily & Dollinger, 1993).

Gudmundson et al. (1999) examine relationship between ownership structure (family business status) and strategy, and suggest that some differences exist in how family businesses compete in the market place, but our conceptualization of the strategy construct may limit our ability to measure the actual differences in strategies. Kang (1998) has analyzed eighty one family-controlled, publicly traded firms in the U.S. textile industry over 10 years and provides insight into how ownership structure affects corporate governance, strategic choice, and company performance. He posits that family controlled firms have superior financial performance, and they are more successful with vertical integration strategies and diversification strategies. Kang's (1998) conclusions contradict conventional "wisdom" for non-family businesses such as family firms are burdened with unresponsive, myopic thinking and therefore do not perform as well, and vertical integration brings added bureaucratic costs and conflicts of intra-firm negotiations such as transfer prices. Chrisman, Chua, & Sharma (2005) have done extensive review of the trends and directions in the development of a strategic management theory of the family firm. They propose the emergence of agency theory and the resource based view of the firm as the leading theoretical perspectives in the area of strategy for family firms.

2.4.2 The Resource Based View of Strategic Advantages

A resource based view (RBV) of the firm suggests that possession of unique, valuable, non-substitutable, and non-imitable resources is essential for the creation of competitive advantage of a firm (Barney, 1991). Effective management of resources is also critical to ensure that the competitive advantage is achieved and sustained over a longer period (Sirmon & Hitt, 2003).

The competitive advantages inherent in the family businesses are best explained by the RBV of organizations. RBV provides a theoretical framework from the field of strategic management for assessing competitive advantages of family firms. Significant research in recent years has been done, differentiating family firms over non-family firms in the areas of organization, performance, and capabilities of the firms (Habberhone, & Williams, 1999). Despite conflicts of heirs and family members of well known family businesses all over the world, the family business literature is filled with more positive assertions that family firms have performance advantages over nonfamily firms. They are more likely to succeed than any other kind of business, with an unparallel competitive advantage that embodies management practices and business values required for competitiveness (Brokaw, 1992; Aronoff et al., 1996). Family business is described as long-term investor and more responsive to changes in the business environment (Dreux, 1990), and a model for future business success (Aronoff & Ward, 1995). Ward (1988) describes family businesses having a unique working environment that fosters a family oriented work place and inspires greater employee care and loyalty. Rosenblatt et al. (1985) analyze that family members are more productive than nonfamily employees. They have a “family language” that allows them to communicate more efficiently. Tagiuri & Davis (1996) posit that family relationships generate unusual motivation, cement loyalties, increase trust, and the businesses have more trustworthy reputation. Family firms reportedly have lower transaction costs (Aronoff & Ward, 1995), efficient informal decision-making channels, less organizational structure, and lower monitoring and control costs (Daily & Dollinger, 1992).

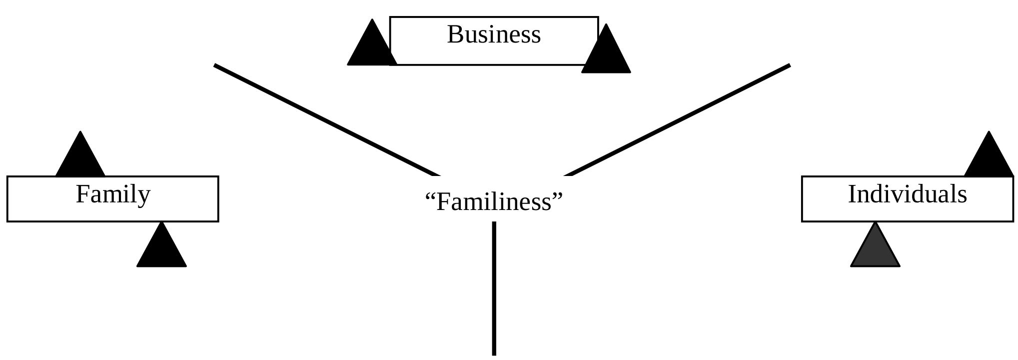
Regarding financial performance, family companies have been described as having patient capital (de Visscher et al., 1995) with the capacity to invest in long-run return opportunities. They place an emphasis on company growth potential over short term sales growth (Donckels & Fröhlich, 1991). Also, publicly held family-managed firms have been described as having higher profit margins, faster growth rates, more stable earnings, and lower dividend rates (McConaughy et al., 1995)

On a critical evaluation of the literature on strategic advantages of family firms, it becomes evident that the multidisciplinary nature of the family business field of studies has further facilitated a generic approach to describe family firm advantages. Most of the literature on the subject has come from the fields of organizational science not normally associated with explaining and predicting firm performance. To date there is no clear and cohesive theoretical framework that can provide a structure for analysis and a lens through which to assess family firm performance capabilities (Habbershon & Williams, 1999). Most of the recent work on strategic advantage, led by Michael Porter and his colleagues (1980; 1990) has focused primarily on the firm’s position in relation to the external environment, rather than the firm’s internal process leading to strategic development.

Habbershon and Williams (1999) have done exhaustive study of strategic advantages of family firms and posit that currently in the field of strategic management a counter-emphasis focusing on a firm's internal attributes as a source of advantage has evolved. A firm's internal idiosyncrasies are identified as a critical component of its potential advantage. The umbrella term used to describe this approach is the resource-based-view (RBV) of the firm. The RBV asserts that firms within an industry or strategic group may be heterogeneous with respect to the strategic resources they control. Resources may not be perfectly mobile across firms, and resource heterogeneity can be long lasting. Researchers (Barnery, 1991; Grant, 1991; Hunt, 1995) have classified four categories of firm resources as: physical capital resources (plant, raw materials, location, etc.); human capital resources (skills, knowledge, training etc.): organizational resources (competencies, controls, culture, policies etc.); and process capital resources (knowledge, skills, disposition, leadership, team etc).

Habbershon and William (1999) describe family business system characteristics corresponding to firm level resources as family business resources, the "familiness" of a given firm. More specifically, familiness is defined as the unique bundle of resources a particular firm has because of the systems interaction between the family, its individual members, and the business. Fig. 2.4 illustrates the authors' concepts.

Fig. 2.4   Family Business System and "Familiness"



Source: Habbershon & William, 1999

This definition of familiness provides a unified systems perspective on family firm performance capabilities and competitive advantage (Habbershon et al., 2003). The authors have asserted a performance theory for family-influenced wealth creation and claim that family and business leaders can seek and cultivate distinctive familiness that leads to an advantage in wealth creation rather than viewing family influence as a negative intrusion into the business. According to the authors, RBV offers a new theoretical direction for family businesses because it provides an explanation for organizational behavior of family firms that had previously been poorly explained and specifies competitive advantages for family firms summarized as follows (Poza, 2004):

- overlapping responsibilities of owners and managers, along with small company size, enable rapid speed to the market
- concentrated ownership structure leads to higher overall corporate productivity
- focus on customers and market niches results in higher returns on investment
- desire to protect the family name and reputation often translates into high product/service quality and higher returns on investment
- the nature of the family-ownership-management interaction, family unity, and ownership commitment support patient capital, lower administrative costs, skills/knowledge transfer, and agility in rapidly changing markets.

In a latest study, Tokarczyk et al. (2007) examine the manner in which intangible and other unique resources within familiness construct translate into competitive advantages held by family businesses. Their finding suggests that familiness qualities, including, but not limited to, strategic focus, customer orientation, family relationships, and operational efficiency, do contribute to a propensity for execution of an effective market orientation.

2.4.3 Family Orientation and Business Orientation

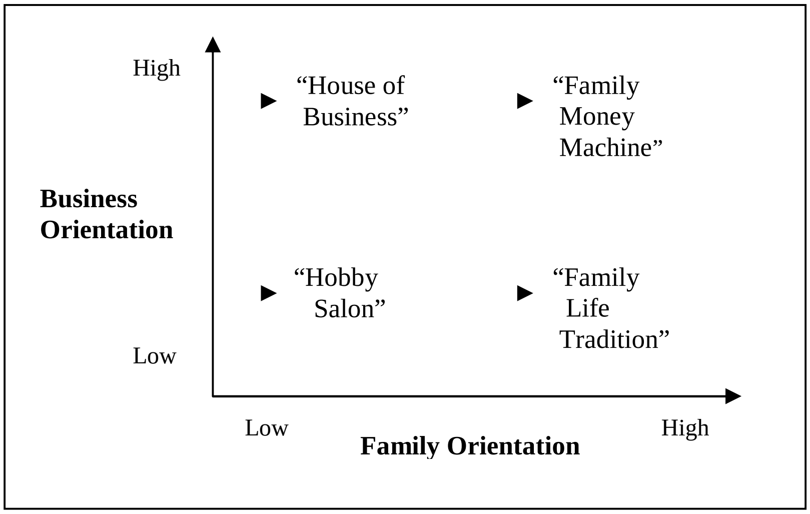
Leenders and Waarts (2003), in their empirical multi-stage study on competitiveness and performance measurement of family businesses, systematically examine the advantages and disadvantages of different types of family businesses operating in Europe. They make a distinction between a firm’s *family orientation* and *business orientation*, and define four types of family businesses in the space developed by these two dimensions.

A firm’s “family orientation” can be seen as an important dimension on which family businesses differ from each other. Family dimension is related to a broad range of issues such as the involvement of children, succession, family income, and share distribution (Birley et al., 1999). Holland and Boulton (1984) view the family dimension as a constraint on the business requirements whereas Kets de Vries (1993) elaborates on several advantages related to family factors such as a long term orientation, independence, culture and the knowledge of the business that is based on early training in the family (Meek et al., 1987). Overall, it is clear that family firms vary with respect to their family orientation and this may result in a specific set of advantages and disadvantages from the viewpoint of the organization (Leender & Waarts, 2003).

The second dimension is “business orientation” related to the value creation of the firm. Family businesses falter due to either family related problems like succession, or due to business-related problems like bad financial management (Holland & Boulton, 1984; File & Prince, 1996). Regular business related concerns are present, irrespective of the role of the family in the business.

Leenders and Waarts (2003) have developed scales to measure both, the family orientation and the business orientation of family business, as two constructs relatively independent of each other. Fig. 2.5 shows the family business space described by the combination of the two.

Fig. 2.5 The Family Business Space



Source: Leenders & Waarts, 2003

The lower right area of the business space depicts companies with a strong family orientation and a weak business orientation, i.e., companies where family drives are strong and business element is not dominant. These companies are labeled as 'Family Life Tradition' businesses. The upper right cell contains companies that have high levels of both, family and business orientations. These are called as 'Family Money Machine'. Business value creation and family, both are important for these firms. The upper left cell has weak family orientation but strong business orientation and these companies are termed as 'House of Business'. The grid displays 'Hobby Salon' type of firms which score low on family as well as business orientations. These firms have non-financial and open personnel context.

Leender and Waarts (2003) have discussed performance criteria also called evaluation criteria and have highlighted which type of family business is expected to score high or low on them. These criteria are: trust, social control, motivated employees, management control, conflict resolution, continuity and atmosphere. The orientation typology of family businesses study their relative strengths and weaknesses in a dynamic perspective.

2.4.4 Family Firm Governance, Competitive Advantages, and Behaviors

Carney (2005) identifies three characteristics of the family form of governance that distinguishes it from managerial and alliance governance: parsimony, personalism and particularism. Parsimony refers to the propensity of family firms to carefully husband resources due to the fact that family owns these resources. Personalism is the concentration of power from a combination of both ownership and control held within family. Personalism frees family firms, relative to non-family firms, from the need to account for their actions to other internal and external constituencies, giving them the discretion to act as they see fit. Particularism is the product of this discretion. Family firms have the ability to employ idiosyncratic criteria and set goals that deviate from the typical profit-maximization concerns of non-family firms (Chrisman et al., 2004). Carney (2005) concludes that these characteristics of the family form of governance provide family firms with advantages in efficiency, social capital, and opportunistic investment.

For the family businesses that are owned by the families and managed professionally, corporate governance norms are as important as would be to non-family owned businesses. Anderson and Ribb (2004) state that the prevalence and substantial influence of founding families in many large, public-firms creates the potential for severe moral hazard conflicts with minority investors. Their research shows that the most valuable public firms are those in which independent directors balance family board representation. According to Kumar Mangalam Birla Committee Report (1999), firms in India and abroad have shown that markets and investors take notice of well-managed companies, respond positively to them, and reward such companies, with higher valuations. A common feature of such companies is that they have a system of good corporate governance. In contrast, in firms with continued founding family ownership and relatively few independent directors, firm performance is significantly worse than in non-family firms. In such cases, minor investors’ interests are at conflict with the promoters’ interests. Corporate governance and balance of power can therefore mitigate such conflicts.

Chrisman et al. (2006) posit that fundamental assumptions of any theory of the family firms are that family firms will behave in ways that differ from non-family firms, and that the behaviors of family firms will also exhibit substantial variations. In the above contest, the authors have reviewed several articles and commentaries on how personalism and particularism of family businesses influence their behavior and potential to obtain sustainable competitive advantages. The review also emphasizes the limits of potential competitive advantages, some of which may change or diminish over time. The conclusion is that family firm behavior is highly idiosyncratic, and these idiosyncrasies can lead to differences both within the population of family firms and between family firms and non-family firms (Carney 2005).

2.5 Conflict

There ain't no good guys
There ain't no bad guys,
There's only you and me,
And we just disagree

\- *Dave Mason*[2]

'Conflict' is a pervasive phenomenon and a subject of great interest to the researchers, academicians, philosophers, psychologists and the society at large. Socrates in the *Symposium* argued that we unite with others because of the basic discontent with the self (Brown et al., 1981). World acclaimed psychologists and explorers of human condition, Freud (1930, 1938), Reik (1941), and Becker (1973, 1975), have arrived at the universal conclusion that conflict is indigenous to human life. Literature on conflict is vast and its scope encompasses many disciplines, dimensions and angles. Conflict's omnipresence and importance of conflict management has been acknowledged in diverse fields including psychology, communication, organizational behavior and marketing (Deutsch, 1990; Greenhalgh, 1987; Pondy, 1967; Pruitt & Rubin, 1986; Putnam & Poole, 1987; Thomas 1976, 1992b; Wall & Callister, 1995). For the purpose of literature review pertinent to the

[2] Quoted from Wall & Callister (1995).

given study, extant research on the concept of conflict, organizational conflict, conflict management, and family business conflict is covered.

2.5.1 Theoretical Foundation

The term *conflict* is ambiguous. In behavioral sciences the word "conflict' has no single, clear referent. When used by psychologists, the word often denotes incompatible response tendencies within an individual, also applied to neural processes, to internal psychic states, and to individual choice of action (Thomas, 1976). Deutsch (1973) reviewed conflict as an established behavioral phenomenon. Berlyne (1960) in his exhaustive work on conflict, correlated conflict with stimulus and response. According to him,

> "*When a stimulus, external or internal, that is associated with a certain response occurs, we call it as the response is aroused, whether or not it is actually performed. When the response is performed, we say that the stimulus or set of stimuli has evoked the response. And when two or more incompatible responses are aroused simultaneously in an organism, we say that the organism is in conflict.*"

Berlyne (1960) found that conflict of often milder varieties is an inseparable accompaniment of the existence of all higher animals, because of the endless diversity of stimuli that act on them and of the responses that they have the ability to perform.

Conflict is examined in terms of personal and group orientation. Research on conflict largely comprises interpersonal, intrapersonal, intergroup and intragroup conflict. Early organization theorists such as Taylor and Weber viewed conflict as a consequence of poor organizational structures and processes rather than a phenomenon itself (Rahim, 2001). Social psychologists were the first to view conflict as a phenomenon, and particularly those involved with Hawthorne experiments in the 1920s and 1930s, saw the beginning of a new way of looking at human behavior (Mayo, 1945). In the later part of the century, research extended to conflict management, mediation and dispute resolution practices

(Pope & Bush, 2000; Warters, 2000), and it has now expanded to Human Rights (Vorster, 2002), ethics (McCabe & Rabil, 2002), and security and terrorism (Durant, 2002).

2.5.2 Definition of Conflict

In the conflict literature, definitions of "conflict" are divergent, having fundamentally different sets of explanatory variables. Kilmann and Thomas (1978) observe the diversity in the definitions: "conflict" as a condition of objective incompatibility between values and goals (Bernard, 1951), and as the behavior of deliberately interfering with another's goal achievement (Schmidt et al., 1972). Conflict behavior is explained in terms of objective conflict of interest (Axelrod, 1970), personal styles (Blake & Mouton, 1964), reactions to threats (Deutsch et al., 1962), and cognitive distortions (Osgood, 1961). Recommendations on conflict norms range over the establishment of superordinate goals (Sherif, 1958), selection of compatible individuals (Schutz, 1958), and mediating between conflict parties (Walton, Dutton, & Fitch, 1966).

Pondy (1967) reviews conflict literature and observes that, "conflict" is used to describe: (1) antecedent conditions (e.g. scarcity of resources, policy differences) of conflictful behavior, (2) affective states (e.g. stress, tension, hostility, anxiety, etc.) of the individuals involved, (3) cognitive states of individuals, and (4) conflictful behavior, ranging from passive resistance to overt aggression. If conflict is considered as a dynamic process, it can be more readily understood. Between two or more individuals in an organization, a conflictful relationship can be analyzed as a sequence of conflict episodes and a conflicting episode can gradually escalate to a state of disorder, where the climax could be aggression or open war. Every conflict episode does not necessarily pass through every stage till it reaches open aggression. Several alternative courses of development are possible. An organization's success hinges to a great extent on its ability to set up and operate appropriate mechanisms for dealing with a variety of conflict phenomena.

Wall and Callister (1995) comment that the general conflict definitions hold conflict as a process in which one party perceives that its interests are being opposed or negatively affected by another party. March and Simon (1958) define conflict conceptually as a "breakdown in the standard mechanisms of decision making i.e., as a malfunction of the system." Many researchers have taken the context of conflict as it is deemed detrimental to performance and satisfaction (Pondy, 1967; Blake & Mouton, 1964). Fink (1968) reviews conflict literature and finds that most definitions agree that conflict is a process involving two or more parties, and each party must perceive conflict as an opposition of the other. There is a divergence of opinion on what the "other" is opposing. According to Thomas (1976, 1992b), it is party's "concerns" or "something cared about" is opposed; Deutsch (1980) describes it as "activities;" Pruitt and Rubin (1986) discuss aspirations; and Putnam and Poole (1987) mention other's interference with the party's goods, aims, and values. Wall and Callister (1995) remark that concerns, something cared about, goals, aims, values, interests and aspirations are closely akin, and therefore the definition specifying the 'other' in a conflict, is blocking the party's interest(s) or goal(s).

"Conflict" term is used by Rahim (2001) to connote interpersonal conflict, the ways in which people interact in terms of affiliation, agreement, or difference of opinion. Kaye (1991) defines conflict in context of social system. According to Kaye, system connotes any group of people with some shared history or knowledge of one another's actions and some shared intensions. Conflict is a normal, healthy aspect of all systems. Human systems do not operate the way well-oiled machines do. Conflict in the system can be positive or negative. It can drive a system towards its objectives, toward constant reevaluation and new objectives, and it can mire the system down.

2.5.3 Conflict Models

Conflict has assumed an important role in general theories of management and organizational behavior and has been the focus of numerous empirical studies of organization. There are several models of the conflict process, each is a variation on the same theme of interpersonal conflict.

2.5.3.1 Interpersonal Conflict

In the conflict literature, interpersonal conflict is defined in many ways, as Putnam and Wilson (1982) analyze it as the content-oriented differences of opinion that occur in interdependent relationships and can develop into incompatible goals and interests. Hocker and Wilmont (1985) posit interpersonal conflict as an expressed struggle between at least two parties who perceive incompatible goals, scarce rewards, and interference from the other party in achieving their goals. Thomas (1976) addresses it as dyadic conflict.

Four general properties or themes of interpersonal conflict are identified by the researchers in past as: interdependence, disagreement, interference, and negative emotions (Putnam & Poole, 1987; Thomas, 1992a, 1992b; Pondy 1967; Jehn, 1995; Pinkley, 1990; Amason, 1996). *Interdependence* exists when one party's goal attainment depends, at least in part, on the actions of the other party. *Disagreement* occurs when two or more parties think that they have divergent values, needs, interests, opinions, goals or objectives. *Interference* exists when one or more of the parties interferes with or opposes the other party's attainment of interests, objectives or goals. *Negative emotions* such as anger, anxiety, jealousy or frustration are thought to emerge when there are major disagreements, or when parties interfere with the attainment of each others' important goals (Barki & Hartwick, 2001).

Conflict theories are based on four perspectives, individual trait theories, social process theories, social structure theories, and logic and mathematics based theories (Schellenberg, 1996). Individual trait theories emphasize conflict situations generated between individuals that can lead to personal attacks, acrimonies and disregard between the individuals. Social process theories focus on the relationship between conflict, and competition and cooperation. Social structure theories focus on formation and structure of organizations regarding conflict. These theories look at societal structure, such as Marx's view of the class conflict due to economic inequity (Fischer, 1970). Some conflict theories focus on conflict in a systematic manner, using logical and mathematical means to define and describe conflict. Game theory is a prominent example.

2.5.3.2 Organizational Conflict

Organizational conflict has attracted a large body of literature. In early and middle of twentieth century, researchers treated conflict as a general social phenomenon, with implications for the understanding of conflict within and between organizations (Bernard, 1957; Kenneth, 1962; Lewin, 1948; Rapaport, 1960, Schelling, 1961). Recent research focuses on four phases of conflict process by which conflict develops as a series of four main stages known as: latent, perceived and felt, manifest, and outcome (Pondy, 1980: Robbins, 1991; Frazier & Rody, 1991). Deutsch (1973) suggests five basic issues underlying conflict: control over resources, preferences and nuances, values, beliefs, and the nature of relationship between parties. According to Deutsch, there are six types of conflicts which involve these issues: veridical conflict, contingent conflict, displaced conflict, misattributed conflict, latent conflict and false conflict. Thomas (1992b) offers a synthesis of conflict models, suggesting four primary stages: frustration/ awareness, conceptualization, behavior, and outcome/consequences. Two models of conflict having wide acceptance in the research field, as briefly described below.

i) Three Models of Conflict

Pondy's (1967) work on organizational conflict is extensive, and is considered as the underpinning for further development of conflict typologies and models. Pondy identifies three types of conflict in formal organizations and classifies them as three conceptual models: (1) *bargaining model* is the conflict between the parties to an interest- group relationship. The conflict is among interest groups in competition for scarce resources, particularly appropriate for the analysis of labor-management relations, budgeting processes, and staff-line conflicts; (2) *bureaucratic model* of conflict between the parties to a superior-subordinate relationship, or in general, conflict along the vertical dimensions of a hierarchy. This model is concerned with the problems caused by institutional attempts to control behavior and the organization's reaction to such control; and (3) *systems model*, directed at the conflict among parties to a lateral or working relationship.

Pondy's (1967) model analyses the problems of coordination. Each of these models has several implicit orientations running as common threads, such as:

(a) the conflict relationship is made up of conflict episodes which follow a sequence and are interlocked. In each episode, a sequence or a pattern is developed and from the stable patterns, conflict relationship can be characterized.

(b) desirability of conflict resolution needs to be approached with caution because conflict can be functional or dysfunctional for the individual and the organization. It may have roots within the individual or in the organizational context.

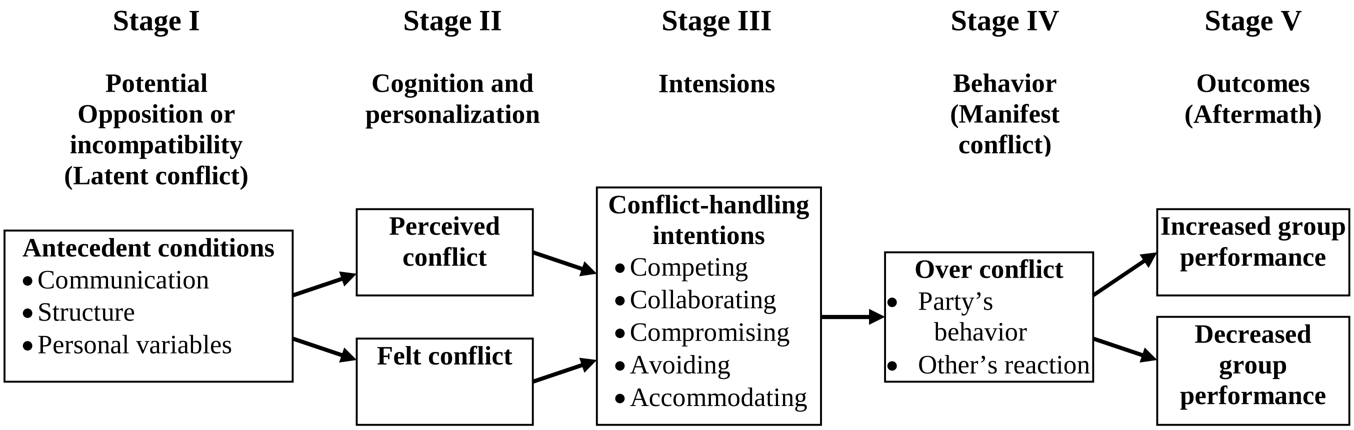
(c) conflict is intimately tied up with the stability of the organization. It is a key variable in the feedback loops to characterize organizational behavior.

Pondy (1967) identifies five stages of a conflict episode, as follows:

(1) Latent conflict (conditions), (2) perceived conflict (cognition), (3) felt conflict (affect), (4) manifest conflict (behavior), and (5) conflict aftermath (conditions). Each stage of a conflict episode provides the substance for defining conflict and elaborates on why and which specific reactions are taking place in a theoretical context.

The following Conflict Process diagram illustrated in Fig. 2.6 explains the stages of conflict episode.

Fig. 2.6 The Conflict Process



Adapted from: Robbins et al., 2007

ii) Dyadic Models of Conflict

Thomas (1976) expands on a balanced view of conflict in the literature, which recognizes that conflict can have constructive or destructive effects, depending upon its management. He synthesizes two dyadic models of conflict – a process model and a structural model (p.892). The objective of the *Process model* is to identify the events within an episode and to trace the effect of each event upon succeeding events. From this perspective, conflict is very much an ongoing process and therefore, Thomas (1976) refers to this sort of conflict as a "process model" of conflict. Process model is concerned with identifying events and understanding the influence of each event upon the following event. Another model is *Structural model,* where the objective is to identify underlying conditions or parameters which influence conflict behavior, and to specify the form of that influence. Because these conditions or parameters are relatively fixed or slow changing, Thomas (1976) refers to the model which incorporates this research as a "structural model" of conflict.

2.5.3.3 Social Conflict: Structural Levels

Organizations are vital components of the society and are interconnected with society structures and norms. Therefore social conflict in many ways affects organizations. It is an area of great interest to social science researchers and anthropologists. Social structures and cultural nuances have to be made explicit while studying conflict in social set ups. Siegel and Beals (1960) point out kinds of conflict which spread to several structural levels and posit that it is necessary to distinguish the social structural levels before determining the kind of conflict. LeVine (1961) defines structural levels virtually applicable to all societies as: intrafamily, intracommunity, intercommunity and intercultural, and argues that in some contexts the kind of conflict is disruptive, while in others it appears to have a facilitating effect.

2.5.4 Types of Conflict

Conflict theories primarily focus on disagreements about ends, but conflict can easily occur about means. The means versus ends distinction provides a framework for examining different types of conflicts in organization groups (Simon, 1976; Tyler, Degoey, & Smith, 1996).

2.5.4.1 Affective and Substantive Conflict

Guetzkow and Gyr (1954) propose that two types of conflicts, “affective” and “substantive,” predominantly exist in the organizations. Affective conflict refers to conflict in interpersonal relations, whereas substantive conflict involves the group’s task. Aubert (1963) distinguishes two kinds of conflict in terms of their bases, the “conflict of interest” and the “conflict of values or belief.” Considerable research is done on task-related conflict. Priem and Price (1991) distinguish between cognitive, task-related conflict and social-emotional conflict.

Pondy (1967) comments that conflict may not necessarily be functional or dysfunctional. The effects of conflicts must be evaluated relative to some set of values such as productivity, stability, adaptability as organizational values. Other studies have demonstrated that conflict within teams improves decision quality and strategic planning, financial performance, and organizational growth (Bourgeois, 1985; Schweiger et al., 1989; Eisenhardt & Schoonhoven, 1990). Recent studies examine the benefits of organizational conflict and methods of stimulating productive conflict (Tjosvold, 1991; Jehn, 1994, 1995; Vliert & Dreu, 1994). Bourgeois (1985) finds that task-related team conflict can improve organizational performance and growth through enhanced understanding of various view points and creative options. For task completion in groups, a common goal is fundamental requirement. Much research has concentrated on situations of conflict and its resolution where members have apparent opposing goals or largely agree to individual and group goals, yet find themselves in conflict (Cosier & Ross, 1977; Kabanoff, 1985; Eisenhardt & Schoonhoven, 1990; Mcgrath, 1984).

2.5.4.2 Task, Relationship, and Process Conflict

As discussed earlier, two types of conflicts are predominantly studied in the organizations, one is related to interpersonal relations and the other involves group's task. The intragroup conflicts are also termed as affective and substantive (Guetzkow & Gyr, 1954); task-related, cognitive, and social-emotional (Priem & Price, 1991); goal-oriented and emotional (Coser, 1956); task focused and relationship focused (Pinkley, 1990; Jehn, 1992). Relationship conflict entails problems of personalities or dispositions among the group members and is found to be detrimental to performance and satisfaction. Task conflict on the other hand, includes differences of opinions and various view points about the topic of interest or decisions among group members (Jehn, 1997).

Research on task and relationship conflict is extensive and positive and detrimental effects of each conflict in the organizational set up has been studied. Pinkley (1990) studied conflict on a multidimensional scaling, and uncovered a task-versus-relationship dimension of conflict. Jehn (1992), in a multidimensional scaling study of group conflict, found that members distinguish between task-focused and relationship-focused conflicts, and these two types of conflict differentially affect work group outcomes. Empirical research shows a negative association between relationship conflict, productivity, and satisfaction in groups (Evan, 1965; Gladstein, 1984; Wall & Nolan, 1986). It interferes with task-related effort and decreases goodwill, mutual understanding between the members of the group (Deutsch, 1969). Chronic relationship conflict can have serious detrimental effects on group functioning. To date, there has been no evidence of positive effects of relationship conflict on either performance or satisfaction (Coser, 1956; Jehn, 1997).

Literature on conflict has elaborated that task conflict can improve decision-making outcomes and group productivity by increasing decision quality through constructive criticism and moderate levels of task conflict are constructive, since they stimulate discussion of ideas that help groups perform better (Cosier & Ross, 1977; Jehn, 1995; Amason, 1996). However, very high levels of task conflict may interfere with task completion, and also it is possible that task –related conflicts may transform into relationship conflicts (Jehn, 1995). McGrath's (1984) study indicates that conflict theory and research has primarily focused on disagreements about ends, but conflict can just as easily occur about means, even when ends (for example, goals) are shared as they are in the most organizational groups. The "means versus ends" difference provides an important framework in conflict literature to examine various types of conflict that can occur in organizational groups (Tyler et al., 1996).

Jehn (1997) investigated organizational conflict in six organizational work teams. An in-depth qualitative analysis captured the sensitive dynamics of typical conflict and resulted in a generalized conflict model. Model evaluation indicated that organization employees identified two types of conflicts, task and relationship. Those who had experienced conflicts perceived task-focused conflicts different from relationship conflicts, having different effects on group and organization outcomes. The study found existence of a third type of conflict, *process* conflict. This conflict was described as "responsibility disagreements" and "disagreeing about utilizing people."

Process conflict has largely been neglected in studies of conflict except the studies done by Kabanoff (1991) and Jehn (1997). Process conflict is defined as the conflict about how task accomplishment should proceed in the work unit, who is responsible for what, and how things should be delegated. It includes disagreements about assignments of duties or resources, i.e. about the means to accomplish specific tasks (Jehn 1997). Process conflict is similar to past organizational constructs such as distributive conflict (Kabanoff, 1991) or procedural complexity (Kramer, 1991). At higher levels, it is detrimental to performance. Relationship conflicts focus on interpersonal relationships, task conflicts focus on the content and the goals of the work, and process conflicts focus on how the work gets done. Process and relationship conflicts are detrimental to satisfaction and performance, while moderate of high levels of task conflict are positively related to group performance. This suggests that group performance is seriously affected by the type of conflict members are facing (Jehn, 1997).

There is a limitation to the study of task, relationship and process conflict. Past research on conflict has identified task and relationship conflict but the theory on the interplay between the two is lacking and the frequency of shifts from task to relationship conflict have not been reported (Jehn, 1997).

2.5.5 Conflict Management

Bruk-Lee (2007) notes that research on interpersonal conflict, also known as dyadic conflict, can be classified into two streams, one focusing on the occurrence of conflict and another on its management. Conflict emergence studies explore the frequency or the amount of conflict experienced by the respondents and its associated consequences. The second stream of conflict management concentrates on the styles used by the affected parties to manage interpersonal conflict at work. The focus of this study is the earlier stream of studying causes or emergence of conflict and its consequences, the other stream is not the subject of purview. However, conflict management is a mutually inclusive phenomenon and therefore it is broadly reviewed here.

Conflict management emphasizes organizational learning to maximize the constructive aspects of conflict while minimizing its detrimental consequences. Conflict resolution, on the other hand, is primarily focused on the reduction or termination of conflict. Resolution strategies such as mediation and arbitration often do not require interventions that result in changes to organizational processes or structures. The extant literature in the current context is reviewed with a focus on conflict management.

2.5.5.1 Theory Development

In 1960s and 1970s, substantial theoretical and conceptual development took place in the study and research of interpersonal conflict in organizations. Pre-1960 research viewed conflict as a negative and destructive force to be avoided at all costs. During 1960s, a positive and healthy orientation towards conflict started to develop in conflict literature (Putnam & Wilson, 1982). Conflict was seen as promoting intragroup cohesiveness (Coser, 1956), facilitating organizational change (Litterer, 1966) and generating problem solving (Hall, 1969; Putnam, 1994). In 1970s and 1980s the outlook toward conflict persisted and conflict was seen as functional and necessary, useful to organizational and group goals (Ruben, 1976; Mathur & Sayeed, 1983), as means to healthy change and growth (Darling & Brownlee, 1984). Kilmann and Thomas (1978) addressed the causal attributions involved in diagnosing sources of the conflict and anticipating the leverage of different interventions. Their framework can be used to identify diagnostic and intervention styles of the involved parties and the practitioners.

Recent research literature reflects the contemporary recognition of the constructive side of conflict. Luthans et al. (1985) have examined manager behaviors and found that successful managers spent more time managing conflict than unsuccessful managers. In addition, organizations of various sizes and functions report conflict management training to be of considerable importance to their employees (Shockley-Zalabak, 1984). In order to respond to the demand for skills training, several scholars have attempted to identify the most successful conflict management strategies (Burke, 1970; Deutsch 1973; Kilmann & Thomas, 1977; Putnam & Wilson, 1982; Rahim, 1983; Hall, 1973). Walton et al. (1994) posit conflict resolution can prompt the re-organization and shape more effective and productive ways of management.

2.5.5.2 Dimensions of Conflict Management

Blake and Mouton (1964) have developed widely accepted *two-dimensional framework* for the management of interpersonal conflict in organization. Their managerial grid comprises five management styles along two dimensions, concern for people on *x*-axis and concern for production on *y*-axis. Each dimension is assessed on a 9-point scale, from low (1) to high (9). Five conflict management styles corresponding to five managerial styles are: forcing, confrontation, accommodating, withdrawal and compromise. This framework has become the basis for many researchers. Although researchers often vary in their definitions of styles, several taxonomies have been developed based on Blake and Mouton's original two-dimension scheme. Theorists generally assume two dimensions, such as concern for personal goals and concern for relationships (Hall, 1969, 1973, 1986); assertiveness and cooperativeness (Thomas & Kilmann, 1974); concern for self and concern for other (Rahim, 1983). The number of styles varies. Some assume five styles (Hall, 1969, 1973, 1986; Rahim, 1983; Thomas & Kilmann, 1974), some have retained four styles except compromise (Pruitt & Rubin, 1986), and others have shrunken to three styles (Putnam & Wilson, 1982; Canary & Spitzberg, 1987; Ross & DeWine, 1982, 1987).

Though Blake and Mouton framework is profoundly used by the researchers, several problems exist with its theoretical foundation. For example, definitions of dimensions are ambiguous. Concern for people and concern for production are loosely applied and therefore, it allows flexibility and adjustment in the managerial practice, but for theoretical applications they become problematic. Another limitation is that Blake and Mouton (1964) have considered conflict as “emotional tension and disturbance” and any competition that is “impersonal,” is excluded. In an overall consideration, conflict management is but a small part of their work and only one of several managerial activities discussed (Nicotera, 1993).

Most frequently the study of conflict has been motivated by a desire to resolve it and to minimize its deleterious effects on the psychological health of organizational participants and the efficiency of organization performance (Pondy, 1967). A large and influential body of work explicates predispositions for interpersonal conflict management styles. According to normative conflict literature, it is the style of conflict management that determines whether the conflict has positive or negative effects (Deutsch, 1990; Pondy, 1967). A large amount of the research propagates that individuals adhere to one style of conflict management for the duration of a single conflict event. Although researchers (Hall, 1973; Rahim, 1983; Thomas & Kilmann, 1974) discuss conflict management style as a choice among alternatives, they do not articulate the nature of choice and how it is related to predisposition.

Pondy (1967) posits conflict is not necessarily bad or good, but must be evaluated in terms of its individual and organizational functions and dysfunctions. He observes that judgments of the functionality of conflict-handling behaviors depend upon the outcome criteria chosen. In general, conflict generates pressure to reduce conflict. Conflict resolution techniques may be applied at any of several pressure points. Their effectiveness and appropriateness depends on the nature of the conflict, explicit objectives and on the administrator’s philosophy of management.

2.5.5.3 Measurement of Conflict

Much conflict research and theory has focused on conflict resolution (Brett, 1984; Brown, 1992; Lewicki et al, 1992; Thomas, 1992b). A number of conflict interventions and resolution tactics have been designed to eliminate conflict before it occurs. Some of the existing instruments focus on the measurement of ways in which people react to conflict situations (Kilmann & Thomas, 1974; Rahim, 1983a), others focus on evaluation of communication and interpersonal strategies, or ways of coping with interpersonal conflict within the family (Putnam & Wilson, 1982; Straus, 1979)

Blake and Mouton's (1964) two-dimensional model of conflict remains the basis of much of research on interpersonal conflict styles. The two dimensions - concern for self-interests and concern for the other party or the relationship – have been incorporated into a variety of questionnaires, the best known of which are Hall's (1969) Conflict Management Survey (CMS), the Thomas-Kilmann (1974) Conflict MODE instrument, and Rahim's (1983a) Organizational Conflict Inventory (ROCI). The instruments reflect different assumptions about effectiveness and about the situational nature of conflict management preferences. The instruments also measure conflict management styles by focusing either on general strategies or specific tactics, which may or may not reflect communication behavior (Womack, 1988).

i) Hall's Conflict Management Survey (CMS)

Hall (1969) developed the CMS on two dimensions of conflict behavior that is concern for personal goals and concern for relationships. CMS is based on a model of conflict dynamics which identifies five "styles" of conflict management that is the preferred ways of behaving in conflict situations (Hall, 1986). These styles are: win-lose, yield-lose, lose-leave, compromise and synergistic. Hall proposed that conflict is best understood through preferences for conflict and communication behaviors during conflict. CMS provides an individual the opportunity to choose from a set of essential communication strategies and tactics as he or she identifies preferences across contexts. The instrument is applicable for interpersonal, small group, and intergroup contexts and is one of the most widely used self-assessment conflict mode instruments for training in business and industry (Shockley-Zalabak, 1988).

ii) Thomas-Kilmann Conflict MODE Survey

One of the noteworthy instruments developed from the theoretical framework of Blake and Moutons Managerial Grid (1964), is The Thomas-Kilmann Conflict Management-of-Differences or MODE instrument. It rates high marks from trainers for its ease of administration and value in uncovering individual differences in modes of conflict management (Womack, 1988). The instrument uses two dimensions-assertiveness and cooperativeness - to assess conflict. Assertiveness refers to concern for self, and cooperativeness refers to concern for others. Five modes or ways of managing differences are as follows:

1. *Collaborating:* assertive and cooperative, mutual problem solving to satisfy both parties' needs;
2. *Compromising:* intermediate in both assertiveness and cooperation, exchanges concessions;
3. *Competing:* assertive and uncooperative, tries to win own position;
4. *Accommodating:* unassertive and cooperative, satisfies the other's goals;
5. *Avoiding:* unassertive and uncooperative, postpones or avoids unpleasant issues.

Modes are viewed as flexible conflict-handling methods. The person using the instrument is capable of using all five modes of dealing with conflict instead of a single rigid style. However, each person uses some modes better than others and ends to rely on those preferred modes. According to Thomas and Kilmann, modes of conflict behavior are strongly influenced by both personality and situational factors, and individuals can shift styles across situations (Business programs, 1986).

ii) Rahim Organizational Conflict Inventory-II (ROCI-II)

The ROCI-II is one of the more recently developed instruments and noted for its emphasis on individual predispositions, its belief in maintaining a balance in the amount of conflict in the organization, and its concern for effectiveness in managing conflicts. Using a conceptualization similar to the original theory of five conflict management styles introduced by Blake and Mouton (1964) and Thomas (1976), Rahim (1983b) differentiated styles of handling conflict on two basic dimensions: concern for self and concern for others. The first dimension explains the degree (high or low) to which a person attempts to satisfy his or her own concern. The second dimension explains the degree (high or low) to which a person wants to satisfy the concerns of others. Combination of these two dimensions results in five specific styles of handling conflict, as described below (Rahim, 1985):

1. *Integrating:* high concern for self and others. This involves openness, exchange of information, and examination of differences to reach an effective solution acceptable to both parties. It is associated with problem solving which may lead to creative solutions.
2. *Obliging:* low concern for self and high concern for others. This style is associated with attempting to play down the differences and emphasizing commonalities to satisfy the concern of the other party.
3. *Dominating:* high concern for self and low concern for others. This style has been identified with win-lose orientation or with forcing behavior to win one's position.
4. *Avoiding:* low concern for self and others. It is associated with withdrawal, buck-passing, or sidestepping situations. An avoiding person fails to satisfy is or her own concern as well as the concern of the other party.
5. *Compromising:* intermediate in concern for self and others. It involves give-and-take whereby both parties give up something to make a mutually acceptable decision.

Although some behavioral scientists suggest that the integrative or problem-solving style is more appropriate for managing conflict (Blake & Mouton, 1964; Likert & Likert, 1976), others indicate that, for conflicts to be managed functionally, one style may be more appropriate than the other depending upon the situation (Rahim & Bonoma, 1979). Rahim (1985) posits that an effective management of organizational conflict involves diagnosis and intervention. This combination of diagnostic and intervention approaches to organizational conflict contributes to the uniqueness of the ROCI-II model. In addition, an examination of structural and behavioral approaches to intervention (Rahim, 1986a) reveals the role of communication in organizational conflict (Weider-Hatfield, 1988). Rahim's approach to conflict styles as a behavioral intervention treats communication in conflict from the perceptions or cognitive abilities of the members. Styles are treated as orientation towards conflict and sets of strategies and tactics for achieving a variety of goals (Folger & Poole, 1984).

According to Rahim (1985), a comprehensive diagnosis includes the measures of the amount of conflict, styles of handling interpersonal conflict, their effectiveness, and sources of conflict. Intervention is needed when in the organization there is too little or too much of intrapersonal, intragroup, and intergroup conflict, and/or the organizational members are not effectively using the five behavioral styles to deal with different situations effectively.

2.6 Conflict in Family Business

Literature on "conflict in family business" is largely based upon conflict theories applied in organizational behavior and management fields, and also family business literature. Conflict studies are often done without much reference to the particulars of the social and business context involved. The context of conflict management in family business is critical, yet there have been few empirical studies conducted on antecedents and correlates of conflict within family businesses. In spite of major academic research on family business is done in the U.S. and European countries, most of the studies are anecdotal in nature and study on conflict in family business is almost absent (Tjosvold, 1996). Bergmann and Volkema (1994) confirm that the consequences or outcomes of conflict is the least studied stage in the conflict process. Although there are case descriptions and theoretical articles about conflict in family business literature (Harvey & Evans, 1994; Levinson, 1971; Kaye, 1991), there are few data-based studies about family business conflict. As the extant literature is meager and addresses only a few aspects of conflict in family business arena, the ultimate goal of this section is to review causes of conflict and its effects on family businesses.

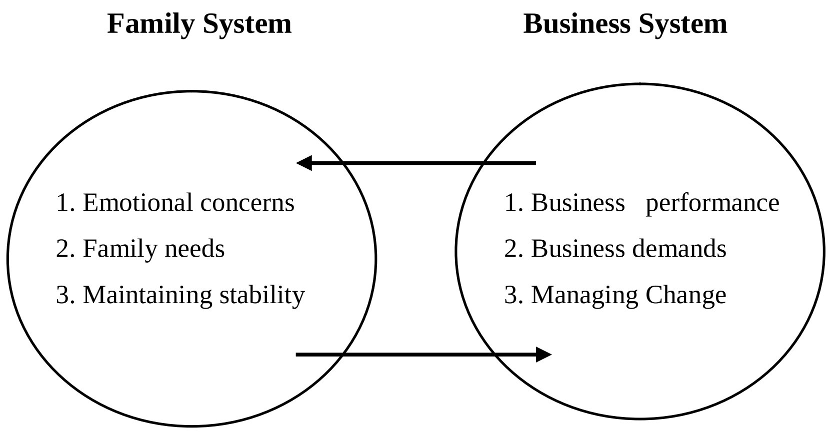
2.6.1 Conflict Phenomenon

> *Nothing is constant in life but change and the only thing that is everywhere the same is that there are differences. The inevitable realities of changes and differences lead to inevitable conflicts in family businesses.*
>
> *Aronoff and Ward, 1991*

The success of a business depends on its ability to maintain stability while managing change in the face of internal and external pressures. Although all the organizations experience some difficulty in adapting to the changing environment, family businesses present a number of unique issues and problems (Beckhard & Dyer, Jr., 1983). As observed by Aronoff (1999) from an 'evolutionary' perspective: "30 percent of family businesses make it to the second generation, 10 to15 percent make it to the third generation and 3 to 5 percent make it to the fourth generation," it is crucial to understand the interdependencies between family and business systems, ownership and management, and the forces that make strategic decisions and their execution more complex. Family businesses have a complex set of problems that are not completely addressed by classical management theories (Davis & Stern, 1980). One such problem is the effect of conflict in family businesses.

Freud (1955) suggested that love and work are the main sources of self-esteem and pleasure in life and only when both are balanced do we achieve satisfaction. In reality, for family businesses the suggestion of Freud is rarely applicable as families and businesses are concerned about different goals and balancing them is a difficult task. Fig. 2.7 depicts conflicting goals within a family enterprise.

Fig. 2.7 Different Goals: Family System versus Business System



Source: Carlock and Ward, 2001

Conflict is a natural element of human relationships and the family business is unique because of the friction between loved ones and business interests require careful balancing. Families are concerned about emotions, focus inwards, and generally resist change. Business systems, to survive successfully, have to take opposite approach – accomplish tasks, focus outward on the external environment and look for ways to exploit change (Carlock & Ward, 2001).

The family and the business are so entwined in family firms that the potential for discord is greater than in firms with other governance forms (Lee & Rogoff, 1996). There are psychodynamic effects specific to family businesses and not other businesses such as sibling rivalry, identity conflict, younger generation's desire to differentiate themselves from their parents, and ownership dispersion among family members (Dyer, Jr. 1986; Dyer, Jr. 1994; Schwenk, 1990; Schulze et al., 2001, Schulze et al., 2003a). Though the research has mainly focused on the negative effects of conflict, there are studies showing the brighter side of the conflict (Wall et al., 1987; Sharma et al., 1997).

2.6.2 Effects of Conflict on Family Business

Scholars have addressed conflict issues and their consequences, either detrimental or positively contributing to the longevity of family business. Levinson (1971) posits consequences of conflict can be destructive to both the family and the business and conflict within the family can frustrate adequate planning and rational decision making. When managerial decisions are influenced by feelings about and responsibilities toward relatives in the business, when nepotism exerts a negative influence, and when a company is run more to honor a family tradition than for its own needs and purposes, there is likely to be trouble.

2.6.2.1 Effects of Substantive (Task) Conflict

The substantive or task-oriented conflict is defined by Luce and Raiffa (1957) as "an individual is in a situation from which one of several possible outcomes will result and with respect to which he has certain personal preferences."

Beckhard and Dyer (1983) observed a number of key issues that leaders of the family businesses should address during change or transition periods, which may otherwise result in destructive conflict. The failure to adequately control conflict may contribute to the high mortality rate of family-owned firms. These key issues are: ownership continuity or change; executive leadership continuity or change; power and assets distribution; and the role of the firm in society. Davis and Harveston (2001) based on these key issues, studied influence of substantive conflict in the family firms across generations, as a result of the members' familial relationship with the owner-manager of the firm and their positions occupied in the family work group and social (non-work) group. Their analysis showed that the increasing number of close family relations in the firm's day-to-day operations increases the frequency of conflict, and also increases the likelihood that one or more owner/managers will disagree over the firm's goals or actions.

Other findings indicated that when family business owner-managers are active social participants in their families interacting with a wide range of family members beyond the work setting, conflicts arise, or at least become more discernable. The results also showed that both the extent and frequency of conflict in family firms increase across generations. Specifically, third or later generation firms were subject to more conflict than were either first or second generation firms (Davis & Harveston, 2001).

2.6.2.2 Effects of Task, Relationship, and Process Conflict

The research suggests that the negative effects of conflict are most rooted in relationship conflict, whereas the benefits of conflict tend to be the result of task and process conflict (Jehn, 1995; Jehn 1997). Task conflict is usually associated with two interrelated and beneficial effects, group decision quality, and affective acceptance of group decisions (Simons & Peterson, 2000). A number of researchers have found that task conflict can lead to increased satisfaction with the group decision and a desire to stay in the group (Amason, 1996; Hoffman & Maier, 1961; Korsgaard et al., 1995).

Applying the generic conflict theory to family firms, Kellermanns and Eddleston (2004) studied task, process, and relationship conflicts in an interactive way to find how can a family firm gain the benefits of conflict without the costs (Eisenhardt & Zbaracki, 1992). Their findings revealed that all the conflict is not bad for family firms and moderate task and process conflict can have a positive performance effect. Further, in order to reap performance benefits of moderate levels of task and process conflict, relationship conflict needs to be resolved.

However, the effects of conflict on performance can not be completely understood without taking into account the relationship among family members in family firms. Three characteristics of family firms: altruism, control concentration, and generational involvement, were correlated with task, process, and relationship conflict in the study of

Kellermanns and Eddleston (2004). Their conclusion was that altruism can lessen the occurrence of relationship conflict, level of control concentration directly influences task, process, and relationship conflict, and greater generational involvement heightens the importance of task and process conflict to family firm performance.

2.6.2.3 Consequences of Conflict

Very few family firms survive to second (Beckhard & Dyer, Jr., 1983; Ward, 1987), or third generation (Applegate, 1994). Common reasons for such short generational survival of family firms include lack of planning for the next generation (Ibrahim et al., 2001; Ward, 1987), disregarding the input, desires, and opinions of the next generation (Davis, 1983; Handler, 1992; Ward, 1987), and failure to effectively manage conflict (Beckhard & Dyer, Jr., 1983). Therefore, understanding how different types of conflict affect a family firm's survival is crucial in order to help family businesses make a successful transition through multiple generations (Kellermanns & Eddleston, 2004).

2.6.3 Causes of Conflicts in Family Business

How does conflict trigger in a family business? Beckhard and Dyer (1983) observed that when a major change occurs in the family business, the relationships between family members and family and professional managers get a profound impact. The entire system becomes unstable, outcomes are unpredictable. The authors examined "trigger events" and resistances that family-owned businesses experience while managing change. Several conditions that can trigger resistance or conflicting behavior from family members are:

- *A decision taken by the founder/leader to step down;*
- *The death of the founder/leader or some other significant family member;*
- *The entry of a family member (or failure of a family member to enter)into the firm or a new position;*
- *A decision to merge or sell the business;*
- *Significant growth or decline in profitability*

Finch (2005) identifies some of the unique causes and contributing factors of conflict in family businesses as: rules, roles and dual relationship, differing vision, succession, jealousy, poor communication, poor conflict management skills, and inequality in rewards.

Family businesses have a distinctive characteristic as different from non-family businesses and that is their unique nature of relationships between family members, and among family members and employees. Differing vision of family members is a sure cause of conflict. Levinson (1971) comments that difficulties of the family business begin with the founder. For the founder, the business is an instrument, an extension of him which nurtures his vision, whereas the family members may have different vision and objectives of the business (Beckhard & Dyer, 1983).

Succession is the most important issue confronting the family business. To remain a family business, each generation must be succeeded by the next. Ward (1984) in his most cited article suggests that perpetuating the family business into future generations is the ultimate-most difficult-management challenge. Failure to plan for succession deprives the business of crucial management assets like founder or first generation's leadership and drive, connections and technical know-how (Christensen, 1953; Danco 1982). Failure to plan succession can also give rise to intense conflict among the heirs in case of death of the founder and can threaten the family's financial well-being by giving rise to many thorny estate issues (Lansberg, 1988).

Chami (1999) identifies the role of trust among family members and claims that mutual trust enhances productivity, mitigates agency problems and costs associated with it. However it is difficult to develop trust as it demands a high level of altruism and one-sided altruism, either from the parent or from the child has negative impact on the survival of the family business. According to Chami (1999), succession plays a key role in affecting the survival of a family business. In case of multiple-siblings, the parent favors one child on efficiency grounds, and in single-founder case, when the heir knows that he will be succeeding his parent and inheriting the business, provides the child/employee with the incentive to work hard, rather than take advantage of parent's generosity. Conflict can arise when the levels of trust and altruism are low or are one-sided and the child is selfish about inheritance.

The family business, like other types of organizations is often managed by a group of or a team of individuals whose collective dynamic has a direct impact on the direction and performance of the firm (Ensley & Pearson, 2005). When ownership rests with one or two family members and the family team is homogeneous, there is less conflict as a result of single vision that is commonly shared, held, and communicated than those teams with greater familial distance.

When the family is a closely-knit social group, consensus in the group is far better than those are more loosely connected (Davis & Harveston, 2001). Ensley and Pearson (2005) analyze conflict, cohesion, group potency and consensus as behavioral dynamics in top management teams of family and non-family businesses. According to them, cognitive or idea conflict is considered functional and relationship conflict, dysfunctional. Because of the long-term nature of families, an environment is created which promotes substantive discussion and minimizes disruptive relational issues. Families develop effective patterns of communication over time in order to stay together as a family. However, heightened idea conflict can create a heightened level of relationship conflict (Amason, 1996; Ensley & Pearson, 2005). Amason and Sapienza (1997) state that "the conflict a team experiences is likely to be a function of its structural and social context." They reason that when mutuality is established before conflict arises, idea conflict can be more purpose-focused and trigger less relationship conflict.

When the family team consists of siblings and cousins and not the parent with dominant leadership, such a team experiences the highest level of relationship conflict. Such teams suffer from dilution of family values resulting in situations where, "kinship, ownership and management transfers, and conflict of interest may create inefficiencies that limit the ability of the family business" (Chrisman et al., 2003).

Dynamics of power is a unique characteristic of the family business. In most family businesses, family members working in the business have decision authority and access to key information through a network of contacts by being in the business for a long time. Because of their family connections and access to "insider information," family members even without high formal position can wield informal power in the business, overshadowing the authority vested in hierarchical position and chain of command (Sorenson, 1999). In case of power distributed in multiple family members, they all may exert influence in high-level business decisions, creating a fertile ground for conflict.

Family in business must accommodate issues important to the immediate and at times, extended family when family members are involved in some way in the business. These issues are: role carryover between business and family, primogeniture, equal treatment of family members, triangulation struggles, sibling rivalry, nepotism, work-family conflict and succession (Boles, 1996; Correll, 1989; Dumas, 1989; Lansberg & Astrachan, 1994).

2.6.4 Conflict Management Strategies in Family Business

Scholars and researchers agree that managing conflict is important to the success of a family business (Dyer, 1994; Goldberg, 1996; Harvey & Evans, 1995; Kaye, 1991; Ward, 1987). As family and business are entwined as an entity in the family business, family norms for resolving conflict set the tone for conflict management norms in the business in two ways (Dyer, 1986). First, the founder or the owner usually establishes norms for interaction in the business (Sonnenfield & Spence, 1989). He considers the business as an extension of his dreams, and aspirations. His values and practices become norms for the organization. These norms include how decisions are made and conflicts are resolved (Dyer, 1986; Kets de Vries, 1993). Second, family norms have even more influence when multiple family members work in the business (Kaye, 1991). If family manages conflict through proactive problem-solving approach, it may provide the basis for positive problem-solving orientation in the business, especially needed for succession planning and transition between generations (Dunn, 1995; Goldberg, 1995; Lansberg & Astrachan, 1994; Seymore, 1993). In contrast, arguable and non-agreeable conflict management norms within the family may encourage contention within the business. Nepotism and different coalitions with employees to promote personal agenda are such examples.

Family business literature has adopted concepts of conflict and conflict management from organizational behavior field. The dominant conflict management models are similar to two-dimensional models (Blake & Mouton, 1964; Thomas & Kilmann, 1974; Pruitt, 1983; Rahim, 1983a). Each of these models has either four or five conflict-handling styles, plotted within two-dimensional space. Research provides fairly strong support for the dual-concern model (Van de Vliert, 1990; Van de Vliert & Euwema, 1994).

For the family business, to manage conflict with positive outcomes there are multiple perspective to be accommodated and variety of issues to be address along with positive relationships among members. However, Sorenson (1999) posits that most of the family businesses use authority to settle disputes. Most compatible conflict style with authority is *competition*. This style imposes or forces solution (Rahim, 1983b) and it is not likely to address multiple issues of the family and the business in resolving conflict.

The extreme opposite of competition is *accommodation*, and it may establish a conciliatory tone and a willingness to get along. It should contribute to good relationships and cohesiveness (Seymour, 1993), but it is not used frequently in family business. If all parties accommodate in a family business then conflict may be resolved to everyone's satisfaction. However, too strong a norm for accommodation may prevent some members from asserting themselves, even on important issues.

Collaboration or integration is an approach that attempts to fully satisfy the concerns of the involved parties, and it indicates a willingness to adapt. However, it requires time and effort on the part of participants and open communication, trust, and mutual support (Seymour, 1993). In resolving conflict, collaboration can contribute significantly and should be a preferred strategy for family businesses (Sorenson, 1999).

Compromise is similar to collaboration and should produce similar outcomes. However, compromise has a flavor of “giving in to keep the peace,” and it may contribute to achieving desired result of conflict management, but not to the same extent as collaboration (Rahim, 1983b).

Avoidance is the failure to address conflict. Although it prevents direct confrontations among affected parties, it may result in escalated frustrations that spill over in other ways. In family businesses, this conflict management strategy can lead to overall negative feelings within the family and it is certainly not a relationship building strategy. Too much avoidance leaves important business and family issues unresolved, which tend to heighten tension and limit achievement (Sorenson, 1999).

Research suggests that preferred conflict management strategies in family businesses should consist of low levels of competition and avoidance, judicial use of accommodation to address individual concerns without sacrificing key elements of business success, and compromise should be used only when collaboration is not possible. Collaboration should be the most frequently used conflict management strategy (Sorenson, 1999).

2.7 Conclusion

Literature on family business and conflict as two different disciplines is extensive. Whereas, conflict in family business is not as deeply explored a subject. Primarily, family and business, as two complex and intertwined systems are bound to create conflict within the systems thereby affecting the structure and life of family business. Therefore in this chapter, essentially both the disciplines i.e., family business and conflict, are reviewed in detail and then the literature review of conflict in family business is done. The context of the study is Indian family businesses and therefore in the next chapter 3, a detailed discussion about Indian family businesses, conflicts, and splits is presented.

Chapter 3
Indian Family Businesses and Conflict

3.0 Introduction

The subject of study is in the backdrop of Indian family businesses. India has unique cultural characteristics as a society and family businesses are a ubiquitous part of the economic fabric. In section 3.1, Indian family businesses and their historical background is discussed. Section 3.2 details the contribution of family businesses in Indian economy. Section 3.3 elaborates genesis and impact of conflict in Indian family businesses with an overview of splits in Indian business houses. Section 3.4 discusses proactive measures and practices to be adopted by family businesses to manage the harmful effects of conflict on their family business, with the conclusion in section 3.5.

3.1 Indian Family Businesses

Organized research literature and documented information on Indian family business scene is scanty since the culture of family business in India is largely based on the confidentiality and secretiveness. Empirical research or the genre of hard-hitting story is entirely absent in the Indian industrial and corporate world (Dutta, 1997). Therefore, journalistic articles, media news, business, and industry publications are generally used as the source of information and reference.

All over the world, family businesses face survival challenges, irrespective of nation, culture or socio-economic forces. However, the survival challenge is more so for India's family-managed business groups. Purie (1998) notes that post-1991, family businesses, century-old pillars of Indian economy have seen their protected edifices stumbling because of the whirlwind of liberalization and globalization. A survey conducted by Business Today (1998) reports that from first fifty family businesses in 1947, only seven were still in the business in 1997.

Family business is India's proudest institution, symbolizing courage and common sense, energy and enterprise, aspiration, and adventurousness (Business Today, 1998). However, it is confronted with a disturbing uncertain future. The furious forces that are driving the engendered institute of family business are: transition from license and permit raj to acquiring a strategy to cope with liberalization; new societal structures such as nuclear and double income families, the triumph of individualism; consumerism; divergent ambitions of younger generation; and ego and personality clashes between the elder and the younger generation (Tripathi, 1999). These forces are throwing powerful challenges to the stability of Indian family businesses. Paradigms of old Indian economy have changed in the new economy and the establishment of family business faces the threat of survival and continuance.

An overview of historical background of Indian family businesses is presented below to get cognizance of challenges prevailing for the family businesses.

3.1.1 Historical Background

For centuries in India, practically all business activity was concentrated in the so-called trading communities. The occupational stratification was one of the cardinal features of the communities (Gadgil, 1951). During the British raj, the Indian industry was trading based, exporting primary products to England and importing all industrial produce. Indian businesses comprised numerous commercial undertakings and trading firms. The British community of businessmen in India was small. Therefore the Indian trading communities set up shops and expanded businesses in areas where there were British investments in mining, indigo, sugarcane, and tea (Dutta, 1997). These were the family businesses in the sense they were either owned by a single family or a partnership of two or more families, as the joint family system was customary and was the pivot of the Indian social structure (Tripathi, 1999).

In 1882, the British formally introduced managing agency system by which the Indian merchants could become managing agents of business enterprises owned by the British. These agents represented a nucleus around which a "cluster" of managed companies were promoted. The managing agency was composed of group of individuals who had either large financial resources or had an access to finance, and a considerable amount of general business and technical abilities. These were the real entrepreneurs in India (Brimmer, 1955).

3.1.2 Industrialization: Pre-Independence

The seeds of industrialization in India were sown around 1860, with the starting of cotton textile and yarn mills in Bombay. Sampath (2001) gives an account of the development of commerce and industry prior and during British Raj in India. According to him, Cawasji Nanabhoy Davar set up the first cotton mill in Bombay in 1854. By 1875, the textile industry was firmly set, despite opposition from Manchester, center of the English textile industry and unhelpful Government policies. Tatas were early entrants. Jamsetji Tata's Empress Mills at Nagpur and Lala Shriram's Delhi Cloth Mills were the only mills established outside the Bombay-Ahmedabad region. Khatau Makhanji, the first non-Parsi to put up a textile mill in 1874. These progenitors[1] who had considerable exposure to the outside world, were able to appreciate the new ethos.

The turning point for Indian industry came during the First World War. Imports of manufactured goods from England was disrupted, British investments became scarce. At this juncture, Indian traders stepped into this vacuum and started investing in jute, cement, sugar and in engineering firms (Dutta, 1997). The managing agency form of organization

[1] A progenitor is a person from whom another person, a family or a race is descended; a spiritual, political or intellectual ancestor (Sampath, 2001).

was adopted quite widely by the Indian traders when they began to operate in the industrial field. It was the trading communities that became industrialists. These were mostly Parsees, Khojas, and Bhatia traders of Bombay and Jain Banias in Ahmedabad[2] (Das, 1999).

The Indian agency houses were primarily financial in character. Apart from few exceptions[3], the Indian agency firm was typically a simple extension of older family-firm relationships (Brimmer, 1955). The managing agents provided principal capital, raised public contributions on their strength of reputation and nurtured the managed company through its gestation period (Dutta, 1997). Industrial enterprises entailed much higher risks than the commercial operations, as the finance requirement was large and gestation periods were longer, yielding slower returns. To spread the risk, the families setting up industrial undertakings, enlisted cooperation of close friends and relatives, and allotted them blocks of shares, while making sure that the majority control and the management of the company remained with the promoting family. Thus was born a system of corporate management that was a strange combination of joint stock principle and family control (Tripathi, 1999).

During 1930s and 1040s, the pioneers such as Tatas, Lala Shriram, Walchand Hirachand, Mafatlals, Kirloskars, T.V. Sundaram Iyengar, Birlas, Bangurs, Poddars, Jalans, Kanoria had established businesses in textiles, steel, sugar, construction, agri-business, aircraft, machines, engineering, electrical appliances et al. (Tripathi & Mehta, 1990). All these pioneers had in common were British contacts, western education, and an upper caste background. The form of organization i.e., joint stock companies, marked the beginning of

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2. The great textile magnates of Bombay in the 19th century were the Petits, Wadias, and Tatas (Parsee); the Currimbhoys (Khojas), Sassoons (Baghdadi Jews); the Khaitans, Gokuldases, Thakarseys (Bhatias from Kutch). In Ahmedabad the leaders were Jain Banias – Sarabhais and Lalbhais – who had been prominent Shroffs (although the first mills had been set up by Nagar Brahmins). Rajat Ray (ed.), Entrepreneurship and Industry in India 1800-1947, Oxford University Press, New Delhi, pp. 42-44.

3. The most widely known of these exceptions are the House of Tata, Birla Bros., Khatau & Sons, and Wadia and Sons, Ltd.

corporates with limited liability. However, the indigenous technology base was not established but the British model of technology was emulated or blindly followed (Sampath, 2001).

3.1.3 Dominance of Family Businesses: Post-Independence

A new era emerged in 1947. India's independence gave momentum to industries. It was an age of innovation (Schumpeter, 1994). Entrepreneurs got an opportunity to play a definitive role in nation building. In 1947, the Indian family business sector was smaller such as, of 127 largest companies in India, 58 were under foreign or British management at the time of independence (Dutta, 1997, p.25). R. K. Hazari (1968) concluded after an exhaustive analysis that most of the prominent industrial firms on the concourse of Indian business during 1950s were in the hands of just eighteen Indian families and two British houses. According to Tripathi (1999), the management of as many as 461 of the 500 most valuable companies was under family control. However, over five decades of post-independence, the entrepreneurial base in India broadened substantially. A 1996 analysis by *Business Standard* showed that 714 companies out of 1000 were single companies of the groups in the listing[4] (Dutta, 1997).

Almost a hundred year old managing agency system was abolished in 1970, with new legislative provisions for the private corporate sector (Das, 1999). During 1960s and 1970s, there were 75 business families that attracted the attention of the Government, culminating in the monopoly law of 1969 (Ninen, 1999). The private sector firms operated with uncertain directions, in a protected atmosphere, constrained by the license-permit dispensation (Tripathi, 1999). As Ward (2000) analyzes, in 1971, India's socialistic experiment reached peak proportions. Government policies choked off external trades and the development of financial markets, and family groups grew and dominated the Indian economy.

[4] BS 1000, magazine supplement, *Business Standard*, Calcutta edition, January 1996.

The building blocks of success during post-Independence period for enterprising business houses were their ability to hire good people, treat them well, be focussed and energetic, and get factories running as quickly as possible. Successful entrepreneurs like Rama Prasad Goenka and Dhirubhai Ambani were cast in this mould (Sampath, 2001). Some of the successful industrialist like Rama Prasad Goenka had a sound family business base, and some such as Dhirubhai Ambani emerged from a modest middle-class background to be a textile and petrochemicals magnet.

This era also saw the emergence of new industrialists who took advantage of Government policies as well as of the equity cult. The Ruias, Mittals, Jindals, etc. came up because of the thrust in the sponge iron sector. In the 1970s and 1980s many technocrat entrepreneurs and business houses in pharma and cement such as Sun Pharma, Reddy's Laboratories, Nagarjuna group, Rasi cement et al. emerged (Sampath, 2001).

3.1.4 Family Businesses in Liberalized Economy

1990s was the decade of economic reforms in India. The new industrial policy with its emphasis on liberalization ushered in major changes. Some macro reforms in the structural functioning of economic institutions took place (Sampath, 2001). Draconian provisions of the MRTP Act were disregarded releasing a surge of energy (Piramal, 1999). At the same time, competitive pressures of economic reforms were unleashed with the entry of multinational companies (MNCs), rapid rate of innovation and change, consumerism, urbanization, and westernization. During mid-1980s and early 1990s, the information technology sector started breaking a new ground with companies like HCL, Infosys, Wipro, and Satyam. The digital media also started gaining popularity with Zee TV of Subhash Chandra in prominence (Sampath, 2001).

The family business went from strength to strength during independence to post-reforms era of 1990s despite a rather turbulent environment it had to contend with during this period (Ttripathi, 1999). However, the survival of the business families of prominence had not been as smooth. Piramal (1999) compared top 50 business houses of Mumbai during 1964-1990 and 1990-1999, and found:

i) The groups which dropped out in the list of 1990-1999, were all from the bottom half of list of 1964-1990 (e.g. Scindia, Thackersey, Kilachand). The conclusion was drawn that the size of the business matters for survival, and the bigger family groups take longer to wither away or are more resilient (e.g. Tata, Birla, Bajaj, Mahindra, and Wadia)

ii) Of the drop outs, almost half of the business houses had family splits (e.g. Ghia, Walchand, Kilachand, Khatau, Thackersey)

iii) The list of 1990-1999 was radically different. 31 family groups dropped out of the top 50. The new 31 groups that topped, were either tightly focused on one business and very often were operating through just one company, or had a flagship company

iv) The dropout businesses were either older groups, founded or acquired in the 1950s and 1960s such as Mafatlal, Shriram, Kirloskar, Walchand, Parry or the newer groups that were active in 1980s such as Modi group, Singahania, Mehra brothers, Shroffs. The first cluster had internal managerial issues as their bigger challenges and the second cluster faced competition from new entrepreneurs as a challenge.

Marwaris were India's most aggressive business community. Piramal (1999) noted that by late nineties, while dominance of Marwaris continued, their clout had begun to fail. The relevance of business communities had diminished in the post-reform era in the 2000s, as the community ties were no longer serving competitive advantage or the seed capital, or the managerial talent, which were important and tangible benefits in earlier decades (Piramal, 1999). Entry of multinationals and foreign institutional investors encouraged Indian corporates a rethink on key issues and strategies. As Sampath (2001) observes, for the family groups to be in the reckoning, have had to consider restructuring. While some have formed alliances to be globally competitive, others have perished. From 1992 to 1995, banks, foreign institutional investors, mutual funds and foreign brokers invaded the scene. But the period between 1997 and 1999 was difficult because of the competition from overseas. Many business houses, loss making national banks, and small sector industries found hard to survive in the globally competitive new millennium.

Liberalization has shaken age-old concepts of market and organization size. For the new millennium, strategic planning seems the mantra for growth. Most progressive family business groups have restructured their organizations and have also adopted strategic business units' model (Sampath, 2001). Internet era has dawned in the first decade of the twenty first century. Entrepreneurs with core competencies in new technologies get funding from venture capitalists or angel investors or through initial public offering (IPO), the concepts totally unheard of for the companies operating in traditional sectors. Family businesses have been slow to respond to the internet revolution and seem to be uncomfortable with the rise of new economy technology businesses with never-before-seen valuations (Sampath, 2001). They will have to take a call to adapt to the challenges of the new millennium.

3.2 Contribution of Family Businesses in Indian Economy

The literature is reviewed in detail about the contribution of family businesses in several economies of the world in chapter 2, and the fact is established that 50 to 70 percent contribution to GDP in almost all the free economies of the world is from family businesses. Awareness about family businesses as an influential component of the Indian economy started in mid 1990s. Although there was no scholarly research data available, leading business magazines estimated contribution of family businesses during this period. Sixty-six of *Business India's* Super 100 companies were family-run (Business India, 1998), and according to Business Today (1998), family-run businesses accounted for 25 percent of India Inc's sales, 32 percent of profits after tax, almost 18 percent of assets and over 37 percent of reserves.

Since a decade systematically researched and updated numeric data on contribution of family businesses has not been published and therefore, this study has attempted to quantify the contribution of family businesses in the Indian economy from “market capitalization” perspective.

3.2.1 Background

According to Securities and Exchange Board’s (SEBI) requirement, financial and ownership data of stock exchange listed companies is published and is accessible to public. Such information about privately held, family-controlled companies is not available for public viewing. Therefore, in this study the contribution of family businesses in Indian economy is restricted only stock exchange listed companies. Bombay Stock Exchange (BSE) being the oldest trading exchanges in India, data of companies listed on BSE was analyzed.

India has emerged as the world’s 10th largest equity market and with over 20 million shareholders, it is the third largest investor base in the world after USA and Japan. The Indian capital market is significant in terms of the degree of development, volume of trading and its tremendous growth potential (ETIG, 2007). India’s market capitalization (market cap) is amongst the highest in the emerging markets. Therefore, market capitalization was selected as a parameter to gauge economic contribution of family businesses.

3.2.2 Classification of Companies and Data Analysis

The data source was Prowess database of Center for Monitoring Indian Economy (CMIE). Market capitalization data of all the traded companies on BES for the financial year 2007-08 was collated and analyzed using MS Excel.

There were total 4928 companies listed on BSE, from which 4752 companies’ stocks were traded regularly. These companies were short-listed. Their daily market cap for the financial year 2007-08, for all trading days (251 days) was summed and averaged to a “per day” value. The average market cap per day for all the traded companies was sorted in an ascending order and top 500 companies were selected for further analysis. All the traded companies were not analyzed further for two reasons, one being cross-holding of companies is a common practice adopted by large sized companies and business groups, and therefore ownership information was unclear in many cases; and another reason being the data mining difficulty.

The selected companies were classified in 5 segments based on the ownership criterion as: private holding-family controlled; private holding-professionally controlled; foreign holding; central govt. holding; and public private partnerships. Private holding-family controlled companies were selected on the basis of promoters’ equity holding equal or greater than 25 percent. Many business groups emerged where the equity was held either by the individual families or by a group company belonging to the family. In some cases, though the companies belonged to the family groups, the promoters’ equity holding was less than 25 percent. These companies were classified as private holding-professionally controlled companies. Foreign companies holding highest equity were classified as foreign holding companies, and central government holding companies were classified accordingly. In four cases, government and private companies were joint promoters and these companies were classified as public-private partnerships.

Table 3.1 illustrates market capitalization of top 500 BSE listed companies for the financial year 2007-08. From these top 500 companies, 346 companies i.e., about 69 percent are family controlled companies, with promoters’ equity holding 25 percent or more. These companies have contributed more than half that is, 54 percent to the market capitalization contributed by top 500 companies in the given year.

Table 3.1 Market Capitalization Contribution of Indian Family-Controlled Companies (FY 2007-08)

Classification of companies →	Private Holding - Family controlled	Private Holding - Professionally controlled	Foreign Holding	Central Govt. holding *	PPP (Public - Private Partnership)	TOP 500 BSE Listed
No. of Companies	346	30	57	63	4	500
Avg. Daily Market Cap. (Rs. crore)	2652756.05	516706.03	402958.08	1301375.29	17093.7	4890889.15
% of Companies	69.20	6.00	11.40	12.60	0.80	100
% of Market Cap	54.24	10.56	8.24	26.61	0.35	100

The above analysis establishes the importance of family-controlled companies in Indian economy. The data clearly indicates that Indian family-controlled companies play a significant role in wealth creation for the nation.

3.3 Conflict and its Impact on Indian Family Businesses

Conflict is generally viewed as harmful to organizations because conflict breeds hostility and mistrust among members, interferes with organizational functioning, and, in the extreme cases, causes a breakdown in the organizations (Ohbuchi & Suzuki, 2003). Researchers, academicians and consultants are in agreement about the negative impact of conflict on the family business. Harvey and Evans (1994) state that: “family businesses are fertile fields for conflict.” Ward and Aronoff (1994) consider conflict as one of the fastest growing areas of concern in family businesses. Family business failure is not only statistically predictable (Grote, 2003), but also culturally universal. James Hughes (1997) discovered that the American proverb “shirtsleeves to shirtsleeves in three generations” has its foreign counterparts, such as the Chinese have the similar proverb, “rice paddy to rice paddy in three generations.” For Indian family businesses, the late Prof. Pulin Garg of Indian Institute of Management, Ahmedabad used to say “Haweli ki umar saath saal,” i.e., the family business survives only for sixty years till the third generation (Kaul, 2005).

Although conflict is not necessarily detrimental, conflict left unattended can be unhealthy and damaging in family businesses (Dechurch & Marks, 2001). Unaddressed conflict can tear at the very fabric of a family business, the dysfunctionality of infighting can affect the performance of the business and the resources get squandered on fighting, power struggles, and family disagreements undermining its competitive success and threatening its very survival (Dyer, 1986; DeChurch & Marks, 2001; Hershon, 1975). There has been scanty research done on the effects of conflict. Outcome, or consequences, is perhaps the least studied stage in the conflict process (Bergman & Volkema, 1994).

3.3.1 Genesis of Conflict

In Indian business scenario, within a decade of independence three developments changed the industry environment. First was the invitation and encouragement by the government to set up businesses in the private sector to accelerate the pace of economic development. Second was Union and State governments setting up financial institutions to provide industrial finance to private sector. Third development was the joint family system, which was the backbone of Indian social structure for centuries, began to experience severe strain due to growing urbanization and westernization trends (Tripathi, 1999).

3.3.1.1 Macro Environment Forces

Industrial projects in private sector to meet the five year plans of the nation were too large for any family business to mobilize from their own resources. Therefore the financial participation from financial institutes became necessary to exploit the business opportunities. Many business families diluted their holdings in their older companies to release resources for investment in more challenging ventures. Due to finance coming from outside resources, the family ceased to be a critical source of business finance. Family stranglehold became a thing of past and now more so in the 21st century. This phenomenon further reinforced the fissionary trends in most of the business families, which was unthinkable earlier (Tripathi, 1999).

3.3.1.2 Socio-Cultural Forces

Indian family businesses are deeply rooted in their 2000-year-old agrarian heritage (Sampath, 2001). Some salient cultural features of Indian society were in concordance with those of the Hindu joint family model (Parikh, 1994). Family, work, education, and society were interlinked in such a way that it gave an individual a sense of security and stability, and became a part of his or her socio-cultural identity. Sampath (2001) elaborates that the agrarian society had well-defined roles for individuals and in the business, inter role linkages and expectations were articulated and understood through tradition and conventions.

Sociological research emphasizes the importance of family relationships as social capital (Furstenberg & Hughes, 1995), which was defined as the resources stemming from the possession of a durable network of acquaintance or recognition (Bourdieu, 1985). The concept of social capital focuses on the benefits accruing to individuals by virtue of participation in groups (Portes, 1998). Indian social culture comprising castes, religious sects and closely knit joint family system offered unique social and family capital for the businesses. Family capital is developed by trust and cooperation among family members. High trust can dramatically lower transaction costs, corruption, and bureaucracy. It should also be accompanied by education and strong work ethics. Otherwise it leads to nepotism and stagnation (Das, 1999). Indian family businesses have developed capabilities as network assemblers, penetrating into diverse ethnic communities in different geographical enclaves.

3.3.1.3 Economic Reforms

The decade of late 1980s and early 1990s was the harbinger of transition in the Indian economy as well as in the society. Transition occurs when an individual encounters a different, a secondary ethos from the one primarily embedded in him through a process of socialization/acculturation during education or while working. In case of Indians, the secondary ethos is the western ethos, which is learned through the process of education, from peers, the media, and in the work system (Sampath, 2001).

Ward (2000) reckons changes in national economic policies to be the most influential in shaping particular family and business decisions of Indian business groups. In earlier times, culture kept family conflicts unspoken and unaddressed in the "Hindu joint families" set up. To keep conflict at minimum, the business families attempt to have each son responsible for his own business. However, such an approach frequently leads to stronger conflicts and the eventual division of the group into different, independent businesses owned separately and wholly by each son, a phenomenon addressed by Ward as "partitioning of fiefdom." Emotional differences among sibling are more public, and numerous groups have gone to the court to address their sibling conflicts (Ward, 2000).

3.3.2 Triggers of Conflict

According to Garg et al. (1986), the sources of conflict lie in the lack of cooperation which stems from the feeling of deprivation and denial that a sibling experiences in the multi-sibling situation of the joint family system. As the times changed, the joint family system gave way to nuclear family system and siblings did not feel denial and deprivation as much as they did in earlier generations. As a result, entrepreneurs from a nuclear family background brought in a very different culture into the organizations, as evident in organizations formed by technocrats and techies (Sampath & Ojha, 2000).

Primogenerial or hereditary leadership is one of the characteristic traits of Indian family businesses. However when younger generation is eager to do things faster and the older generation is slow to response, a fertile ground for conflict is developed. In India, usually in the second generation conflicts arise as individuals have different personalities and styles. According to Sampath (2001), reasons such as different styles of father and sons, lack of succession planning, lack of or different entrepreneurial instinct of two generations, are the seeds of future conflicts and inefficiencies in the system.

One recent reason that family differences have flared into full fledged feuds is the increasing influence of the West. As the children are sent abroad for education, traditional family values change and the authority of patriarch that is above questioning of any sort, too changes (Business World, 2007). Other issues that family businesses have to confront are: handling complexities of both family and business realities; responding to globalization and entry of multinationals; attracting good professionals and retaining them; business succession and estate planning; creation of enough business entities to accommodate all family members; and training family members and giving them alternatives if they are not inclined toward business (Sampath, 2001).

3.3.3 Split – an Impact of Conflict on Indian Business Houses

Family disputes in Indian businesses are an every-day phenomenon, but when they occur in large business houses or in industrial conglomerates, they are usually in the glare of public scrutiny (Business World, December, 2007, p.29). Since India's independence, in last six decades, most of the country's top business groups – with few exceptions like the Tata – have split. And many of these splits have been acrimonious. Particularly post liberalization, India's business families have started fragmenting with greater frequency, buffeted by strong winds of competitiveness and internal pressures (Indian Management, 2005). It seems business family divisions are virtually inevitable, yet the disastrous ill-effects that accompany some divisions can be minimized with planning. For example, the large and well known group like Reliance had not planned for succession; inter-personal family relationship was one of the main reasons for the legal and public tussle and division in the Bangalore based BPL group (Indian Management, 2005).

In a strategic family split, synergies among different business operations are recognized and splitting is done to make each separated group more focused and cohesive. When the assets are split only to serve the family sentiments and business synergies are ignored, then the separated independent family businesses are prone to lack critical mass and are forced to spend time and resources on divesting unrelated and unviable businesses (Gupta et al., 2007).

Sampath (2001) mentions prominent splits in the business family groups post-independence phase, such as Birlas and Bajajs[5]. Family businesses created as entities by the founders during pre and post independence phase, usually had shareholdings of multiple members. In many cases of splits, the agreements between the shareholders were verbal or unspoken. In absence of well documented agreements, over a time, the interpretation of ownership differed by different family members and led to disputes. Another reason in some cases was the desire of younger (second, third) generation to strike out on their own. The trend was greater toward a nuclear family ethos and these generations had to continue with the joint family system till the business was together, fuelling major conflicts within the family.

Survival of the family business is often challenged by the autocratic rule of the founder, resistance to change, lack of professional management capabilities, confusion of family and business roles, lack of austerity, equality-inequality, rivalry and inflamed human emotions among family members, conflict between interests of the family and the business, limited investment in business development, increasing influence of the West (Gersick et al., 1997, Kets de Vries, 1993, Das, 1999; Sharma & Manikutty, 2005). According to Ward (2000), three reasons lead to sibling break-ups in the families known culturally for their family orientation and unexpressed conflict, are:

1) lack of transparency in salaries and finances
2) repressed emotions, and
3) each sibling wanting to take care of their own male offspring

[5] The bajajs are one of the India's premier business families. The family fortune was built by Jamanalal Bajaj. The group was split down in middle in1968 between the Bajajs and their partners Firodias. Rahul Bajaj headed the group with its ownership divided equally between him, his brother Shishir, and three cousins Shekhar, Madhur, and Niraj. Once again the family is in the process of bitter split between Rahul Bajaj and his brother Shishir since 2005.

The first prominent business house that broke up in early 1950s, was of Dalmias. This was the beginning of a process that engulfed practically all business families in some measure, sooner or later (Tripathi, 1999). Outstanding splits were few and far in between until 1970s. In the 35 years following 1970, there have been at least 50 splits in major business families in India. Kolkatta based business families were known for their feuds resulting in splits, especially Marwari business families including Birlas, Goenkas, Singhanias, Poddars, Kanorias, Jains, Dalmias, Jalans, Khaitans, and Bangurs among others (Mukhopadhyay, 2005). Business houses of other communities were also not less exposed to feuds, such as Mafatlals, Shrirams, Walchands, and Ambanis (Gupta et al., 2007).

Some examples of conflict causes that resulted in splits of the Indian business houses (Indian Management, 2005; Das, 1999; Business World, 2007) are:

1. Differences in personal styles: Reliance group
2. Lack of succession planning, ownership issues: Reliance group
3. Younger generation's desire to carve out a more independent role: Bajaj group, Raunaq Singh (Apollo Tyres) group, Jindal group
4. Interpersonal family relationships: BPL's TPG Nambiar and son-in-law Rajeev Chandrasekhar, Bhai Mohan Singh (Ranbaxy)
5. Separation of joint families in second and third generations: Modi group, Walchand Hirachand group, Shriram group, Thapar group

Appendix A gives a list of the prominent splits in the business families in India, in last 60 years.

3.4 Proactive Measures for Managing Conflict and Sustaining Growth

Das (1999) analyzes characteristics of Indian family businesses and mentions that Indian businesses are overwhelmingly owned and managed by families. This is not necessarily a disadvantage as long as the family businesses can overcome their historic weaknesses and learn to separate the family's interest from the company's interest, create an environment to recruit and retain outside talent, bring focus to their operations, upgrade their skills and knowledge through joint ventures, and follow a consistent strategy.

Indian family businesses have awakened to the need of taking proactive measures for sustenance and growth of their families and businesses, some of these are detailed below.

3.4.1 Succession Planning

Succession and ownership are the contentious issues of family businesses. As the wealth of patriarch-led corporate group increases, the likelihood of fights for the larger share of the empire among the younger generations also increases. When there is more than one potential successor, family's plan to ensure a smooth succession becomes essential. A clear succession plan and transfer of leadership ensures smooth running of business in the longer run (Indian Management, 2005). A recent survey by the Association of Chambers of Commerce and Industry (ASSOCHAM) indicated that despite a significant majority of companies recognizing the importance of good succession planning, Indian companies rated themselves at four out of ten for long-term planning and for grooming successors as heads of firms (Business World, 2007).

In western economies, an effective measure to ensure smooth and meaningful transition of family business from one generation to other is done by separating ownership of the business from the management of the enterprise (Indian Management, 2005). In such cases, ownership and succession issues do not interfere with the functioning of the business or jeopardize its growth. Many progressive business houses such as Wipro, Dabur, Mahindras have separated ownership and management of the businesses.

3.4.2 Focus and Adaptability

Ward (2008) reports that family businesses not only out-perform from a profitability point of view but they actually outlive non-family controlled companies despite all of the extra challenges that family businesses face. They have the objective of continuity and sustainability, pursue different strategies, are prudent, and have capacity to be adaptive. The long term management perspective, a cautious approach to risk to avoid destroying family wealth, and an ability to act quickly, are the strengths of family businesses (Moody's ICRA, 2007).

Splits drive growth. Data indicates that groups that have split outperform those that have not (Piramal, 1998). RPG group of Goenka brothers is an example. However it may not be true across the board. The patriarchs desirous of keeping the family together can focus by farming out businesses between offspring. The group business can be carved up into focused individual units, each looked after by an inheritor.

By structuring the business that delineates into a different business can be a tactic to prevent disputes. In this way the family can get into new businesses without the pain and acrimony of splits. Ruias of Essar, Mittals of Bharti, O.P. Jindal group have followed this route, illustrating the theory that different businesses can be divided without any conflict after the demise of the patriarch (Business World, 2007).

The BT-Gallup MBA poll (Piramal, 1998) has indicated five threats to Indian businesses – splits, succession planning, takeovers, transnational competition, and lack of focus. Piramal point outs that to survive the transnational attack and the gale of new competition from local and foreign players, Indian family groups must improve their working, which can be done by professionalizing the business i.e., by introducing good systems and getting better managers.

3.4.3 Corporate Governance

Corporate governance refers to the structures, systems and processes that provide direction, control, and accountability for an enterprise. For family businesses, it adds the responsibility to assure unity and commitment of ownership. Ramchandran (2009) evaluates governance in family businesses and posits that the root cause of all feuds in family run businesses is the lack of a robust governance mechanism in the family. Due to globalization, Indian corporates are adopting corporate governance norms and transparency in operations. They are looking at fresh solutions to minimize conflicts within the families. Family governance mechanism through a family constitution or moral code that can act as a blueprint for emerging or future conflict, is developed by the family members. GMR group, Dabur, and Murugappa groups are such examples. GMR group has drawn up a family constitution that covers roles, rights, and responsibilities of not only the family members working in the business but also those who are not involved in day-to-day operations (Business World, 2007).

Moody's ICRA (2007) report on corporate governance and related credit issues for Indian family-controlled companies mentions that although a few notable companies are leading the way in emphasizing the importance of good governance and adopting global best practice, important governance issues persist. These are the issues not covered or partially covered by regulations – including leadership transition, transparency on ownership/control and related-party transactions, and independence of directors.

3.5 Conclusion

Private sector has dominated the Indian business horizon since pre-independence period and continuous to occupy an important position to this day (Tripathi, 1992). Entrepreneurship is the hallmark of private sector businesses and only recently empirical research on entrepreneurship has begun. Scholarly research on the family business is still underdeveloped in India, although the institution of family business in Indian economy is omnipresent.

Family businesses have come a long way over two centuries and have sustained through several economic, political, and social transitions. Conflict and feuds are inherent in family businesses, and in most cases intense conflict has led to splits and divisions causing more detrimental effects than the positive. Although Indian business houses have mandatorily adopted corporate governance practices, few have imbibed the spirit of governance – corporate as well as family. Conflict and splits continue to emerge in family businesses, and the prominent business houses' feuds are brought in public eyes through media scanner. In this chapter, a broad overview of Indian business family conflicts and splits, with the causes has been presented. An endeavor to understand, analyze the conflict phenomenon and its typology is made in the following chapter 4.

Chapter 4
Conceptual Framework and Exploratory Research

4.0 Introduction

In this chapter, the discussion is about the conceptual framework of conflict and the exploratory research that establishes the foundation for the development of an empirical research model. In section 4.1, positive and detrimental effects of conflict in family businesses are summarized. Section 4.2 details causes of conflict related to the dynamics of family businesses based on an exhaustive literature review, followed by section 4.3 on typology of conflict as a theoretical underpinning. Section 4.4 elaborates objectives, methodology, sample selection and case study approach for exploratory research. In section 4.5, derivations from the exploratory research are outlined, which form the basis for the analytical frameworks discussed in chapter 5, with the conclusion in section 4.6.

4.1 Effects of Conflict on Family Business

Scholarly research on family firms largely describes conflict as the “root” of all evil and as one of the main reasons for failing organizations (Beckhard & Dyer, 1983b; Danes et al., 1999; Dyer, 1986; Gersick et al., 1997; Levinson, 1971). The type, quantum and repercussions of conflict are unique to each family business. Gordon and Nicholson (2008) posit ingredients of conflict as people wanting incompatible things, or people competing for the same thing. It is easy to resolve material matters such as money and tangible resources, but it is difficult to avoid conflicts around matters of ethics, values, and principles. However, conflict has its benefits or the bright side and results of task and process conflict tend to be beneficial (Wall et al., 1987; Tjosvold, 1991; Harvey & Evans, 1994; Sharma et al., 1997; Jehn, 1995; Jehn, 1997).

4.1.1 Positive Effects of Conflict

Major positive effects of conflict, studies and analyzed by researchers, are depicted in Table 4.1 below:

Table 4.1 Positive Effects of Conflict

No.	Positive Effects	Author(s)
1.	Cognitive (task) conflict that focuses on the discussion of the firm's goals and strategies may ensure that key information and environmental changes are discussed and understood by decision-makers. Work-related conflict can have a beneficial effect on a family firm's performance.	Jehn, K. A., & Bendersky, C., 2003; Kellermanns & Eddleston, 2004
2.	Cognitive conflict may be beneficial to family firm performance as the firms are criticized for not adapting strategies to transformations in their environments and resisting change.	Levinson, 1971; Ward, 1987
3.	Cognitive conflict facilitates opportunity recognition, environmental scanning, and the necessary learning for entrepreneurial behavior.	Shane & Venkataraman, 2000; Corbett, 2005; Lumpkin & Lichtenstein, 2005;
4.	Conflict in the family firm can drive the business toward its objectives by encouraging the constant reevaluation of objectives.	Kaye, 1991
5.	Cognitive conflict focuses on what goals and strategies the firm should pursue, involves open discussion of the merit of ideas, thereby improving the range of options provided to decision makers.	Jehn, 1997; Kellermanns & Eddleston, 2004
6.	Participative decision making environment may promote cognitive conflict in family firms because family members feel free to discuss and debate family firm goals and strategies.	Eddleston et al., 2008
7.	Feuds can bring to fore key corporate governance and transparency issues as it did in the case of Reliance group.	Indian Management, 2005

Contd.		
8.	Conflict can be beneficial when it increases opportunity recognition, environmental scanning, and the learning necessary for entrepreneurial behavior	Barringer & Bluedorn, 1999; Kellermanns & Eddleston, 2004; Corbett, 2005
9.	Groups that experience task conflict tend to make better decisions than those that do not because task conflict encourages greater cognitive understanding of the issue being discussed. A beneficial effect of task conflict is affective acceptance of group decisions. It can lead to increased satisfaction with the group and a desire to stay in the group	Hoffman & Maier, 1961; Baron, 1991; Amason, 1996; Simons & Peterson, 2000
10.	Process conflict is most likely to promote creativity and assist in decision quality as it involves different view points on how to reach one or more goals, thus reflecting cognitive or interpersonal conflict between individuals.	Jehn, 1997

4.1.2 Detrimental Effects of Conflicts

To develop the conceptual framework of conflict, some of the key detrimental effects of conflict, researched and analyzed by the scholars, are depicted in Table 4.2 below:

Table 4.2 Detrimental Effects of Conflict

No.	Detrimental Effects	Author(s)
1.	Conflict is a recurring characteristic that diminishes the performance of family firms.	Levinson, 1971; Harvey & Evans, 1994
2.	Conflict within the family damages internal working and morale of employees and creates a degree of uncertainty about its future.	Gersick et al., 1997
3.	Conflict can damage the harmony and relationships of family members in the family firm	Kellermanns & Eddleston, 2004
4.	Relationship conflict may hinder innovation and entrepreneurial behavior because personal conflicts have been found to have a dramatic influence on the way family members process information, make decisions and interact with one another.	Filbeck & Smith, 1997

Contd.		
5.	Effects of conflict on individuals: anger, feelings of hostility, social-emotional separation, tension, anxiety and stress.	Thomas, 1976; Retzinger, 1991; Ephross & Vassi, 1993
6.	Intense conflict leads to hostile acts such as physical force, threats, coercion, disorder, and protest.	Sternberg & Soraino, 1984; Sternberg & Dobson, 1987
7.	Relationship conflict is devastating in family firms than in non-family firms because family members have accesses to key information and retain decision-making authority which yields them much power in organization	Dyer, Jr., 1986; Sorenson & Kaye, 1999
8.	Relationship conflict often interferes with work efforts, leads to negative feelings of suspicion and resentment.	Donnelly, 1964; Kellermanns & Eddleston, 2004
9.	Family splits have reduced the advantage of the combined group to borrow money or to negotiate common purchase.	Das, 1999
10.	Split in the family business deeply impacts the credibility of the group – both within the country and outside.	Indian Management, 2005

4.2 Causes of Conflict

The most successful executives are often men who have built their own companies. Ironically their very success frequently brings to them and members of their families personal problems of an intensity rarely encountered by professional managers. And these problems make family businesses probably the most difficult to operate.

(Harry Levinson)

Literature on conflict is mountainous because conflict has been there for a long time and since early literary times people have been writing about it (Wall & Callister, 1995). Researchers have defined conflict of several types and levels (Pondy, 1967; Thomas, 1976; Deutsch, 1990; Thomas, 1992a, 1992b). Family businesses represent two levels of conflict: interpersonal (individual) and organizational (Eddleston et al., 2008). These conflicts erupt from a variety of sources or the dynamics, including: (i) the family dynamics (Bork, 1986;

Dyer, 1986; Freudenberger et al., 1989; Rosenblatt et al., 1985; Ward, 1987); (ii) the business dynamics (Bork, 1986); and (iii) ownership succession (Dyer, 1986; Harvey & Evans, 1995). As mentioned earlier, family businesses have a complex set of problems not completely addressed by classical management theory (Davis & Stern, 1980) and one such problem is the effect of conflict severity in the family business.

The factors which are important for the success of a new family business such as, family members' involvement in the business, commitment to a loyal but limited market niche, extraordinary interpersonal skills of the founder et al., may also be the seeds of destruction as the family matures and the family size increases over generations (Beckhard & Dyer, 1983a; Cohen & Lindberg, 1974; Ward, 1987). When changes occur simultaneously in the family and in the family business, conditions become ripe for conflict over business issues (Bork, 1986; Herson, 1975). It is therefore essential to understand the causes or the sources of conflict that engulf the family and the business. Tables 4.3 (a), (b), and (c) summarize causes of conflict related to the three dynamics of family businesses: family, business, and ownership and succession (Gersick et al., 1997) respectively.

Table 4.3(a) Causes of Conflict- Family Dynamics

No.	Conflict Events	Author(s)	Cause
1.	Competing interests of family members; divergent perspectives and desires of family members; disagreements based on personal issues; conflicts of interest among family members; conflicting values of the family members	Donnelly, 1964; Gersick et al., 1997; Jehn, 1994; Degadt, 2003; Axelrod, 1970	Lack of common values and interests of the family members
2.	Nepotism; favoritism; preferential treatment to children; tendency to display bias in favor of one's relatives over non-relatives	Donnelley, 1964; Dumas, 1989; Degadt, 2003; Kruger, 2003; Neyer & Lang, 2003	Nepotism
3.	Lack of family pride and loyalty; Lack of trust and family ties; altruism; not a "tight-knit" family; no cohesiveness or supportiveness; lack of stewardship	Donnelley, 1964; Eshel et al., 1998; Sorenson, 2000; Corbetta & Salvato, 2004	Lack of family pride, loyalty, and stewardship

Contd.			
4.	Pressure on family members to join the business; lack of entry norms for family members to join the business; each family member entitled for a job in family business	Donnelley, 1964; Levinson, 1971; Donckels, 1989; Ward, 2000	Lack of entry norms in the family business
5.	Unequal treatment of family members; uncertain status differences between members; justice conflict; perception of injustice	Boles, 1996; Pruitt & Rubin, 1986; Danes et al., 1999; Karra et al., 2006	Inequality and injustice
6.	Rivalry among family members, sibling rivalry; deliberately interfering with another's goal achievement; emotional hostility; stress, anger; emotional involvement of members; sustained interpersonal conflicts	Correll, 1989; Schmidt et al., 1972; Nye et al., 1973; Ensley & Pearson, 2005; Levinson, 1971; Degadt, 2003; Kaye, 1991	Emotional conflict, rivalry
7.	Lack of family norms; lack of closeness and feeling of safety; Lack of flexibility in relationships and family ties; marital discord	Kaye, 1991; Ephross & Vassil, 1993; Granovetter, 1985; Rogers, 1995	Lack of family norms and poor family governance
8.	Differing personality characteristics of individuals; differing personal values; differing goals and aspirations	Wall, 1995; Augsburger, 1992; Hahm, 1986; Wong et al., 1992; Pruitt & Rubin, 1986	Individual Personality characteristics
9.	Communication distortions and misunderstanding; too low or too extensive communication; destructive criticism, threats; limited information exchange; lack of communication between incumbent generation and newer generation	Wall, 1995; Pondy, 1967; Baron, 1988b, 1990; Meyer & Zucker, 1989; Ibrahim et al., 2001	Lack of communication and information sharing
10.	Difference in importance attached by family members to name, recognition, and respect in community; lack of goodwill in business community	Sorenson R, 2000; Dyer, Jr. & Handler, 1994	Different treatment to family members; goodwill and community recognition
11.	Criticisms from women family members; Interference of relatives and extended family members	Levinson, 1971; Degadt, 2003	Interference and negative influence of non-working family members

Table 4.3 (b) Causes of Conflict - Business Dynamics

No.	Conflict Variables	Author(s)	Summary of Causes
1.	Conflict between interests of the family and those of the enterprise; co-mingling of business and family roles; incompatibility between values & goals; lack of agreement on future direction of business; conflict of interest between the firm and the family; opposing objectives of business needs and family needs	Donnelly,1964; Lansberg & Astrachan, 1994; Harvey & Evans, 1994; Bernard, 1951; Davis & Harveston, 1999; Degadt, 2003; Wakefield & Sebora, 2004	Lack of common goals and future direction of business and family
2.	Lack of discipline in profits and performance of organization, capital shortages, misguided financial secrecy; lack of governance; no formal organizational structure	Donnelly, 1964; Lee & Rogoff, 1996; Harvey & Evans, 1994	Financial indiscipline, weak corporate governance
3.	Resource constraints; competing for scare resources; dissatisfactory financial performance	Scott, 1992; Sorenson, 2000; Thomas, 1976	Resource constraints, poor financial performance
4.	Role carry over between business and family; double role playing-as members of the business and as members of the family; dissatisfaction from family members over managerial roles; role and position of individual members in family business	Sorrenson, 1999; Filbeck & Smith, 1997; Davis & Harveston, 1999; Degadt, 2003	Role conflict, role ambiguity
5.	Lack of conflict management norms; failure to effectively manage conflict; lack of mediation for conflicting parties; lack of formalized systems and structures to deal with conflict	Dyer, 1986; Beckhard & Dyer Jr., 1983; Walton, 1969; Harvey & Evans, 1994	Lack of conflict management
6.	Interfering participation of founder (elder generation) on succeeding generation's leadership and control; children's desire to differentiate themselves from their parents; Strained relationships between founder and successor/siblings; identity conflict	Harvey & Evans, 1994; Schultze et al., 2003a; Cabrera-Suarez et al., 2001; Handler, 1992; Taylor & Norrie 2000; Friedman, 1991; Dyer Jr. & Handler, 1994	Two generations inter-phase
7.	Dissatisfaction of family members about money; allocation of profits; equal remuneration irrespective of productivity; distributive issues of wealth and power	Davis & Harveston, 1999; Degadt, 2003; Beckhard & Dyer, Jr., 1983b	Differences on profit and wealth sharing

Contd.			
8.	Ignoring competence and opinions of newer generation family members; lack of autonomy; involvement of different generations in family firm; reluctance of elder generation to allow younger generation in decision making	Harvey & Evans, 1994; Evans, 1987; Kellermanns & Eddleston, 2004; Handler, 1989; Lansberg, 1988; Stavrou, 1999	Involvement of succeeding generation
9.	Lack of necessary skills of family members required for firm's competitiveness; objective of the business to meet employment needs of the family members irrespective of qualification	Emmelhainz, 1990; Hausman et al., 1999; Taguiri & Davis, 1992	Non-competence of family members
10.	Primogeniture leadership, leadership role due to familial relationship but not as a reward of past performance; Decision making by one dominant owner-manager at the exclusion of others	Boles, 1996; Hausman et al., 1999; Bennedsen et al., 2007; Nigel Nicholson, 2008	Primogenerial leadership irrespective of competence; Autocratic decision making
11.	Infighting and coalition building within the business and the family structure	Harvey & Evans, 1995	Infighting

Table 4.3 (c) Causes of Conflict - Ownership and Succession

No.	Conflict Variables	Author(s)	Summary of Causes
1.	Lack of succession planning; lack of planning for transition between generations; inheritance issues; more than one candidate for succession; potential for change and uncertainty represented by succession; disagreement between incumbent and successor	Goldberg, 1996; Lansberg & Astrachan, 1994; Lansberg 1983; Ibrahim et al., 2001; Ward, 1987; Degadt, 2003; Wortman, 1994; Hershon, 1975	Lack of succession planning
2.	Interconnection and frequent contact among working-owner members in the business and non-working owner members	Gersick et al., 1997; Harvey & Evans, 1994	Ownership and participation in business
3.	Power dynamics; autocratic leadership, owner authority; non-participative decision making; dominance of controlling owner in decision making; power differences in multigenerational ownership dispersion; Ownership dispersion among family members; high control concentration	Dyer, 1986; Sorrenson, 1999; Dean, 1992; Savage et al., 1989; Stavrou, 1999; Ibrahim et al., 2001; DeDreu & Van Kleef, 2004; Daily & Dollinger, 1992, 1993; Schwenk, 1990	Power, ownership dispersion

Contd.			
4.	Multiple generations, greater no. of family members with differing vested interests; greater dispersion of control; multiple generations with divergent perspectives and desires	Dyer, 1986; Rosenblatt et al., 1985; Davis & Harveston, 2001; Gersick et al., 1997	Multiple generations, number of family members
5.	Agency problems, integrating nonfamily executives	Nicholson, 2008	Non-family executives
6.	Complex ownership structures; multiple-family ownership groups	Gersick et al., 1997	Complexity of ownership structure

4.3 Typology of Conflict

Numerous authors agree that managing conflict is important to the success of the family business (Dyer, 1986; Kaye, 1991; Ward, 1987). To manage conflict, an understanding of the unique nature of conflict (Sorenson, 1999) and typology of conflict is required. Based on the concepts of organizational conflict, Jehn (1997) conducted a qualitative investigation of conflict in organizational work teams and developed a typology of conflict as *relationship*, *task*, and *process* conflict. Researchers have used this typology in conceptualizing and assessing conflict and conflict management in family businesses (Davis & Harveston, 2001; Kellermanns & Eddleston, 2004; Sorenson, 1999). The typology or types of conflict is discussed earlier in chapter 2.5.4 which is the underpinning of conceptual framework and exploratory research discussed for the given study.

4.4 Exploratory Research

People with different dispositions tend to carry different social environments for themselves. One branch of researchers have argued that experience of conflict is not just a function of external conditions but also of the conflict management styles as individual dispositions stable over time and across situations (Blake & Mouton, 1964; Rahim et al., 1992). However, another branch of researchers have argued that approaches to conflict are strategies or intensions, chosen to match the circumstances or the relationship, and therefore should not be treated as stable traits. The intensity of conflict is different from person to person, from family to family, and it involves subjective perceptions of the participants. Remenyi et al. (2000) comment that the essence of empirical research is that it relies on the production and accumulation of evidence to support its findings, and the collection of evidence is the corner-stone of the research strategy for the given study. Zikmund (2006) posits that exploratory research is conducted to clarify ambiguous problems, with an expectation that subsequent research will be required to provide conclusive evidence.

Considering the above, it was paramount to research contexts of conflict in real life situations of family businesses and classify them into the typology of conflict before proceeding to conduct empirical survey.

4.4.1 Objectives of Exploratory Research

In family businesses, although conflict is pervasive, the affected parties usually refrain from discussing it, especially to the external world. The Indian social culture is embedded with the values of family unity, cohesion, altruism, and brotherhood to the extent that expressing conflicting issues outside the realm of family unit is not a preferred practice. However, there have been conflicts which have become public and caught much attention of media such as the Reliance group (Singh & Goodrich, 2006). To get the “real feel” before proceeding to design survey instrument for empirical research, an exhaustive exploratory survey was conducted for a period of about 12 months with the following objectives:

1. To investigate and identify common causes of conflict and types of conflict in family businesses
2. To assess impact of conflict on family businesses
3. To identify influencing factors for conflict and cohesion

4. to develop an analytical framework and data collection methodology for further research

4.4.2 Sample Selection for Exploratory Research

Family businesses, because of the "family" and the "business," two entwined systems, are characterized differently from the other governance forms of business (Dunn, 1995). Therefore considerable emphasis was placed on selecting the 'family business' sample. A report published by IFERA (Cappuyns et al., 2002) states that in spite of omnipresent nature of family businesses, there are as good as no statistics complete enough to map the presence of family owned businesses in their respective countries. This is applicable to India too. There is no published data available for the businesses that can be called "family businesses" satisfying the definitional criteria of generational, ownership, and management control aspects of the family business. Major sources of data such as the Census bureau and business directories do not classify companies according to the family status of the owners or senior management (Dreux, 1990, Massachusetts Mutual Life Insurance Company, 1994). In view of lack of data on companies classified as family businesses, norms for selection criteria were developed to select the sample of family businesses.

4.4.2.1 Criteria for Sample Selection

Following criteria for the companies to be qualified as family-owned-and-managed companies were decided on the basis of scholarly literature and definitions on family business (Refer chapter 2.1.7). These were:

- **Multigenerational Family Membership in the Business:** Family business researchers have argued that the generation of the family firm should be considered while examining how the family influences conflict in the family firm (Davis & Harveston, 1999; Harvey & Evans, 1994). When the founder participates in critical decision making in presence of second or multigenerational members, conflict occurs due to his interfering with the succeeding generation's leadership and control (Davis & Harveston 1999). For the given study, one of the selection criteria for the sample family business was multigenerational presence of the family i.e., the family business had to have family members of two or more generations actively involved in the business.

- **Ownership and Management Control:** Researchers (Donnely, 1964; Gallo & Sveen, 1991; Rosenblatt et al., 1985) have specified ownership criterion for family business as it has to have majority ownership or control within a single family and two or more family members are or at some time directly involved in the business and have influence on company policies and objectives. Morck and Yeung (2004) use the criterion of family control to distinguish family firms where the stake of the family has to be greater than either 10 or 20 percent control of voting shares. In the given study, family members of the sample companies had to own either the entire equity or the highest percent of equity in case of other non-family equity holders were also present in the business. Management control was considered to be with the family when the family members took strategic and operational decisions in the management of business.

- **Size of the Family in the Business and Age of Business:** Corollary to the multigenerational criterion, the size of the family in the business that is, the number of family members actively working in the business was taken to be minimum 3 or more. The age of the business had to be minimum 10 years to support the multigenerational presence criterion.

4.4.2.2 Sample Identification

To fulfill above mentioned criteria in selecting sample family businesses, it was imperative to know about the company's ownership structure. In India, the published data on companies' ownership structure is available only for public limited companies as per the mandatory disclosure policy of Securities and Exchange Board of India (SEBI). A very large segment of businesses is in the form of closely and privately held companies such as proprietorship, partnership, and private limited. Their ownership holding details are not published for public viewing. Under the circumstances, selecting a sample from published secondary sources was found to be inappropriate.

Another source of selecting family businesses was to get data of members from various trade and industry associations. Empirical research on family business has relied a lot on samples based on membership lists of professional associations or mailing lists of family business consultants (Chua et al., 1999). All India Association of Industries (AIAI) was contacted to provide a database of companies. Although the association has an all India presence, companies located in Mumbai, Pune, and Ahmedabad were selected considering geographical proximity for the interaction between the respondents (the owner-managers) and the interviewer (the author).

From a list of active members of AIAI, 20 companies were selected as a purposive sample. The preference was given to the companies located in geographic proximate centers of Mumbai, Pune, and Ahmedabad. These companies were a mix of public listed, private limited, and partnership firms. They were in the businesses for at least 10 years, the family owned full or maximum percent of equity capital, and management control was with the family members. Owner-managers of these companies were briefed on the phone about the objectives of the exploratory research, and were requested to participate in the personal interview and one-on-one discussion. From these respondents, references of 14 other companies were obtained through a snowball sampling method. In total, owner-managers of 34 companies were contacted with interview requests for the exploratory survey.

34 businesses were screened in terms of generational situation, business status, ownership, number of family members working in the business, and conflict status. 25 family businesses agreed for personal interviews, 4 businesses declined to participate in the survey and 5 businesses did not fulfill all the above mentioned criteria for selection.

4.4.3 Exploratory Survey: A Case Study Approach

To accommodate the complexity of conflict phenomenon in the research, the exploratory survey was conducted on the basis of case study approach (Riley, et al., 2000; Zikmund, 2006). Case study contributes uniquely to the knowledge of individual, organizational, social and political phenomena, and the need for case studies distinctly arises out of the desire to understand complex social phenomena (Yin, 1984).

Researchers cite the advantage of case studies as the fact that they allow in-depth examination and understandings of the foci of study (Forsyth, 1990; Moorhead & Griffin, 1992). Qualitative analysis or intensive analysis (Markus & Lee, 1999) allows researchers flexibility of collecting, analyzing and interpreting data that does not lend itself to traditional quantitative methods.

The objective of exploratory survey in case study format was to explore several conflict contexts in family businesses; internal and external forces causing conflicts; and responses of the family members to conflicting situations. The evidence collected from the survey was to be used in arriving at conclusive research design, where by using statistical techniques the hypotheses could be proven.

4.4.3.1 Sample Size

The respondent mix from 25 sample family businesses was as follows:

- In 22 cases: 2 male working members of the family were interviewed individually in one-to-one discussion, totaling to 44 respondents
- In 2 cases: 3 family members from each family comprising 2 male and 1 female (spouse) were interviewed, totaling to 6 respondents
- In 1 case: one male and one female (spouse) were interviewed, totaling to 2 respondents.

The sample family businesses were segregated in two groups on the basis of conflict intensity in their family businesses. One group was of the family businesses which had split earlier due to conflicts and the other group was of the family businesses which had never split. From 25 family businesses, 10 family businesses had split earlier and 15 family businesses had not split. Total number of respondents including both groups was 52, comprising 49 male and 3 female. 21 respondents were from the split family businesses and 31 respondents were from non-split family businesses. The respondents were segregated into two age groups: younger generation from 26 to 35 years, and elder generation from 36 to 75 years. Conflict being a ‘within the family’ issue for family businesses, only the affected parties that is, family members were interviewed. From 25 cases, in 8 cases, in addition to personal interviews, the founders’ biographies and published data about the groups were also referred.

4.4.3.2 Interview Structure

Initial 4 interviews were conducted as open-ended, unstructured discussions with the respondents, where they expressed their views on business ethos, family values, conflicts, and described genesis and historical background of their family businesses. From these discussions, a framework of interview questions was developed. Remaining interviews were conducted in a semi-structured questionnaire format. Probing was done on the conflict issues faced by the respondent, and on the respondent’s personal views and beliefs about conflict. Each interview lasted from 60 to 180 minutes.

Table 4.4 depicts characteristics of the exploratory survey sample companies.

Table 4.4 Exploratory Survey Sample Characteristics

Companies shortlisted for in-depth interviews	34
Companies consented for interviews	25
Respondents interviewed	52, including working and non-working family members
Type of respondents	• Working family members: founders, siblings, and grand children of various generations • Non-working family members: spouses (wives)
Geographic locations	Mumbai, Pune, Ahmedabad
Generational status	Minimum two generations of family members working full time in the business
"Conflict" status in the family Businesses	i) Intense conflict and bitter split(s) taken place in the family business: 3 ii) Moderate conflict and agreeable split(s) taken place in the family business: 7 iii) High level of conflict and possibility of split in the family business: 3 iv) Never had split in the family business: 12

Table 4.5 given below details the framework of the exploratory survey interview questions. The framework was modernly adhered to with the flexibility of connecting respondents' comments and viewpoints to further questions. In some cases, the interviews were recorded with the permission of the respondent.

Table 4.5 Framework of Exploratory Survey Interviews

Part	Topic	Questions pertaining to
Part I	Demographics and generational details of the respondent	Age; experience; current position in the business; relationship with the founder and other family members; family size and family tree
Part II	Company details	Type of industry; size of the company; sales turnover; current level of growth; group companies; hierarchical structure and respondent's position there of
Part III	Business culture and practices	Founder and historical background of the business; milestones of growth and setbacks if any; leadership styles; ownership norms; vision of the founder and of the current leader (if not the founder); succession norms; entry and exit norms for family members and reasons thereof; divisions; splits if any and their reasons; influence of non-working family members in the business; role of professionals in the business; corporate governance issues; and conflict prone areas in the family business
Part IV	Family values and norms	Family traditions and practices; norms of standard of living; communication; conflict resolution mechanism; sharing of wealth and power; role of the family in the community; long term vision for the family; and sustenance measures

4.4.3.3 Case Transcripts

From the exploratory survey of 25 businesses, 4 representative businesses were selected, each with a different conflict status, for case study analysis. The objective of selecting different conflict statuses was to do a cross examination of conflict causing factors and evaluate triggering mechanism of conflict, splits, and cohesion in different family business backgrounds. The conflict statuses selected for case transcripts are as follows, and brief case transcripts of these family businesses are attached in Appendix B to E as follows:

Appendix B: A case of intense conflict and bitter split(s) taken place in a prominent business house

Appendix C: A case of moderate conflict and agreeable split(s) taken place in a medium sized family business

Appendix D: A case of high level of conflict and possibility of split in a highly successful family business

Appendix E: A case of never-had-split in a large multigenerational family business

4.5 Derivations From Exploratory Research

The exploratory research findings can be divided into two groups: (1) views and opinions of the respondents who had experienced severe conflict and split(s) in their family businesses; and (2) views and opinions of the respondents who had experienced conflict but had never gone through a split in their family businesses. Derivations of the findings and inferences are discussed below:

4.5.1 Context of Conflict

Demographics of the respondents such as age, education, position in the business, involvement in the business, generation, had experienced a split or not, were important to understand the context of conflict from an individual's perspective. Also, the family and business details such as the growth of business, number of family members, number of companies, multilevel ownership, age of business, primary and extended relationships, and details of split in case the business had split(s) were important to develop the family business context.

4.5.2 Causes of Conflict

All the respondents mentioned several causes of conflict which were common. From total 52 respondents, 34 respondents (65 percent) had experienced split or were experiencing intense conflict in their family businesses, and 18 respondents (35 percent) agreed for the low to moderate intensity of conflict experienced by them in their family businesses.

45 respondents (86.5 percent) cited relationship conflict as a major reason for their splits. Prominently surfaced relationship conflict reasons were:

1) Absence of strong family values and family bonding
2) Struggle for power and authority among family members
3) Lack of trust and transparency among family members
4) Sibling rivalry, jealousy among family members
5) Lack of communication and sharing information

27 respondents (52 percent) emphasized the presence of task conflict besides other causes of conflict. The following causes emerged:

1) Lack of common vision and goals
2) Financial indiscipline and non-transparent dealings
3) Discontent on sharing profit
4) Lack of succession planning

Following hidden or “below-the-surface” causes were identified after a probe by 29 respondents (about 56 percent) who had or were experiencing intense conflict in their family businesses.

1) Negative influence of women family members
2) Younger generation’s entry and role overlap
3) Lack of clarity on succession, and authoritative leadership in the generations after the founder’s generation

4.5.3 Characteristics of Family Businesses

Specific characteristics of family businesses emerged from the exploratory survey. These are as follows:

4.5.3.1 Leadership

From 52 respondents, 9 respondents were founders of their family businesses. 3 founders mentioned that they had adopted participative style of leadership and they took decisions collectively with other family members. 6 founders mentioned that they were the final authority in decision making in their businesses and did not delegate important, strategic decisions to other family members. Scholars of family business studies have argued that high level of dependence on a single decision maker may be the strength of the family business (Feltham et al., 2005), and unified ownership and control arising in family firms can lead to performance advantages (Daily & Dollinger, 1992). However, 24 (46 percent) respondents mentioned that the authoritative style adopted by the successor, a sibling appointed as the leader, caused friction among family members. 21 (40 percent) respondents who had experienced split in their family businesses expressed their views that due to lack of a powerful and authoritative leader who could keep the family together, their family harmony was disturbed and fissures among family members led to split(s).

From 52 respondents, 15 respondents belonged to the younger generation in the business, in the age group of 26 to 35 years. They showed an inclination toward practicing participative leadership by considering opinions of all the family members and taking collective decisions.

4.5.3.2 Succession Planning

The sample family businesses were found to be practicing primogenerial succession norm in which the eldest son by virtue of being the first born male child becomes the successor.

In 6 family businesses which were three or more generations old, this system of succession was adopted. However, the respondents who had split from the main family business were in favor of passing on the baton to the more competent son or to divide the business in two, in case there were two equally competent sons.

From all the 49 male respondents, 48 (98 percent) respondents agreed that women members of the family were not given ownership or decision making roles in the business. Indian social culture, traditions and ethos, especially Hindu marriage customs strongly influenced this practice.

4.5.3.3 Younger Generation's Role

From 52 respondents, 36 (69 percent) respondents felt that the entry of younger generation in the family business increases friction among the incumbent generation members, despite the fact that the younger generation members are expected to join the family business.

In 4 (16 percent) businesses from 25, the younger generation members were expected to work out side the family business for about 2 to 3 years to get an exposure and training in an outside environment. However, in the remaining 21 (84 percent) businesses, the younger members directly joined the family business after completing or along with higher education studies and got "on-the-job" exposure and training.

Younger generation's ambitions and their desire to manage the business independently were the major reasons cited by 32 (about 62 percent) respondents for the cause of split in their family business. Personality clash between two generation members and within the same generation members was the most frequently cited cause of conflict, especially in large business houses with multilevel ownerships and several group companies.

4.5.3.4 Family and Social Values

All the 52 respondents agreed that they believed in family values such as respect to elders, maintaining familiness and bonding, caring for youngsters, equal sharing of business gains, employment of family members in the business. 30 (about 58 percent) respondents mentioned that they consciously took efforts to practice these values in their family and the business by adopting a few rituals and norms. Remaining 22 respondents mentioned that they did not follow any specific rituals or norms to practice family values.

A mixed response was received from the respondents on social values such as social image of the family name and reputation, charity and religious activities in the community. In case of 7 (28 percent) old and prominent business houses, respondents attached a great importance to these factors. Social charity activities were done by 12 (48 percent) family businesses through charitable trusts. Importance was attached to religious practices by 22 (42 percent) respondents including women (spouses). The families which never had split practiced specific rituals and customs such as Diwali and wedding get-togethers within the family. However younger respondents of age group 26 - 35 years seemed not to prefer religious binding.

4.5.3.5 Cohesion Factors

Conflict was experienced by all the respondents from 25 family businesses, only the intensity and the type of conflict differed. 15 (60 percent) families had never experienced split in their family businesses and respondents from these families cited following practices that kept their families united:

1) Regular family meeting of working and non-working family members
2) Festival celebrations and annual family retreats
3) Clearly defined roles and responsibilities of family members, particularly that of younger generation members
4) A mind-set of “united family is a strength”

5) Equality in lifestyle, but profit sharing according to performance
6) Unanimously accepted leader, perceived as fair and just
7) Open and frank interpersonal communication among family members

4.5.3.6 Conflict Prevention Norms

In 2 family businesses, family trusts were formed to take care of family's prosperity and provide financial insurance to members in future for difficult times. However, this was not a commonly observed practice. In 19 (76 percent) cases, all the owner-managers of the family businesses shared profit and wealth equally. However, 4 respondents from these businesses mentioned that such a system of division of profit was not rational and would create disturbance in family unity.

Family businesses that had gone through bitter feuds and splits in the past, had at some point resorted to outside mediators like consultants, lawyers, and chartered accountants for helping them in the business and financial division. Except 2 family businesses, no businesses had any written family charter or constitution, which are considered to be the popular conflict prevention tools (Nicholson & Björnberg, 2004). 7 respondents mentioned that there was a possibility of split in their family businesses, but they had not taken any measures to prevent it.

4.6 Conclusion

The conceptual framework of causes of conflict in family businesses and typology of conflict were tested in exploratory research. The survey outcome enabled identification of variables for further empirical research and hypotheses formation to be used in model building, as discussed in the following chapter 5. Other pertinent issues for harmony and conflict such as family governance, trusts and charity, characteristics of split and non-split family businesses, also surfaced in the outcome. Exploratory survey findings led to the development of the questionnaire for empirical, conclusive research.

Chapter 5
Analytical Framework

5.0 Introduction

The conceptual framework of causes of conflict, conflict typology, and exploratory research are discussed in the earlier chapter 4. In this chapter, analytical framework of two multivariate statistical techniques which are applied to analyze the data of the empirical study and related hypotheses is discussed. Section 5.1 introduces analytical model building steps. Section 5.2 discusses factor analysis model and section 5.3 discusses discriminant analysis model. Hypotheses are formulated in section 5.4 to relate conflict typology and its impact on split in the family businesses, followed by the conclusion in section 5.5.

5.1 Analytical Model Building

Hair et al. (2007) have elaborated a six-step model building approach in applying multivariate methods. The steps are as follows:

i) Define the research problem, objectives, and multivariate technique to be used
ii) Develop the analysis plan
iii) Evaluate the assumptions underlying the multivariate technique
iv) Estimate the multivariate model and assess overall model fit
v) Interpret the variate(s)
vi) Validate the multivariate model

In a structured approach to multivariate model building, the empirical data for the given study is analyzed through two models, factor analysis and discriminant analysis. Both the models are explained diagrammatically and their important nuances are subsequently highlighted.

5.1.1 Efficacy of the Use of Analytical Models

In the given study, 27 independent variables as the causes of conflict and categorical non-metric dependent variable as two groups of “split” and “no-split” family businesses are analyzed. With a large number of independent variables and also a possibility of high correlation among some of them, it is imperative to reduce the number of variables to smaller parsimonious sets of factors. Therefore factor analysis is selected as the first multivariate technique to identify the structure of interrelationships between the variables that reveal factors (functional units), forming the base of the change of variables.

The study is focused on two classifications (groups) of a categorical dependent variable and several independent variables. As the dependent variable is non-metric, two multivariate techniques, binary logistic regression and discriminant analysis can be considered as the second analysis model.

The purpose of binary logistic regression, a special form of multiple regression, is to identify the group to which an object belongs. When the purpose of the research is to understand how well the independent variables explain the non-metric dependent variable, logistic regression is used. Discriminant analysis is applied to estimate the relationship between a single non-metric (categorical) dependent variable and a set of metric independent variables, when the purpose of the research is to understand how well the independent variables discriminate the dependent variable. It is used for construct validity and development of a predictive model.

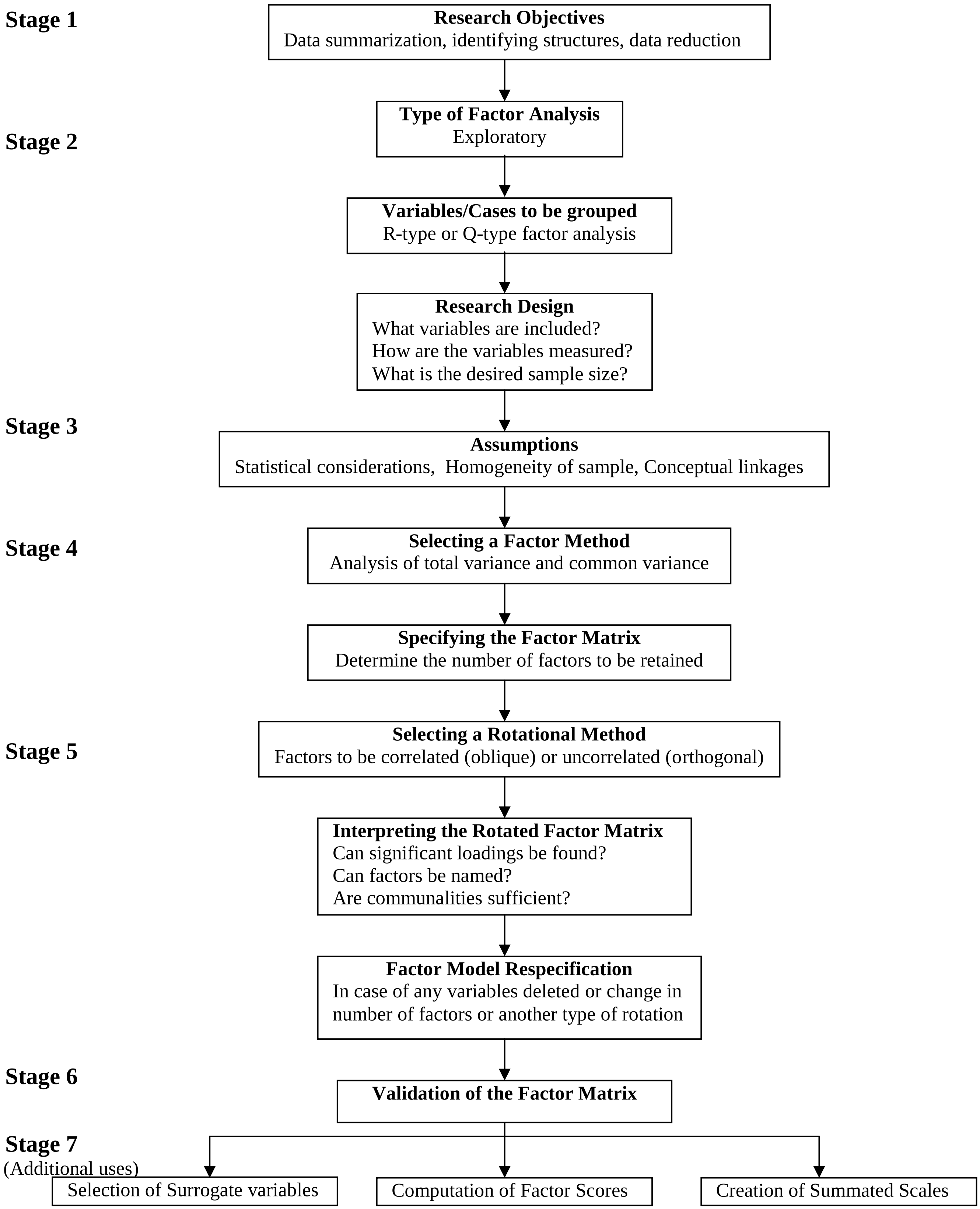
For the given study, discriminant analysis is considered as a suitable technique to discriminate split from no-split cases, which can not be done by binary logistic regression. The data analysis has been conducted through SPSS, a computerized software package.

5.2 Factor Analysis

In social science studies, there are large numbers of variables proposed, and hypotheses and theories are linked to explain or describe the complex variety and interconnections of various relationships. Factor analysis can simultaneously manage over a hundred variables, compensate for random error and invalidity, and disentangle complex interrelationships into their major and distinct regularities (Rummel, 1967). It is a good way of resolving the confusion of data complexity and identifying latent or underlying factors from an array of seemingly important variables (Nargundkar, 2005).

The essential purpose of applying factor analysis for the given study is to describe the covariance relationships among many variables (causes of conflict) in terms of few underlying, but unobservable, random quantities called *factors* (Johnson & Wichern, 2003). The factors, by definition, are highly inter-correlated and are assumed to represent dimensions within the data. By reducing the number of variables, then the dimensions can guide in creating new composite measures (Hair et al., 2007). Fig. 5.1 depicts the factor analysis decision diagram comprising 7 stages, followed by a brief explanation of these stages to highlight important aspects related to the given study.

Fig. 5.1 Factor Analysis Decision Diagram



Source: Adapted from Hair et al., 2007

5.2.1 Stages of Factor Analysis

The factor analysis model comprises six stages and the seventh stage is applied to analyze data for further use.

5.2.1.1 Objectives of Factor Analysis

In the given study, the objective of applying factor analysis is to condense or summarize independent variables, the building blocks of relationships, into smaller sets of new, composite dimensions called factors, with a minimum loss of information. The factors then created in new composite measures are applied in further analysis.

5.2.1.2 Research Design for Factor Analysis

The research design of the factor analysis involves three decisions: calculation of a correlation matrix (input data); design of the study in terms of number of variables, measurement properties of variables, types of allowable variables; and the necessary sample size.

To find correlation among variables, R-Factor analysis (Stewart, 1981; Thompson, 2000) is selected for the study which looks for the latent factors that lie behind the variables. A rule of thumb for substantial correlation value is > 0.30 (Habing, 2003).

To find patterns among groups of variables, each proposed factor should include several variables (five or more). Identifying factors composed of only a single variable are not of much use (Hair et al., 2007). The best method for standardizing sample size data is subject to item ratio. As a rule of thumb, factor analysis requires minimum 50 observations as the sample size, and preferably 100 or larger sample. Another general rule is to have a minimum ratio of observations to variable as 5:1.

5.2.1.3 Assumptions in Factor Analysis

The critical assumptions underlying factor analysis are more conceptual than statistical. Given below are the assumptions that have to be met with for conducting factor analysis.

- **Conceptual and Statistical Aspects**

  The basic assumption of factor analysis is that some underlying structure does exist in the set of selected variables (Hair et al., 2007). Another assumption is that the sample is homogeneous with respect to the underlying factor structure, though from statistical standpoint, some degree of multicollinearity is desirable, because the objective is to identify interrelated sets of variables.

- **Overall Measures of Intercorrelation**

  Hair et al. (2007) posit data matrix of correlations should reveal substantial number of correlations > 0.30 to make factor analysis appropriate. If all the correlations are low, or all the correlations are equal, it implies that no structure exists to group variables and the application of factor analysis is questionable.

  Another method of determining the appropriateness of factor analysis is to examine the entire correlation matrix. The *Bartlett test of Sphericity* checks the null hypothesis that the original correlation matrix is an identity matrix (Field, 2005). It provides the statistical significance that the correlation matrix has significant correlations among at least some of the variables. High significance ($p < 0.001$) of Bartlett's test indicates appropriateness of factor analysis.

  The *Kaiser-Meyer-Olkin (KMO)* measure of sampling adequacy varies between 0 and 1. A value close to 1 indicates that patterns of correlations are relatively compact and so the factor analysis should yield distinct and reliable factors (Field, 2005). The acceptable values are recommended to be greater than 0.5. The values between 0.5 and 0.7 are mediocre, values between 0.7 and 0.8 are good, values between 0.8 and 0.9 are great, and values above 0.9 are superb (Kaiser, 1974).

5.2.1.4 Interpretation of Factors

A strong conceptual foundation for the anticipated factor structure and its rationale is important, as there are no specific processes or guidelines for interpreting factors. In the study, the theoretical concepts of conflict typology and causative factors were related with the analytical framework of factor analysis to interpret factors and the structure lying underneath.

- **Factor Rotation**

  Factor interpretation is circular in nature. First, the initial unrotated factor matrix is computed, containing the factor loadings for each variable on each factor. The next decision is of selecting the rotation method. The goal of rotation is to simplify and clarify the data structure. From two methods of rotation, Orthogonal and Oblique. Orthogonal rotation produces more easily interpretable results, and is commonly used method in research. It is also used in the given study with Varimix rotation.

- **Significance of Factor Loadings**

  In interpretation, it is essential to make the decision regarding factor loadings that are worth considering. Practical significance of making a preliminary examination of factor loadings is important, as larger the absolute size of the factor loading, the more important is the loading in interpreting the factor matrix. Tabachnick and Fidell ((2001) suggest 0.32 as a good rule of thumb for the minimum loading of an item, which equates to approximately 10 percent overlapping variance with the other items in that factor.

  The significance level for the interpretation of loadings can be determined in the similar way of determining the statistical significance of correlation coefficients. Hair et al. (2007) present the guidelines for identifying significant factor loadings based on sample size, as depicted in Table 5.1.

Table 5.1 Guidelines for Identifying Significant Factor Loadings Based on Sample Size

Factor Loading	Sample Size Needed for Significance[a]
.30	350
.35	250
.40	200
.45	150
.50	120
.55	100
.60	85
.65	70
.70	60
.75	50

[a] Significance is based on a .05 significance level (α), a power level of 80 percent, and standard errors assumed to be twice those of conventional correlation coefficients.

Source: Computations made with SOLO Power Analysis, BMDP Statistical Software, Inc., 1993.

5.2.1.5 Factor Matrix

To identify the most indicative factors of the underlying structure, all the factor loadings are sorted and a 5 step process is applied.

i) The factor matrix of loadings is examined. It contains factor loading on each variable. A factor with less than 3 variables is generally weak and unstable; 5 or more variables with loadings > 0.50 in a factor are desirable and indicate a solid factor. It may be possible to reduce the number of variables and maintain a strong factor in large samples with further analysis (Costello & Osborne, 2005).

ii) Significant loading(s) for each variable is identified. The interpretation starts with the first variable on the first factor, from left to right, looking at the highest loading for that variable on any factor. When the highest loading is identified and is significant as per the criteria discussed earlier, it is underlined. The process of selecting highest loading per variable continues till all the loadings are sorted. When a variable is found to have more than one significant loading, it is known as *cross-loading*. Different rotation methods can be used to eliminate cross-loadings and simplify the data.

iii) Communalities of the variables are assessed by examining each variable's communality, which represents the amount of variance accounted for by the factor solution for each variable. Variable communalities are considered "high" if they are 0.80 or greater (Velicer & Fava, 1998). More common magnitudes in the social sciences are low to moderate communalities of 0.40 to 0.70. A variable having < 0.40 communality is either not related to other variables, or suggest an additional factor that should be explored (Costello & Osborne, 2005). As a general guideline, all the variables with communalities < 0.50 are identified as variables not having sufficient explanation (Hair et al., 2007)

iv) The factor model is respecified if needed. In case of a variable having no significant loadings, or its communality is deemed too low, or a variable having cross-loading, several ways can be taken. These are either to ignore those problematic variables and interpret the solution as it is; or employ alternative rotation method; or increase/decrease the number of factors retained, or modify the type of factor model used.

v) Factors are labeled. The labels have to be developed intuitively based on their appropriateness for representing the underlying dimensions of a particular factor. Each extracted factor is given a name or a label that represents each of the derived factors as accurately as possible.

5.2.1.6 Creation of Factor Scores

The objective of the analysis is not only to reduce data, but also to identify appropriate variables for subsequent application to other statistical techniques. In the method used in the given study, the original set of variables are replaced with an entirely new, smaller sets of variables created from factor scores.

Factor scores are used for diagnostic purposes and also as inputs to the subsequent analysis. Conceptually, factor score represents the degree to which each case (individual) scores high on the group of items with high loadings on a factor. Thus, higher values on the variables with high loadings on a factor will result in a higher factor score (Hair et al., 2007). Factor score represents all variables loading on the factor and is used for complete data reduction.

5.2.2 Computation of Factor Scores

The methodology of computing factor scores (Mallik, 2007) which would replace the independent variables with new factors for further analysis is described below:

The process starts with the rotated factor loadings of the variables. For example, n_1 variables construct factor 1. The rotated factor loadings of the variables have to be converted into relative loadings by dividing the factor loading of the variable with the sum of the factor loadings of all the n_1 variables. As a result, all n_1 variables that construct factor 1 lead to a sum-total of 1, when relative factor loadings are considered. These values are considered as the coefficient of the n_1 variables that construct factor 1. If the relative factor loadings are represented as $\beta_1, \beta_2, ..., \beta_{n_1}$ and n_1 variables are denoted as $X_1, X_2, ...X_{n_1}$ then factor 1 can be represented as: $factor1 = \beta_1 X_1 + \beta_2 X_2 + ... + \beta_{n_1} X_{n_1}$.

Similarly, other factors are formed. In this context, it is crucial to check that that factors are not created mechanically just by observing at the rotated factor loadings. It is equally important to interpret and understand the relevance of the factor created. If the factor created does not make adequate sense, it is wise to drop it.

Factor score for each factor calculated in the above manner is transferred to SPSS data sheet. For each individual respondent (row), a new data file of new factor scores (columns) is created. The factor scores now become the starting point for the second multivariate technique of discriminant analysis.

In the given analysis, 7 factors are obtained from factor analysis. Factor scores for these factors are calculated in the manner explained above. The new factor scores are used in the discriminant analysis as 7 new independent factors. The results of the analysis are given in chapter 7.

5.3 Discriminant Analysis

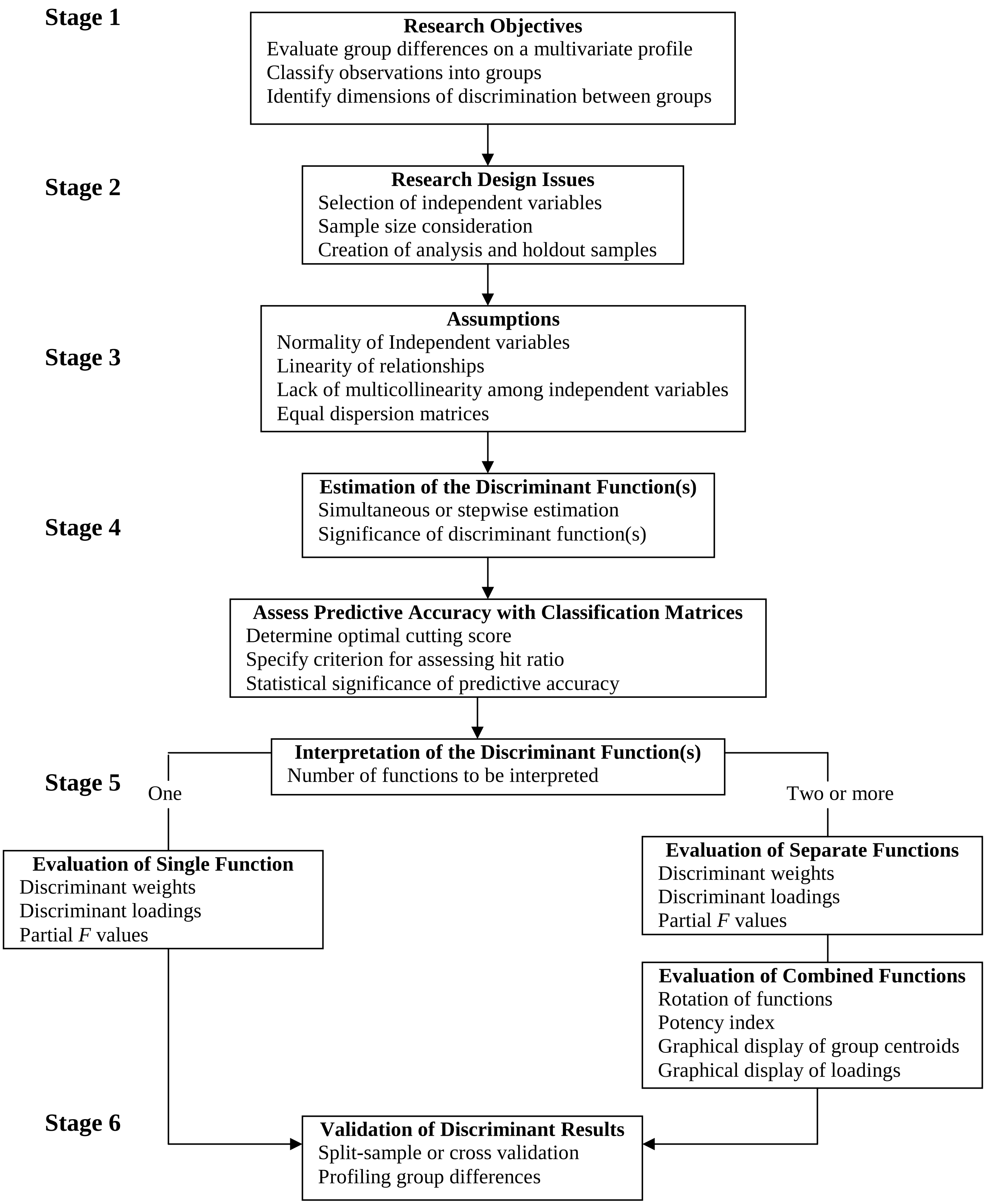
Discriminant analysis is a statistical technique used for differentiating groups (categorical dependent non-metric variable) when the independent variables are metric (quantitative). The research design of the study presented here is based on the conflict-impact i.e., “Split” and “No-split” family businesses, two categories of dependent (criterion) non-metric variables with a number of independent variables (predictors) as “causes of conflicts,” and therefore discriminant analysis is chosen for the study as the second multivariate technique to further analyze the data.

Discriminant analysis is also known as multiple discriminant analysis when the categorical (group) variables are more than two. A few design and statistical aspects of multiple discriminant analysis are different from discriminant analysis. However, in the given study only two categories of dependent variables are analyzed and therefore the analytical framework discussed below pertains to discriminant analysis.

5.3.1 Stages of Discriminant Analysis

A six-stage model of discriminant analysis is depicted in Fig. 5.2, elaborating important features of the model, followed by a brief explanation of significant and relevant aspects of the model for the given study.

Figure 5.2 Discriminant Analysis Decision Diagram



Source: Adapted from Hair et al., 2007

5.3.1.1 Objectives of Discriminant Analysis

Discriminant Analysis is applied as an analytical predictive technique to: classify observations into groups (Split and No-split family businesses) by using a discriminant prediction equation; test the theory by observing whether cases are classified as predicted; investigate differences between or among groups; and assess the relative importance of independent variables (causes of conflict) in classifying the dependent variable.

5.3.1.2 Research Design for Discriminant Analysis

For applying discriminant analysis effectively, three issues are considered important: selection of both dependent and independent variables; the sample size required for the estimation of the discriminant functions; and the division of the sample for validation purpose. These issues are briefly discussed below.

i) Selection of Dependent and Independent Variables

The number of dependent variable groups (categories) is two. These groups must be mutually exclusive and exhaustive. Theoretically there can be unlimited number of categories in the dependent variable, however the categories should be distinct and unique on the set of independent variables chosen. Therefore it is advisable to strive for a smaller number of categories in dependent measure to clearly identify the underlying dimensions of discrimination, reflected by each discrimination function as well as representing the overall effect of each independent variable.

ii) Sample Size

Sample size is an important parameter of discriminant analysis. It is quite sensitive to the ratio of sample size to the number of predictor variables. As the sample size decreases relative to the number of independent variables, the results become unstable. Hair et al. (2007) recommend minimum 5 observations per independent variable and on a higher side, 20 observations per independent variable.

It may be possible that one class (group) or population has a greater likelihood of occurrence than another because one of the two populations is relatively much larger than the other. For example, in family businesses, population of “split” group is smaller than “no-split” group. Therefore it is essential that in the category classification procedure, the chances or the probabilities of misclassification should be small (Johnson & Wichern, 2003) and the optimum classification rule should take these “prior probabilities of occurrence” into account.

5.3.1.3 Assumptions of Discriminant Analysis

Discriminant analysis is based on a number of assumptions related to statistical processes and classification procedures affecting the interpretation of the result.

There are two key assumptions: (1) multivariate normality of the independent variables, and (2) unknown (but equal) dispersion and covariance structures (matrices) for the groups as defined by the dependent variable (Green, 1978).

Multivariate normality is the assumption that all variables and all combinations of variables are normally distributed. When the assumption is met, the residuals are normally distributed and independent. The errors i.e., the differences between predicted and obtained scores are symmetrically distributed around a mean of zero, both skewness and kurtosis are zero.

Unequal covariance matrices negatively affect the classification process. Box’s M is a statistical test for the equality of the covariance matrices of the independent variables across the groups of the dependent variable. The assumption of equality of the covariance of the matrices is supported if the statistical significance does not exceed the critical level. If the test shows statistical significance, then the groups are deemed different and the assumption is violated. When the sample sizes are small and covariance matrices are unequal, the statistical significance of the estimation process is adversely affected.

5.3.1.4 Estimation of the Discriminant Function

Estimation of the discriminant function comprises following important aspects:

i) Selection of an Estimation Method

The estimation method could be either simultaneous or stepwise. For the given study, simultaneous or direct estimation method is applied. In this method, the discriminant function is computed such that all of the independent variables are considered concurrently. The discriminant function is based upon the entire set of variables, regardless of the discriminating power of each variable. This method is applied when, for theoretical reasons, the research design requires all the independent variables to be included in the analysis (Hair et al., 2007).

ii) Overall Statistical significance

Evaluating the overall statistical significance helps in deciding whether to continue the interpretation of the analysis or if re-specification is necessary. In simultaneous approach, to evaluate the statistical significance of the discriminatory power of the discriminant function(s), several measures such as Wilk's lambda, Hotelling's trace, and Pillai's criterion are used.

iii) Assessment of Overall Fit

Before assessing overall fit for the discriminant function, it has to be classified. In the given study, discriminant function is examined as a means of classification because it gives concise and simple representation of each discriminant function, simplifying the interpretation process and the assessment of the contribution of independent variables. After identifying significant discriminant functions, the overall fit of the retained discriminant functions has to be ascertained. The assessment can be done in the following three ways:

a) **Calculation of Discriminant Z Scores for each observation**

Discriminant analysis is quite similar to multiple regression technique. The discriminant Z score of a discriminant function is calculated in the form of an equation (Altman, 1968; Nargundker, 2005). It can be calculated for each observation by the following formula:

$$Z_{jk} = a + W_1X_{1k} + W_2X_{2k} + \ldots + W_nX_{nk}$$

Where,

Z_{jk} = discriminant Z score of discriminant function $_j$ for object $_k$

a = intercept

W_n = un-standardized discriminant coefficient for independent variable $_n$

X_{nk} = independent variable *n* for object *k*

The discriminant *Z* score is the value resulting from applying a discriminant function formula to the data for a given observation. It is a metric variable and observations with similar *Z* scores are assumed more alike on the variables constituting this function than those with the disparate scores. Discriminant *Z* scores are standardized so that if the score falls on one side of the boundary (standard score < 0, the observation is predicted to be a member of one group) and if the score falls on the other side of the boundary (positive standard score), it is predicted to be a member of the other group.

b) **Evaluating Group Differences on the Discriminant Z Scores**

After calculating discriminant Z scores, the first assessment of overall model fit is to determine the magnitude of differences between the members of each group in terms of discriminant Z score. A summary measure of the group differences is a comparison of the group centroids, the average discriminant Z score for all group members (Hair et al., 2007). Two-group discriminant analysis has two centroids, one for each group. When the means are well apart, it shows the discriminant function is clearly discriminating.

c) Assessing Group Membership Prediction Accuracy

As the dependent variable is non-metric, each observation must be assessed to check whether it is classified correctly. In doing so, Hair et al. (2007) specify four considerations to be addressed, as follow:

- **Developing Classification Matrices**

  Classification matrices are constructed to determine predictive ability of a discriminant function. Classification matrix indicates what percent of the existing observations is correctly classified by the discriminant equation (model). In multiple discriminant analysis, the percentage correctly classified, is also knows as *hit ratio*. It reveals how well the discriminant function classifies the objects.

- **Cutting Score Calculation**

  Cutting score, also called the critical Z value, for each discriminant function must be determined before the classification matrix is constructed. The cutting score represents the dividing point used to classify observations into one of the two groups based on their discriminant scores. Cutting score calculation is based on the two group centroids and the elative size of the two groups. For correctly calculating optimum cutting score, first prior probabilities have to be defined based on the relative sample sizes, either assumed equal or defined *a priory*. Then optimum cutting score value has to be calculated as a weighted average based on the sizes of groups derived from the prior probabilities. In the given study, for unequal group sizes, the optimal cutting score for a discriminant function is the weighted average of the group centroids.

- **Construction of Classification Matrix**

  To validate the discriminant function through the use of classification matrices, the sample is randomly divided into two groups, analysis sample and holdout or validation sample. Analysis sample is used to compute discriminant function and the holdout sample is retained for use in developing the classification matrix.

In the procedure, the weights generated by the analysis sample are multiplied by the raw variable measurements of the holdout sample. Then the individual discriminant scores for holdout sample are compared with the critical cutting score value and classified as follows:

Classify an individual into group A if $Z_n < Z_{ct}$

or

Classify an individual into group B if $Z_n > Z_{ct}$

where,

Z_n = discriminant Z score for the nth individual

Z_{ct} = critical cutting score value

An example is given below in the Table 5.2 for a constructed classification matrix (Hair, et al., 2007) for two-group discriminant analysis.

Table 5.2 Classification Matrix for Two-Group Discriminant Analysis

	Predicted Group			
Actual Group	**1**	**2**	**Actual Group Size**	**Percentage Correctly Classified**
1	22	3	25	88
2	5	20	25	80
Predicted group Size	27	23	50	84[a]

Source: Hair et al., 2007

[a] percent correctly classified =(Number correctly classified/Total number of observations) x 100

=[(22 + 20)/50] x 100

=84%

In the above table, the number of individuals correctly assigned to group 1 is 22, and 3 members of group 1 are incorrectly assigned to group 2. Similarly, the number of correct classifications to group 2 is 20, and incorrect classifications to group 1 is 5. Therefore, the classification accuracy percentages of the discriminant function for the actual groups 1 and 2 are 88 and 80 percent respectively. The overall classification accuracy (hit ratio) is 84 percent.

- **Establishing Standards for Assessment of Classification Accuracy**

  The predictive accuracy of the discriminant function is measured by the hit ratio, which is obtained from the classification matrix. In the given study the following criterion is applied for assessing classification accuracy:

  Proportional chance criterion: if the objective is to correctly identify members of all the groups, and not just the largest group, this criterion is deemed fit. The formula is:

  $$C_{PRO} = p^2 + (1-p)^2$$

  where p = proportion of individuals in group 1

  $1 - p$ = proportion of individuals in group 2

  Comparison of hit ratio to the standard: If the percentage of correct classifications is significantly larger than would be expected by chance, further step of interpreting the discriminant functions can be taken. If the classification accuracy is not greater than that expected by chance, then differences in score profiles will not be able to provide meaningful information for identifying group membership. Hair et al. (2007) suggest that the classification accuracy should be at least one-fourth greater than that achieved by chance.

5.3.1.5 Interpretation of Discriminant Analysis Results

When the discriminant function is statistically significant and the classification accuracy is acceptable, the next step is to make substantive interpretations of the results. In this process, the discriminant functions are examined to determine the relative importance of each independent variable in discriminating between the groups. In the given study, standardized discriminant coefficients are used for interpretation of the analysis result.

In traditional approach, the sign and the magnitude of the standardized discriminant coefficient (also known as discriminant weight) assigned to each variable are examined. When the sign is ignored, each weight represents the relative contribution of its associated variable to that function. Independent variables with relatively larger weights contribute more to the discriminating power of the function than the variables with smaller weights. The sign denotes only that the variable makes either a positive or a negative contribution (Dillon & Goldstein, 1984).

5.4 Hypotheses Formulation

The hypotheses concerning relationships among the causes of conflict and their impact in the form of a split in the family business are formulated from conceptual underpinning and theoretical reasoning of the subject. Before discussing the hypotheses constituting the discriminant model, it is worthwhile to discuss the independent variables included in the analysis. After conducting a factor analysis, following variables have emerged as independent variables, depicted in Table 5.3. These variables are explained with the hypotheses.

Table 5.3 Independent Variables

Independent Variables	**Abbreviations**
Relationship Conflict	RCF
Latent Conflict	LCF
Process Conflict	PCF
Task Conflict	TCF
Lack of Conflict Prevention Norms	LCP
Next-Gen Exclusion	NGE
Authoritative Leadership	AUL

As mentioned earlier, the discriminant Z-score is a function of all these independent variables. The Z-score can be re-written as follows:

$$Z_{jk} = a + \beta_1 RCF_{1k} + \beta_2 LCF_{2k} + \beta_3 PCF_{3k} + \beta_4 TCF_{4k} + \beta_5 LCP_{5k} + \beta_6 NGE_{6k} + \beta_7 AUL_{7k}$$

Going by the Z-score, the hypotheses can be formulated as follows:

$$\left.\begin{array}{l} H_0 : \beta_1 = 0 \\ H_{01} : \beta_1 \neq 0 \end{array}\right\}$$

This implies as, the null hypothesis is that the independent variable does not influence split or no-split of a family business. Hence, if the null hypothesis is rejected at 95 percent level of confidence, the independent variable influences split or no-split of a family business.

5.4.1 Relationship Conflict (RCF)

Family businesses are exposed to psychodynamic effects and have higher potential for discord than other governance forms of business (Lee & Rogoff, 1996; Dyer, 1986; Dyer, 1994). Relationship conflict (RCF) is loaded with affective component of negative emotions and it is the perception of personal animosities and incompatibility among family members. The overt relationship conflict includes anger, frustration, jealousy, feeling of rivalry, nepotism, dissatisfaction on distributive issues of wealth and power, non-transparency in financial dealings, lack of trust and respect among family members (Jehn, 1997; Simons & Peterson, 2000; Jehn & Mannix, 2001; Beckhard & Dyer, 1983). When relationship conflict is low in the family business, the family members' wisdom and viewpoints on various issues can be synergistic and dynamic (Filbeck & Smith, 1997). However, this is seldom a possibility in the family business.

Therefore, higher the relationship conflict in the family business, greater is the possibility of split. If the null hypothesis is accepted, the above statement would be falsified.

Hypothesis I: Relationship conflict (β_1) is positively related to the possibility of split in the family business. Higher the relationship conflict, higher is the possibility to split in the family business. The null hypothesis in this case can be stated as relationship conflict has no influence in the possibility of split in the family business i.e., H_0: $\beta_1 = 0$ against the alternative hypothesis H_1: $\beta_1 > 0$.

5.4.2 Latent Conflict (LCF)

Latent conflict represents covert components of relationship conflict, and when it finally surfaces, the consequences tend to be particularly harmful, and can reach an insensate level of destructiveness (De Dreu, 1997; Deutsch, 1973; Pondy, 1967; Roark, 1978; Roark & Wilkinson, 1979). Latent conflict includes hidden, under-the-surface emotional conflict with family members' perceptions of interpersonal incompatibility, lack of commitment, tension, suspicion, lack of communication, conflicting styles, and misaligned interests between the family and the business. Latent conflict signals the presence of relationship conflict which often interferes with work efforts. On acceptance of the null hypothesis, it would be concluded that latent conflict does not play any role in the split of the family business.

Hypothesis II: Latent conflict (β_2) is positively related to the possibility of split in the family business. Higher the latent conflict, higher is the possibility to split in the family business. The null hypothesis in this case can be stated as latent conflict has no influence in the possibility of split in the family business i.e., H_0: $\beta_2 = 0$ against the alternative hypothesis H_1: $\beta_2 > 0$.

5.4.3 Process Conflict (PCF)

Process conflict is about how to accomplish work and how to utilize members by assigning individual responsibilities (Jehn, 1997; Jehn & Mannix, 2001). Process conflict is important for family businesses because of the need to effectively utilize talents of the family members, and also to share business-specific information to family members. Without process conflict, family businesses may fail to modernize their operations (Handler, 1992) and low level of process conflict may face problems in adjusting family members' responsibilities and firm resources. However, too much process conflict may lead to role ambiguity, role overlap, rivalry and uncertainty (Jehn, 1997).

Researchers suggest that the moderate level of process conflict is necessary in family businesses because for innovation and improving efficiency of the business, sharing and transferring knowledge on business-specific processes among family members is essential. Therefore, process conflict is present in family businesses, irrespective of the possibility of split or no-split.

Hypothesis III: Process conflict (β_3) exists, irrespective of the possibility of split or no-split in the family business. The null hypothesis in this case can be stated as process conflict is unable to discriminate split family business from no-split family business i.e., H_0: $\beta_3 = 0$ against the alternative hypothesis H_1: $\beta_3 \neq 0$.

5.4.4 Task Conflict (TCF)

Task conflict, also known as substantive conflict (Beckhard & Dyer, 1983; Davis & Harveston, 2001) in the literature, consists of task disagreements on the nature and importance of goals and decision areas. The key task conflict issues are ownership and executive leadership continuity or change, long term direction, and role of the business in the society. Beckhard & Dyer (1983) observe that family members often differ from the founder on substantive issues and therefore conflict results. Moderate level of task conflict is found beneficial such as it improves group's decision quality, increases satisfaction with the group decision, and a desire to stay in the group (Amason, 1996; Hoffman & Maier, 1961).

However, high level of task conflict sometimes lead to reduced member satisfaction and commitment to the team, leading to relationship conflict. Because of task conflict, the members of the family tend to interpret, infer intensions and hidden agendas of other members, reciprocate distrust among themselves, and feel bruised, humiliated and offended by the debate tactics of other group members (Simons & Peterson, 2000). These are the indicators of relationship conflict, which ultimately leads to the split in the family business.

Hypothesis IV: Task conflict (β_4) is positively related to the possibility of split in the family business. Higher the task conflict, higher is the possibility to split in the family business. The null hypothesis in this case can be stated as task conflict has no influence in the possibility of split in the family business i.e., H_0: $\beta_4 = 0$ against the alternative hypothesis H_1: $\beta_4 > 0$.

5.4.5 Lack of Conflict Prevention Norms (LCP)

Conflicts if dealt early when they are mere signals of needed change, seldom reach an intolerable or destructive level. Longer the conflicts are suppressed or ignored, greater the possibility of them becoming destructive (Roark & Wilkinson, 1979). Benson (1988) notes that the families in business have to walk a tightrope to achieve both business success and family harmony. The families are not immune from conflicts, but find nondestructive ways to resolve them. Family creed, family charter, and family constitution or protocol (Benson, 1988; Ward, 2000; Nicholson & Björnberg, 2004) are some of the conflict preventive mechanisms used in the western countries.

Indian family businesses are more conservative and traditional than their counterparts in Asia and in the West. Family and kinship ties have significant role in Indian family businesses (Bal, 1998). In fact, many family traditions and customs are the subtle mechanisms to reduce or prevent conflict among family members. One visible manifestation is lifestyle equality i.e., equal standard of living for all the family members, irrespective of individual's involvement or competence in the business. Practicing family norms, religious rituals, and celebrating festivals together, are the ways of keeping familial bonding strong. Despite the existence of such natural conflict prevention norms, their necessity or importance is recognized when the family members experience an intense conflict.

Hypothesis V: Lack of conflict prevention norms (β_5) is positively related to the possibility to split in the family business. Presence of conflict prevention norms may reduce the possibility to split, however the practical relevance of such norms may be recognized only after experiencing the conflict. The null hypothesis in this case can be stated as lack of conflict prevention norms has no influence in the possibility of split in the family business i.e., H_0: $\beta_5 = 0$ against the alternative hypothesis H_1: $\beta_5 \neq 0$.

5.4.6 Next-Gen Exclusion (NGE)

Involvement of the next generation in the family business can have dramatic consequences for the continuity of the firm (Stavrou, 1998). Lansberg (1991) argues that decisions about the role of next generation tend to be emotionally loaded and therefore avoided by the majority of family businesses. The decision to join the family business involves multiple factors and considerations. Keeping the firm in the family may be a matter of personal pride or may symbolize power and influence in the community (Christensen, 1953). In such situations, the younger generation members/ heirs are pressurized to join the business which can create resentment toward the business or the family.

Dutta (1997) observes that in India, the relationship between the father and the son is usually formal and compromises become a necessity. Sons rarely openly disagree with their fathers due to respect, formality, and obedience inculcated in them since birth and supported by the family and the community. The common goal of the business venture is to improve family's welfare. Therefore, the independent minded sons are encouraged to start their own venture, usually under the umbrella of their family business (Sharma & Rao, 2000).

Problems often occur in the second and multigenerational family businesses having shared management where the continued presence of the senior generation can act as an irritant to the younger family members or the employees (Davis & Harveston, 1999). When the ownership is dispersed among multigenerational members, each family faction is likely to have divergent perspectives and desires, and thus the potential for significant amounts of conflict may increase (Gersick et al., 1997). In such a scenario, the younger generation members are encouraged to take their own path of business rather than participate in the conflict prone existing family business.

Hypothesis VI: Next (younger) generation members are encouraged to start their own independent ventures to avoid conflict leading to the possibility to split in the family business. At the same time, entrepreneurial families motivate younger generation members to take risk and initiative to start their independent ventures. Therefore, the null hypothesis can be stated as the next generation exclusion is unable to discriminate split family business from no-split family business i.e., H_0: $\beta_6 = 0$ against the alternative hypothesis H_1: $\beta_6 \neq 0$.

5.4.7 Authoritative Leadership (AUL)

In family businesses, control concentration is defined as the level of power held by the family members (Gersick et al., 1997). Higher levels of control concentration indicate that the power in the organization is limited to a select few or to one individual. Harvey and Evans (1994) posit that in case of high control concentration, the controlling individuals tend to have a strong desire for leadership and authority over decision making. These controlling founders are often authoritarian leaders. They may lack trust and planning (Dyer & Handler, 1994), or have obstructed decision making. However they often establish norms, attitudes, and values (Ket de Vries, 1983) for the family and the business.

Kellermann & Eddleson (2004) propose that the higher concentration of control is associated with the lower levels of task and process conflict. That is, authoritative decision making by the leader in the family business reduces task and process conflict, there by reducing the possibility to split in the family business.

Hypothesis VII: Authoritative decision making by the leader/head of the family business is inversely related to the possibility of split in the family business. This implies that higher the authoritative leadership, lesser the possibility to split in the family business. The null hypothesis in this case can be stated as authoritative leadership has no influence in the possibility of split in the family business i.e., H_0: $\beta_7 = 0$ against the alternative hypothesis H_1: $\beta_7 < 0$.

5.5 Conclusion

The analytical framework is developed and hypotheses are formulated based on the findings of exploratory survey and conceptual framework of conflict. The hypotheses are tested empirically on a larger sample. The descriptive statistics contain demographic details and characteristics of the sample family businesses and their respondents, whereas the inferential statistics leads to an examination of possible relationships between two or more variables. In chapter 6, detailed data collection and methodology are discussed, and in chapter 7, research findings are presented.

Chapter 6
Data Collection and Methodology

6.0 Introduction

This chapter describes the methodology for testing conceptual frameworks of conflict causes and their impact on family businesses through empirical research. Section 6.1 briefly describes empirical research objectives. Section 6.2 comprehensively describes sample selection methodology including identification and selection norms for the sample. In section 6.3 questionnaire formation and pilot survey are discussed. Response analysis is discussed in section 6.4, with conclusion in section 6.5.

6.1 Objectives of Empirical Research

The given study is based on an experimental research design comprising analytical and empirical methods. With the backdrop of exploratory survey, a detailed empirical research along with a pilot survey was conducted. The objectives of empirical research were as follows:

1. To identify and classify causes of conflict (independent variables) in family businesses of split and non-split category
2. To analyze causes of conflict and their impact on family businesses in the form of split (dependent variable) through inferential statistics
3. To analyze family business demographics and characteristics through descriptive statistics
4. To develop a model of impact of conflict on family businesses leading to split(s)

6.2 Sample Selection Methodology

Selection norms for the "family business" as a sample are broadly defined in the exploratory research, in chapter 4, section 4.4.2.1. Zikmund (2006) posits that if samples are properly selected, they are sufficiently accurate in most cases, and may be more accurate than a census. From the exploratory survey outcomes, sample selection norms for family businesses were refined. In addition, selection norms for respondents who were family business owner-managers were defined. Dependent and independent variables were identified from the exploratory survey in context to conceptual framework of conflict. A questionnaire was developed incorporating all the variables and demographic details related to respondents and their family businesses. Refined criteria for sample selection, the questionnaire, data collection techniques, and pilot survey are discussed below:

6.2.1 Sample Framework

The primary sample was of "family businesses." To qualify for the sample, business ownership had to be with the family and therefore knowing the ownership structure and equity holding of owner/promoter was paramount. The Companies Act, 1956, classifies companies in three categories: private limited, non-listed public limited, and listed companies on stock exchanges such as Bombay Stock Exchange (BES) and National Stock Exchange (NSE). According to SEBI, listed companies have to publish promoters' equity holding information, which is accessible by public. Non-listed public companies and private limited companies have to register owners/promoters details with the Registrar of Companies (RoC), however these details are not available publicly. Similarly for proprietorship and partnership companies, ownership details are not available except obtained directly from the owners or their close associates.

As it was necessary to know the ownership structure or the equity holding pattern of the owners to qualify their companies for the sample, most appropriate source of database was the membership lists of various industry associations (refer chapter 4, section 4.4.2.1).

Through an exhaustive internet search, lists of manufacturer's associations, federations, and chambers of commerce were obtained. Family businesses fall in all the three categories of companies as mentioned earlier and most of the organized businesses are members of one or more industry associations. Industry associations and chambers of commerce in India are divide into three classes: community based, for example, Jain International Trade Association (JITO); geography based, for example, Bombay Chamber of Commerce and Industry (BCCI); and all India based, for example, Confederation of Indian Industries (CII). Community and geography based associations have a narrow focus, a limited reach, and a restricted membership. Therefore national level associations were short listed for the sample framework.

In India, prominent associations and federations having a nationwide coverage irrespective of community, geography, or specific industry are five, namely: Confederation of Indian Industries (CII); The Associated Chambers of Commerce and Industry of India (ASSOCHAM), All India Association of Industries (AIAI), Federation of Indian Chambers of Commerce and Industry (FICCI), Indian Merchants Chamber (IMC). A specific association for family businesses known as Family Managed Business Organization (FMBO) was also short listed for the database. The offices of above mentioned six associations were contacted through an email, followed by a letter briefing them about the survey objectives and requesting to provide a database of member companies. CII, ASSOCHAM, FICCI, and IMC did not respond to the request of providing members' database. AIAI and FMBO accepted the request. AIAI is one of the top ten associations representing over 100 industry sectors and FMBO specifically represents family businesses. Hence, the database from these associations was found considered to be suitable and adequate for sample selection.

Riley et al. (2000) posit that the sampling frame from which a sample is to be drawn reflect the importance of clarifying research objectives. It is easy task to define a target population for a study, but it is more difficult to identify or list every unit of the population, and therefore a sampling frame is decided which is a subset of the defined target population from which realistically a sample can be selected (Nargundkar, 2002). If the elements of a population are quite similar, only a small sample is necessary to accurately portray the characteristics of interest (Zikmund, 2006, p.369). For the given study, two associations, AIAI and FMBO were considered as the sampling frame and a random sample was drawn from the database of these associations' members.

6.2.2 Sample Identification

AIAI has 600 industry associations as members. Each association further has individual member companies, totaling to about 28,000 companies. FMBO has about 1,000 member companies. Although both the associations had basic information of about their member companies, in case of AIAI, the database being exhaustive and not updated regularly, details of only about 13,000 companies were available. Hence, a combined database of 14,000 companies was available as the primary database.

For the given study, AIAI initially provided a database of 20 members for exploratory research. For the empirical study of an exhaustive nature, the association consented to share a database of 1,000 member companies. AIAI had member registration dates, and therefore the member companies registered with AIAI prior to year 1999 were screened. The assumption was that if a company is registered with an industry association since 10 years then it would be in existence for more than 10 years, and older the company, higher the possibility of two generation members working in the business. From the screened database, 1,000 companies were randomly selected using MS Excel. In case of FMBO, 200 companies' database was permitted for the research purpose. From FMBO's database, about 600 companies were found to be in the business for more than 10 years. Through a random sampling exercise using MS Excel, 200 companies were short listed for the sample. A combined database of 1,200 companies from AIAI and FMBO emerged as the primary sample of "family business." The database contained information such as name and address of the company, telephone and fax numbers, type of industry, contact person's name, and email in some cases.

The questionnaire had 27 variables and considering statistical requirement of the sample size, the final sample fulfilling all the criteria of sample selection had to be 135. Short listed 1,200 companies were called over the phone. In 750 companies, correct phone numbers and emails of owner-managers could be obtained and in the remaining 450 companies, phone numbers had either changed or were wrong.

750 companies were contacted and a telephonic conversation with one of the owner-managers was conducted. These potential respondents were informed about the purpose of the survey and were asked information about the number of family members working in the business, their generations, respondent's work experience in the family business, and education level. The respondent's ability to comprehend English was evaluated during the conversation. From 750 respondents, about 500 respondents fulfilled the above mentioned criteria and also consented to participate in the survey. From the remaining 250 respondents, about 150 respondents did not fulfill all the above criteria and about 100 respondents did not agree to participate.

6.2.3 Sample Selection Norms

In family businesses, many a time, some family members are nominated on the Board or are assigned senior positions in the management team, however they do not actively participate in the business. In order to get meaningful responses from the family members who were actively involved and were responsible for taking decisions in the business, it was essential to define their selection criteria too. Therefore, two types of sample criteria were established: for the family business, and for the owner-manager respondents. The detailed criteria for selection for each type of sample are described below:

6.2.3.1 Family Business Selection Criteria

The following criteria were applied for selection of a sample company as a family business:

1. The company must be in existence for a minimum period of 10 years
2. The management control must lie with the family members of the same lineage, including extended family members (cousin, uncle et al.)
3. There has to be at least 3 family members working in the business
4. There has to be at least 2 different generation family members working in the business
5. Ownership equity holding of the family (collectively) must be the highest in case of non-family members are also equity holders

6.2.3.2 Respondent (Owner-Manager) Selection Criteria

Two widely accepted definitions of family businesses, one based on the research study done at Stockholm School of Economics (Kenyon-Rouvinez & Ward, 2005), and another by Donnelly (1964) mentioned earlier in chapter 2, were broadly applied in selecting the respondent (owner-manager) sample. The respondents were screened and selected if they fulfilled the following conditions:

1. The respondent must be of age 25 years and more
2. The respondent must have minimum 4 years of work experience
3. The respondent must be working full time in the senior executive position or advisory position in the family business
5. The respondent must be a family member, preferably having blood relationship with the founder/owner

There were no specific limitations on the types of industry and geographical locations. India is geographically divided into four zones, North, South, East and West. In terms of economic and commercial development, west and north zones are at the forefront. The database had relatively more companies present in the west zone, compared to other zones, particularly from Maharashtra state, ranked number one state in India for industrial development.

6.3 Description of Variables

Development of the questionnaire is a resultant of the conceptual framework and findings of the exploratory survey presented in chapter 4. Nunnally (1978) argues that when a measuring instrument is used for data collection, the subjects/samples used should be those for whom the instrument is intended. The questionnaire comprised 27 independent variables to be measured and analyzed with a categorical two group non-metric dependent variable statically. These variables are as follows:

i) Dependent Variable

The questionnaire was designed such that the sample respondents and thereby their family businesses could be segregated into two categories such as: respondents from family businesses that had gone through split(s) during their life time, and respondents from family businesses that had never gone through split(s)

Respondents from "split" category were further divided into two subcategories: those who had "witnessed split," and those who had "not witnessed split." Respondents and their family businesses that had not witnessed split, were added to "no-split" category. The reason was, respondents belonging to two different categories of family businesses had different contextual underpinnings of conflict, and therefore it was essential to capture their relevant perceptions about conflict. Sample family businesses classified in two groups as "split" and "no-split," became a categorical non-metric dependent variable.

ii) Independent Variables

From a detailed literature review and exploratory survey, 27 variables emerged, contributing to conflict. These variables were considered as independent variables for the statistical analysis. 22 variables contributed positively to conflict and 5 variables contributed in reducing the effect of conflict, as follows:

Variables contributing positively to conflict

1. Differing goals and direction of business
2. Conflicting styles of running business
3. Spending time in operations rather than growth oriented activities
4. Lack of communication
5. Overlapping roles and responsibilities
6. Differences on succession plan
7. Dissatisfaction on sharing of power and authority
8. Important decisions taken without the consent of others
9. Undue importance given to some members
10. Dissatisfaction with earning and profit sharing
11. Lower commitment toward business
12. Lower growth of business due to internal differences
13. Unwanted influence of outsiders
14. Lack of trust and respect
15. Authoritative decision-making
16. Non-transparency in business/financial dealings
17. Competition/rivalry
18. Entry of younger generation leading to differences
19. Selfish use of family name and reputation
20. Different ambition levels of family members
21. Lack of faith and confidence in the leader/head of the family
22. Adverse influence of women family members

Variables contributing to reduction of conflict

23. Independent ventures for younger generation members
24. Regular family meetings
25. Equal standard of living for all family members
26. Transparent and well-organized business processes and policies
27. Importance of family traditions and customs

6.3.1 Questionnaire Formation

The questionnaire had 4 sections (attached as appendix F). As the research suggests, opinions on family businesses are usually related to the characteristics of the person offering them (Poza et al., 1997). For this reason, the 4 sections were divided as: (1) profile of the respondent, profile of the business, generational details and in case of split family business, details of the split, (2) causes of conflict, for the "not witnessed split" respondents, (3) causes of conflict, for "witnessed split" respondents, and (4) size and number of businesses, type of governance form, charitable and other types of trust, family governance measures, and ownership details.

As mentioned earlier, a large segment of family businesses in India are privately and closely held companies. Many parameters used as variables for the quantitative analysis could not be collected from any secondary source or published database as a considerable proportion of responding companies were not listed, nor had any published formal annual reports. Under these circumstances there was no option other than getting the information on the variables directly through enquiring the sample respondents. This may have led to self reporting without proper verification of the actual figures. However, it was assumed that as the respondents were owners and senior business persons, they would respond frankly and honestly.

The questionnaire was designed using 65 parameters comprising four sections. Questions of section 1 and 4 were to be answered by all the respondents. These questions were either dichotomous or single choice multiple option questions regarding demographic details of the respondent, the family business, and its characteristics.

Section 2 and 3 comprised 27 independent variables, each variable stated as a statement. In section 2, the statements were grammatically framed in the present tense and were to be answered by the respondents who had "not witnessed split" in their family business. In section 3, the same 27 statements were phrased in the past tense, to be answered by the respondents who had “witnessed split” in context to their experience of conflict leading to split. Responses of 27 statements of section 2 and 3 were measured on a five-point Likert scale i.e., the respondents were asked to select one of the five alternatives most appropriate in their case, such as: strongly agree, somewhat agree, neither agree nor disagree, somewhat disagree, and strongly disagree.

In the data analysis, the five alternatives were assigned scores such as: strongly agree=5, somewhat agree=4, neither agree nor disagree=3, somewhat disagree=2, and strongly disagree=1. For 22 variables, contributing positively to conflict, the score of “5” meant that the respondent strongly agreed to the presence of that variable as a cause of conflict in his/her family business, and so on. For 5 variables contributing to the reduction of conflict, the scores were revered i.e., the score of “5” meant that the respondent strongly agreed that the variable contributed in reducing or mitigating conflict in his/her family business. A typical example of the scale is shown below in Table 6.1

Table 6.1 The Questionnaire Scale for Section 2 and 3

No.	**Statements**	**Strongly agree**	**Some-what agree**	**Neither agree nor disagree**	**Some-what disagree**	**Strongly disagree**
1	There are differences among family members on long-term goals and future direction of the business.	5	4	3	2	1

6.3.2 Pilot Survey

Prior to a pilot survey, a pre-testing of the questionnaire was carried out. A questionnaire draft was assessed by two academicians from the field of family business management for their critical evaluation of the items from the perspective of item specificity and clarity of construction. Based on the critique received, some items were revised for improved specificity and clarity.

After an evaluation and approval of the questionnaire by the academicians, a pilot survey was conducted. The questionnaire was administered to 10 owner-managers of 10 family businesses from the selected sample of 500. They were asked to complete the questionnaire and indicate the time taken to fill it up, any ambiguity or difficulty they experienced in responding to the items. They were also requested to offer suggestions for the improvement of the items as they deemed appropriate. From the pilot survey, some of the questionnaire items were modified and the final questionnaire was prepared for administering to the sample respondents. The questionnaire so developed is given in Appendix F. A pre-test indicated a questionnaire completion time of 30-40 minutes.

6.4 Response Analysis

The finally screened 500 sample respondents were sent emails during May - June 2008. The email comprised a questionnaire in MS Excel format and a covering letter informing the respondent about the research work, purpose of the study, confidentiality of the response, and a request for filling up and returning the questionnaire to the author.

The first telephonic follow up was conducted after three days of sending 500 emails. 430 respondents could be contacted and reminded about the survey participation, rest of the respondents were either unavailable on the phone or were not interested in participating in the survey. A rigorous follow up of four weeks on the phone and emails resulted in 210 responses. From these, 170 respondents participated in the survey by filling the questionnaire, 36 respondents expressed their inability to participate due to time constraint, and 4 respondents regretted participation as they found the questionnaire to be sensitive. The effective response rate was 34 percent, which compares favorably with similar studies (Fiegener et al., 2000; Gabrielsson & Winlund, 2000). A further scrutiny of the filled questionnaires was carried out and 46 questionnaires were found to be either incompletely filled or wrongly filled. These responses were removed and a final sample of 124 responses emerged. These questionnaires were fully answered without any missing data.

The level of response rate yielded a sample size suitable for the subsequent statistical analysis. The entire data collection process took 4 months.

From 124 respondents, 47 respondents had split(s) in their family businesses and 77 respondents did not have any split. From 47 respondents, 35 respondents were working in the family business at the time of split and remaining 12 were not present during the split, and they were considered in no-split category for data analysis. Therefore, the total sample emerged in to two categories: 35 responses of split group and 89 responses of no-split group, making them a two-group dependent variable. The dependent variable was analyzed with 27 causes of conflict as independent variables. Data analysis and research findings are presented in chapter 7.

6.5 Conclusion

The sample selection criteria developed for family businesses in the exploratory survey (refer chapter 4, section 4.4.2.2) were further refined and also the selection criteria for owner-managers as respondents were defined for the empirical research. From random sample selection, further screening of respondents was done. 500 questionnaires were emailed to a final sample of respondents fulfilling all the criteria of sample selection. 124 completely filled responses of finely screened respondents were obtained. Data collected through the process described in this chapter is the foundation for the statistical analysis discussed in chapter 7.

Chapter 7
Data Analysis and Results

7.0 Introduction

In this chapter, the results of statistical analysis for identification of conflict causes and their impact on family businesses are presented, and a predictive model for conflict-impact leading to split in the family business is proposed. Family businesses constitute a large variety of companies in terms of ownership control, lifecycle phases, and family's involvement in the business (Brockhaus, 1994; Chua et al., 1999; Donkels & Fröhlich, 1991). Therefore to comprehend the context of conflict, it is essential to understand the demographics and backgrounds of the sample respondents and their family businesses.

Section 7.1 to 7.4 elaborate descriptive statistics related to the sample such as: demographics of the respondents and the family businesses; unique features of the family businesses; and profile of the "split" family businesses. To comprehend the background of family businesses, these details are vital. Section 7.5 contains interpretation of factor analysis, and section 7.6 interprets discriminant analysis output. The analysis is obtained by using SPSS software. In section 7.7, the chapter concludes with a predictive model for the split in the family business based on the independent variables as causes of conflict.

7.1 Demographics – Sample Respondents

Descriptive statistics on demographics of the sample respondents and their family businesses are presented as follows:

7.1.1 Designation

The respondents were in the decision-making positions in their respective family businesses. As depicted in Table 7.1, from 124 respondents, the top level designations were of partner (about 5%), chairperson (about 5%), chairperson and managing director (10.5%) and managing director (21%), totaling to 41.1% of respondents. Senior level designations were of executive director (12.1%) and director (36.3%), totaling to 48.4% respondents. About 10% respondents were at the managerial positions. Only one respondent (0.8%) was at the executive/trainee level.

Table 7.1: Designations of Respondents

Designation		**Frequency**	**Percent**
1	Partner	6	4.8
2	Chairperson	6	4.8
3	Chairperson and Managing Director	13	10.5
4	Managing Director	26	21.0
5	Executive Director	15	12.1
6	Director	45	36.3
7	Manager	12	9.7
8	Executive / Trainee	1	0.8
	Total	124	100.0

7.1.2 Age

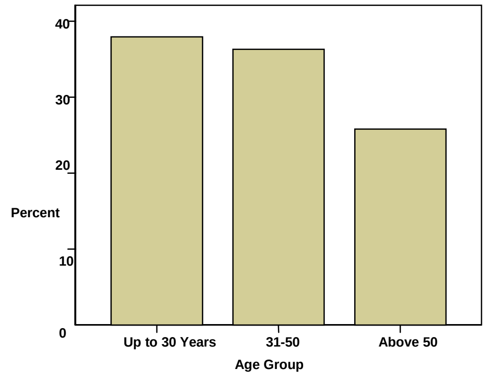
All the respondents were of age 25 years and above. In family businesses, prevailing practice for the younger generation members is that they enter the business at an age of 20-21 years and are given decision making positions after 3 to 4 years of experience in the business. The oldest respondent in the sample was 91 years old. As shown in Table 7.2, about 38% respondents were of younger generation, in the age group of 25 to 30 years.

About 36% respondents were in the age group of 31 to 50 years, and older generation respondents were approximately 26%, in the age group of 51 and above. Fig.7.1 indicates that the sample was well spread in terms of the age of respondents as younger, middle aged, and older family members.

Table 7.2 Age Group of Respondents

Age in years		**Frequency**	**Percent**
1	25 to 30	47	37.9
2	31 to 50	45	36.3
3	Above 50	32	25.8
	Total	124	100.0

Fig. 7.1 Age Group of Respondents



7.1.3 Gender

Family business is a male dominated field not only in India but all over the world. Succession rights are passed on to the male members in most cases and only in few or exceptional cases, women, either wives or daughters are made successors and given ownership rights. Only 7.3% respondents were women, either daughters or grand-daughters as owner-managers in their respective businesses. Table 7.3 depicts the gender ratio of respondents.

Table 7.3 Gender of Respondents

Gender		**Frequency**	**Percent**
1	Female	9	7.3
2	Male	115	92.7
	Total	124	100.0

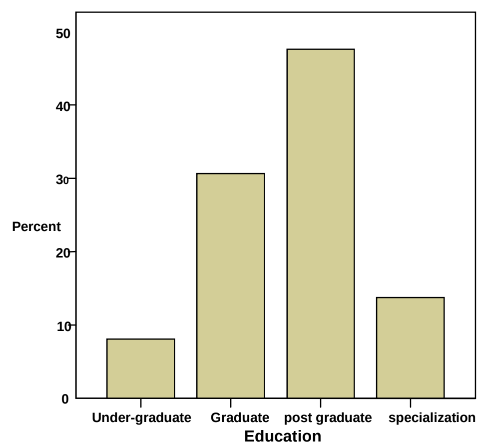
7.1.4 Education

A large proportion of respondents had high education levels. As given in Table 7.4, about 78% respondents were graduates and postgraduates with engineering and management qualifications. About 14% respondents had done specialization courses related to their businesses, such as diploma in plastics technology, diploma in travel and tourism, chartered financial analyst course. 8% respondents were undergraduates. In selecting sample respondents it was imperative that the respondents were fluent in English to answer the questionnaire. Therefore in the initial telephonic contact (refer chapter 6, section 6.2.2), their education and fluency in English were ascertained. Fig. 7.2 indicates education levels of the respondents.

Table 7.4 Education of Respondents

Education		**Frequency**	**Percent**
1	Under-graduate	10	8.1
2	Graduate	38	30.6
3	post graduate	59	47.6
4	specialization	17	13.7
	Total	124	100.0

Fig. 7.2 Education of Respondents



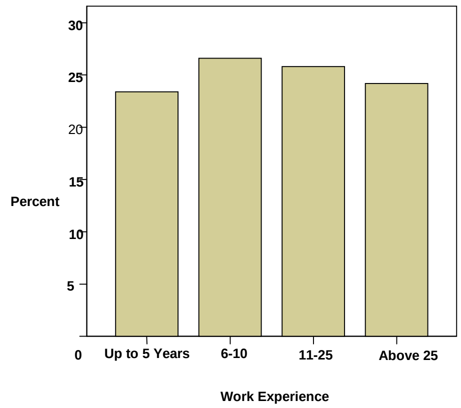
7.1.5 Work Experience

Minimum work experience of the respondents qualifying for the survey was 4 years in the family business. As shown in Table 7.5, about 23% respondents had 4 to 5 years of experience, followed by 27% having 6-10 years experience. Collectively, 50% respondents had work experience between 4-10 years. Almost 26% respondents had experience between 11-25 years and 24% respondents had more than 25 years of work experience in their family businesses. As illustrated in Fig. 7.3 below, the sample of respondents was almost equally spread among four categories of experience.

Table 7.5 Work Experience of Respondents

Work experience		**Frequency**	**Percent**
1	Up to 5 Years	29	23.4
2	6-10	33	26.6
3	11-25	32	25.8
4	Above 25	30	24.2
	Total	124	100.0

Fig. 7.3 Work Experience of Respondents



7.1.6 Respondents' Involvement in Family Business

One of the characteristics of the family business is that it can be an employment platform for the family members. Many a times, some family members are legally shown to be employed in the business but do not participate in the business or at times, family members work part-time in the business, especially the youngest or the oldest members. In order to get accurate feedback about the variables, the family members working full time in the business were selected (98.4%), with the consideration that their roles were of decision makers and managers. Only two senior respondents worked in the advisory positions. Table 7.6 indicates categories of respondents' involvement in family businesses.

Table 7.6 Respondents' Involvement in Family Business

Involvement		**Frequency**	**Percent**
1	Full time	122	98.4
2	Advisory	2	1.6
	Total	124	100.0

7.1.7 Respondent’s Association with the Type of Company

A common feature of family businesses is to expand the business through group companies or cross-holding companies. Independent companies are also floated as offshoots of the parent company, managed by family members. As depicted in Table 7.7, almost 67% respondents were working with the main family businesses. 23.4% respondents were working with one of the group companies of their parent family businesses, and almost 10% respondents were working with independent companies, which were either the offshoots or split companies from the parent family businesses. The respondents replied to the questionnaire in reference to the company that they were full time working with, whether the main family business or the group or the independent company.

Table 7.7 Respondent’s Association with the Type of Company

Type of Company		**Frequency**	**Percent**
1	Independent company	12	9.7
2	Main family business	83	66.9
3	Group company	29	23.4
	Total	124	100.0

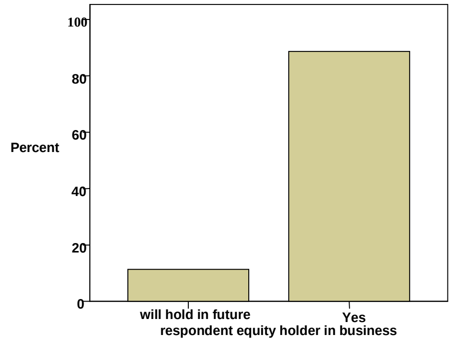
7.1.8 Respondent as an Equity Holder (Owner) in Family Business

One of the basic criteria for the respondent to be selected as a sample was his ownership in the family business. As shown in Table 7.8, almost 89% respondents held ownership in the form of equity share and about 11% respondents, being younger, expected to own equity holding in future. Fig. 7.4 graphically shows the equity holder (owner) respondents.

Table 7.8 Respondent as an Equity Holder (Owner

Equity holding		Frequency	Percent
1	Holds equity	110	88.7
2	Will hold in future	14	11.3
	Total	124	100.0

Fig. 7.4 Equity Holding



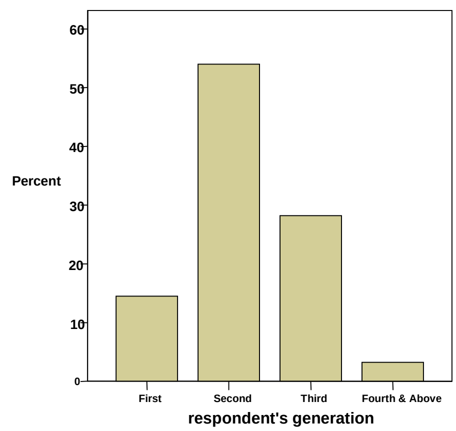
7.1.9 Respondent's Generation

The sample of respondents was multigenerational i.e., at least two different generation members were working in the business as per the definitional criteria. As given in Table 7.9, second and third generation respondents combined represented 82% of the sample, fulfilling the family business criterion. 14.5% respondents were first generation founders and only about 3% respondents belonged to the fourth and higher generations of the family business. The oldest generation representation was from the respondent belonging to the sixth generation. Fig. 7.5 depicts the spread of generations of the respondents.

Table 7.9 Respondent's Generation

Generation		Frequency	Percent
1	First	18	14.5
2	Second	67	54.0
3	Third	35	28.2
4	Fourth and Above	4	3.3
	Total	124	100.0

Fig. 7.5 Respondent's Generation



7.1.10 Respondent's Relation with the Founder

Relationship of the respondent with the founder corresponded with the respondent’s generation, as given in Table 7.10. 47.6% respondents were sons or daughters of the founder i.e., second generation, and 25% respondents belonged to the third generation as grandsons/grand daughters of the founder. Almost 13% respondents were founders themselves. Other relations included nephews/nieces, great grand sons/daughters comprising about 11%.

Table 7.10 Respondent’s Relation with the Founder

Respondent’s Relation with the Founder		**Frequency**	**Percent**
1	Self	16	12.9
2	Son/Daughter	59	47.6
3	Brother	4	3.2
4	Grand Son/Grand Daughter	31	25.0
5	Other Relations	14	11.3
	Total	124	100.0

7.2 Demographics – Sample Family Businesses

Research suggested that family businesses make a notable contribution to wealth creation and job generation with reference to narrow and broad family firm definitions (Astrachan & Shanker, 2003). The researchers have analyzed that the survival and development of family firms can have a profound impact on local economic development as well as social cohesion (Westhead & Howorth, 2007). In the given context, it was essential to discuss the demographics of the sample family businesses as follows:

7.2.1 Geographic Spread

Table 7.11 shows the geographic spread of the sample family businesses at an all India level. West zone of India has the highest industrial development and concentration of industries. 79% respondents were from West zone, from cities such as Mumbai, Pune, Nashik, Satara, Ahmedabad, Vadodara and Indore. Only 2.4% respondents were from the East zone, Kolkatta. The North zone had almost 13% representation, from Delhi, NCR, Jammu, Chandigarh, Agra, Meerut and Jaipur. 5.6% respondents from South zone were from Bangalore, Mysore, Gulbarga, Hyderabad, Chennai and Kottayam.

Table 7.11 Geographic Spread

Zones		Frequency	Percent
1	West zone	98	79.0
2	East zone	3	2.4
3	North zone	16	12.9
4	South zone	7	5.6
	Total	124	100.0

7.2.2 Age of Family Business

One of the sample selection criteria for the family business was the age of the business. The business had to be at least 10 years old, to fit into the definitional criteria of multigenerational presence. Younger businesses would have higher probability of being entrepreneurial ventures rather than family businesses. As given in Table 7.12, 27.4% businesses were between 10 and 25 years old, whereas 72.5% businesses were older than 25 years. The oldest family business in the sample was of 175 years.

Table 7.12   Age of Family Business

Age		Frequency	Percent
1	Up to 25 Years	34	27.4
2	26-50	54	43.5
3	Above 50	36	29.0
	Total	124	100.0

7.2.3 Type of Business

The sample selection was irrespective of the type of the industry. Table 7.13 shows the type of main business of the sample companies. The type of businesses skewed toward manufacturing sector with almost 59% businesses involved in various manufacturing activities. According to the definitional requirement of the sample, the businesses had to be at least 10 years old and two generations to be working in the business. One reason for having a large proportion of manufacturing businesses is that the manufacturing is one of the oldest types of business, and service industry has started getting an impetus in the Indian economy after liberalization. Service industry is therefore still young and the businesses are largely entrepreneur driven.

In case of trading businesses, it was found that usually the businesses are split when the younger generation members enter the business and therefore the individual businesses may not have two or more generations working together. Representation of service industry was about 16% and trading industry was low at 10.5%. Construction industry has recently got the status of the organized sector. 0.5% family businesses were into real estate and infrastructure development. Other industries included media, film production, plantations et al.

Table 7.13 Type of Business

Type		Frequency	Percent
1	Manufacturing	73	58.9
2	Service	20	16.1
3	Construction	13	10.5
4	Trading	13	10.5
5	Other	5	4.0
	Total	124	100.0

7.2.4 Sales Turnover

Family businesses largely fall in the category of small and medium sized enterprises (Westhead & Howorth, 2007). However, the selection of sample was done to represent a broad spectrum of businesses, from small companies with sales turnovers of less than Rs.25 crore to large publicly traded corporations with turnovers of Rs.300 crore and above. As shown in Table 7.14 below, 38.7% companies had turnovers between Rs.51-300 crore, and 16.2% companies had sales turnover more than Rs.300 crore.

A common practice in the family businesses is to have cross-holding companies under the group or the flagship company representing main business. Sales turnover reflected either the flagship company's turnover or the entire group's turnover, deemed as the family business, according to the respondent.

Table 7.14 Sales Turnover

Turnover (Rs. Crore)		Frequency	Percent
1	>= 25	35	28.2
2	26-50	21	16.9
3	51-100	18	14.5
4	101-300	30	24.2
5	301-500	8	6.5
6	above 500	12	9.7
	Total	124	100.0

7.2.5 Average Business Growth in Last Three Years

As depicted in Table 7.15, about 13% respondents agreed that their businesses had lesser growth than their industry growth in the last three years. 40% respondents mentioned that their businesses were growing at a rate higher than their industry growth rate, and almost 47% respondents agreed that they were only able to maintain the business growth rate at par with the industry growth rate. As businesses belonged to several industry verticals, each having a different growth rate, the respondents were asked to make their judgment on their industry growth rate for comparison. As a business practice, companies refer a year as a financial year unless and otherwise specified else. Therefore, last three years were considered as FY 2006-07-08, although not mentioned explicitly.

Table 7.15 Average Business Growth in Last Three Years

Average business growth		Frequency	Percent
1	Less than industry growth	16	12.9
2	More than industry growth	50	40.3
3	Same as industry growth	58	46.8
	Total	124	100.0

7.2.6 Legal Structure of the Company

As shown in Table 7.16, majority of sample family businesses were private (55.6%) and public limited companies, including stock exchange listed companies (35.5%). As family businesses grow in terms of size, family members, and age, corporatization is preferred from proprietary and partnership firm structures. Only in one case the family business was in the form of a private trust and 8% businesses were proprietary and partnership firms.

Table 7.16 Legal Structure of the Company

Legal Structure		**Frequency**	**Percent**
1	Proprietorship	3	2.4
2	Partnership	7	5.6
3	Private Limited	69	55.6
4	Deemed Public Limited	26	21.0
5	Stock Exchange Listed	18	14.5
6	Private Trust	1	0.8
	Total	124	100.0

7.2.7 Group Companies in Family Business

As discussed earlier, when family businesses grow in size and more family members join the business, it is a standard practice to create cross-holding companies or group companies in view of legal, and taxation aspects. Another reason for having group companies or associate companies is to give freedom and independence of management to family members, especially the younger generation. Table 7.17 indicates a range of group companies associated with the main family business. 77.4% sample family businesses had more than one group company and the highest number of group companies held by one family business was 24. About 23% businesses did not have any group companies.

Table 7.17   Group Companies in Family Business

No. of Group Companies		Frequency	Percent
1	One - four	73	58.9
2	Five – eight	17	13.7
3	More than eight	6	4.8
4	No group company	28	22.6
	Total	124	100.0

7.2.8 Size of the Family in the Business

Number of family members working in the family business is an important criterion from "conflict" perspective. Dynamics of the family business changes with the number of family members working in the business. According to the definitional criteria, sample family businesses were selected where at least 3 family members were working in the business. Table 7.18 shows the size of the family in the sample family businesses. About 65% family businesses had three to four members, about 24% businesses had five to seven members, and almost 11% businesses had eight or more members working in the business. The largest number of working members in a family was 90. The family members included respondents' immediate family as well as extended family of uncles, cousins, and nephews.

Table 7.18   Size of the Family in the Business

No. of Family Members		Frequency	Percent
1	Three	49	39.5
2	Four	32	25.8
3	Five - seven	30	24.2
4	Eight and above	13	10.5
	Total	124	100.0

7.2.9 Youngest Generation Working in the Business

More than half of the sample family businesses (54.8%) had second generation as the youngest generation working in the business i.e., these businesses were two generations old. Almost 40% respondents were of third generation, and about 5% respondents were of fourth or older generations. Table 7.19 presents the youngest generation data. The oldest family business had sixth generation family members as the youngest working members in the business.

Table 7.19 Youngest Generation Working in Business

Youngest Generation		Frequency	Percent
1	Second	68	54.8
2	Third	50	40.3
3	Fourth and above	6	4.8
	Total	124	100.0

7.2.10 Family's Ownership Pattern

One of the prime requirement of a business to qualify as a family business is the ownership criterion. As defined in the sample selection criteria in chapter 4, the family must own a majority stake or have 10 – 20% voting rights and management control of the business. The respondents were asked to specify the ownership pattern of their respective family businesses. In case of a number of group companies, they were asked to specify the ownership pattern of the main family business or the flagship company. As indicated in Table 7.20, about 98% companies had more than 25% ownership stake and also the management control. Only two companies had ownership stake less than 26%, however they had management control.

Table 7.20 Family's Ownership Pattern

Ownership %		Frequency	Percent
1	1-25	2	1.6
2	26-50	17	13.7
3	51-99	46	37.1
4	100	59	47.6
	Total	124	100.0

7.3 Unique Features of the Family Business

Family businesses are unique in their features compared to other forms of business. Some of the unique features are: philanthropy and stewardship (Donaldson, 1990) concepts linked to the non-financial objectives of the family business; ownership and management issues that are unique to the family business with respect to non-family owned businesses; and sustainability of the family business by assessing the probability of split in the future. Following findings are related to social and family values that impart uniqueness to family businesses.

7.3.1 Trusts under Family Business

A unique feature of the family business is its association with the society. Philanthropy, altruism, and empathy are the virtues cherished by the founders. Therefore, for social welfare, founders and patriarchs establish charitable trusts, which are usually managed by the family members. Women of the family are encouraged to work for social and charitable activities, though not in the family business. During British Raj and post-independence, several large family business groups such as Tata and Birla showed their passion for corporate charity and a sense of social purpose, which is still prevalent in Indian family business groups (Ward, 2000).

From a long term, transgenerational perspective, many family businesses establish family trusts, with a common pool of capital, and in which the family members by blood relationship are the beneficiaries. Considering certain legal, financial, and tax advantages, many family businesses form private trusts. However, these are no specific laws or guidelines but are only the practices followed over centuries. As Table 7.21 indicates, almost two third (66.1%) of the sample family businesses did not have any type of trust, and about 22% family businesses had charitable trusts.

Table 7.21 Types of Trusts

Types of Trust		Frequency	Percent
1	No Trust	82	66.1
2	Private Trust	2	1.6
3	Charitable Trust	27	21.8
4	Family Trust	2	1.6
5	Combination of private, charitable and family Trusts	11	8.8
	Total	124	100.0

7.3.2 Family Council

Establishment of a family council is one of the core mechanisms that help in long term sustenance of family businesses, particularly addressing the issue of succession and prevention of conflict. Older generation faces several dilemmas about succession, such as the choice of the right successor, successor's capabilities, and interest in working for the family business. One practical solution (Nicholson & Björnberg, 2004) is to bring the whole family together to set up family council. Similar to a corporate board of directors, a family council imparts family governance mechanism and is responsible for making important decisions on the direction of the business, the family, as well as resolving conflicts or disputes.

As shown in Table 7.22, the respondents were asked whether they had a formal mechanism of a family council in their family businesses. Almost 90% respondents mentioned that they did not have a family council to address the issues of the family and the business. About 10% respondents had family councils in their businesses.

Table 7.22 Family Council

Family Council		**Frequency**	**Percent**
1	Does not exist	111	89.5
2	Exists	13	10.5
	Total	124	100.0

7.3.3 Measures to Separate Ownership from Management Control

Scholars and researchers (Aronoff, 1999, Gersick et al., 1997) have recommended separation of ownership from management control for successful continuance of the family business. The concept of ownership and management separation is gaining acceptance in the western family businesses, as it helps in corporate governance and enhanced business performance. However, in India, this concept is still new and not practiced widely.

In response to the question whether any measures were taken to separate ownership from management control, 13% respondents mentioned that they had already taken such measures. As shown in Table 7.23, almost 39% respondents agreed that they intended to take measures and about 35% mentioned that they did not want to take such measures. 13.7% respondents were unsure about taking such measures. However, 51.6% respondents (comprising measures already taken and intend to take) favored ownership to be separated from management, a forward step toward professionalization.

Table 7.23 Measures to Separate Ownership from Management Control

	Measures	Frequency	Percent
1	Have already taken	16	12.9
2	Intend to take	48	38.7
3	Can't say	17	13.7
4	Do not want to take	43	34.7
	Total	124	100.0

7.3.4 Probability of Split in Near Future

To assess current conflict levels and their intensity leading to splits, the respondents were asked to select one of the options about the probability of split in their family business. As the time dimension would vary for each respondent depending on the individual's perception, the duration was defined as "in near future" instead a specific time period. In exploratory and pilot surveys, respondents considered "near future" as a time span of 1 to 3 years in the context of probability of split.

Table 7.24 indicates the probabilities of split in near future. Almost 37% respondents felt that the probability of split in their businesses was high (9.7%) to somewhat (27.4) probable. 16% respondents were not sure about the probability and almost 47% respondents showed confidence that split was not probable in their family businesses in the near future.

Table 7.24 Probability of Split in Near Future

Probability of Split		Frequency	Percent
1	Highly probable	12	9.7
2	Somewhat probable	34	27.4
3	Can't say	20	16.1
4	Not at all probable	58	46.8
	Total	124	100.0

7.4 Profile of "Split" Family Businesses

The sample of family businesses was selected in two categories, family businesses that had gone through split(s) during their life time and those which had never gone through a split. Respondents belonging to the family businesses that had gone through split(s) were asked specific questions about the split. Given below are the details related to split(s):

7.4.1 Number of Split Family Businesses

As Table 7.25 depicts, from total 124 sample family businesses, 66% (77) had never gone through a split in their family businesses. 38% (47) businesses had gone through split(s) in the past. From those who had split(s), about 27% (34) respondents acknowledged one split in their family businesses, and about 11% (13) respondents acknowledged that their family business had gone through more than one split. The highest number of splits in a four generations old family business was six.

Table 7.25 Splits in the Family Business

		Frequency	Percent
1	Never had split	77	62.1
2	Had one split	34	27.4
3	Had more than one split	13	10.5
	Total	124	100.0

7.4.2 When Split

In answer to the question of how many years ago the last split took place, the response was slightly higher for the split happened less than ten years ago (51%) than the split happened ten and more years ago (49%), as given in Table 7.26.

Table 7.26 When Split

		Frequency	Percent
1	Less than 10 years ago	24	51.1
2	10 and above years ago	23	48.9
	Total	47	100.0

7.4.3 Last Split in Which Generation

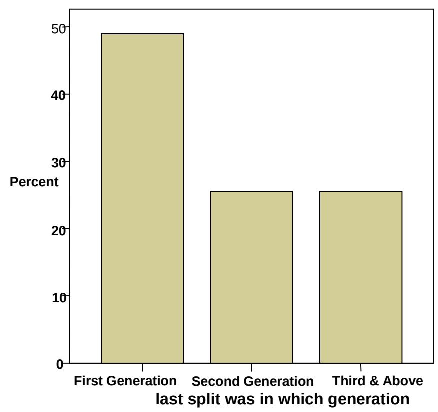
Research shows that approximately 30% of family businesses are transferred to second generation family ownership and only 13% of family businesses survive to third generation family owners (Ward, 1987). The findings depicted in Table 7.27 show that 49% (almost half) of the sample family businesses had split in the first generation itself. Frequency of splits in the second and later generations was equal at 25.5% in each generation. The conclusion from the above data can corroborate the academic research on the low rate of survival of family businesses in the first generation. However, the findings show that though the businesses split in the first generation, they continue to operate under different structure from the original family business.

In Indian context, it can be analyzed that during the first generation (founder) at the helm and before the second generation i.e., siblings can take ownership control, the family businesses are divided, probably to avoid bitter splits later on. In case of two or more capable successors, the founder may opt for dividing the business to give freedom of owning and controlling independent businesses to his children. Fig. 7.6 pictorially depicts last generation in which the last split took place.

Table 7.27 Last split in Generation

		Frequency	Percent
1	First Generation	23	49.0
2	Second Generation	12	25.5
3	Third and Above	12	25.5
4	Total	47	100.0

Fig. 7.6 Last split in Generation



7.4.4 Split Between Which Relations

According to the popular belief and research claims, usually splits in the family businesses take place in the third generation of cousin consortium (Ward, 1987). The findings in Table 7.28 show that almost 64% splits took place between siblings that is, real brothers, and 25.5% splits took place between cousins with only 10.6% splits between uncles and nephews. There was no split reported between the father and the son.

The analysis indicates that in Indian family businesses, patriarchal relationships are strong and succession from father to son is a standard practice. However, in the sibling partnership stage, the ownership control is shared by two or more brothers (and sisters), who may or may not be actively present in the business (Gersick et al., 1997). Possibilities of split are higher at this stage, as also when the members of younger generation of cousins enter the business.

Table 7.28 Split Between Which Generations

		Frequency	**Percent**
1	Uncle and Nephew	5	10.6
2	Real Brothers	30	63.9
3	Cousins	12	25.5
	Total	47	100.0

7.4.5 Status of Businesses after Split

Respondents were asked to compare the status of their business and other split business (latest split). As indicated in Table 7.29, 47% respondents mentioned that both the businesses were doing better after the split compared to when they were together. 19% respondents mentioned that they were doing better than the other business after the split. 10.6% respondents mentioned that the other split business was doing better than their business. Only 4.3% respondents agreed that both the businesses were doing worse after the split than when they were together.

Table 7.29 Status after Split

		Frequency	**Percent**
1	Both businesses are doing better	22	46.9
2	Our business is doing better	9	19.1
3	Other business is doing better	5	10.6
4	Both businesses are doing worse	2	4.3
5	Other business is sold off/ closed down	9	19.1
	Total	47	100.0

7.4.6 Respondents that Witnessed Split

The total sample of 124 respondents comprised two categories: one category of respondents whose family businesses had gone through split(s) in the past; and another category of the respondents whose family businesses had never gone through a split in their business history. About 38% (47) respondents from total 124 respondents mentioned that they had split(s) in their family businesses in the past and about 62% (77) respondents mentioned that their family businesses had never gone through a split.

From the total 47 respondents whose family businesses had gone through split(s), 74.5% (35) respondents had witnessed a split and had experienced conflict during the split. These respondents were considered as "split cases". Remaining 25% (12) respondents had not been present in the family business at the time of a split i.e., they had not witnessed the split themselves. As these respondents did not have first hand experience of conflict during the split, they were considered as "no-split" cases. Table 7.30 depicts the percentage of respondents who witnessed split and who did not witness split in their respective family businesses.

Table 7.30 Respondents that witnessed split

		Frequency	**Percent**
1	Respondent witnessed the split (Split case)	35	74.5
2	Respondent not witnessed the split (No-split case)	12	25.5
	Total respondents from the split family businesses	47	100.0

7.4.7 Presence of Independent Variables in Two-Categories

The respondents who had witnessed split were asked about their agreement or disagreement on the presence of 27 independent variables (causes of conflict) in context to the conflict they had experienced at the time of split. The respondents who had not witnessed split and also those who had never had split in their family businesses were asked to respond to same 27 variables with respect to the current situation. In both cases, variables remained the same however, situational contexts differed so that the respondents' association with the causes of conflict would be relevant. The frequency distribution of 27 independent variables was cross-tabulated with the dependent variable (split/no-split category) for 124 cases.

The result of the 5-point Likert scale from "strongly agree" to "strongly disagree" is condensed as a summary and depicted in Table 7.31. Scores of strongly agree and agree were averaged in "agreed for presence," scores of strongly disagree and disagree were averaged to "disagreed for presence". Scores of neither agree nor disagree were reported as they were. From the following table, it was found that in 20 independent variables out of 27, higher percent of respondents belonging to split category agreed for the presence of these variables than the respondents belonging to no-split category. Further analysis classified these variables into types of conflict.

Table.7.31 Presence of Independent Variables in Two-Categories

No	Variable	Split (S)/ No-split (NS) family Business	Agreed for presence %	Neither agree nor disagree %	Disagreed for presence %
1	unwanted influence of non-working family members/ outsiders	S	53.5	20	25.7
		NS	16.9	15.7	67.4
2	dissatisfaction with the share of earning and profit	S	62.8	8.6	28.6
		NS	23.6	7.9	68.5
3	lack of trust and respect for each other	S	51.4	25.7	22.8
		NS	22.5	5.6	71.9
4	adverse influence of non-working women family members	S	48.6	8.6	42.9
		NS	10.1	14.6	75.3

Contd.					
5	advantage of family name & reputation taken for selfish gain	S	34.3	14.3	51.5
		NS	16.9	7.9	75.3
6	Non-transparency in business/financial dealings	S	62.8	11.4	25.7
		NS	21.4	5.6	73
7	Feeling of competition/rivalry among family members	S	57.1	14.3	28.5
		NS	18	9	73
8	undue importance given to some members	S	40	17.1	42.9
		NS	19.1	18	62.9
9	differences on succession and future leadership	S	74.3	8.6	17.2
		NS	31.5	12.4	56.2
10	entry of younger generation has increased differences among family members	S	85.7	8.6	5.7
		NS	24.8	14.6	60.7
11	dissatisfaction on sharing of power and authority	S	74.3	11.4	14.3
		NS	32.6	6.7	60.7
12	lower commitment toward business	S	54.3	11.4	34.3
		NS	38.2	10.1	51.7
13	no faith and confidence in the leader/head of the family	S	40	14.3	45.8
		NS	19.1	12.4	68.5
14	important decisions taken without consent of other members	S	54.2	2.9	42.8
		NS	38.2	6.7	55.1
15	it is important for all members to meet regularly	S	48.6	20	31.5
		NS	64	13.5	22.4
16	growth of business suffering due to differences among members	S	65.7	8.6	25.7
		NS	33.7	7.9	58.4
17	lack of communication among family members	S	71.4	20	8.6
		NS	39.4	9	51.6
18	conflicting styles of running business	S	97.2	2.9	0
		NS	70.8	6.7	22.5
19	overlapping roles and responsibilities in the business	S	60	2.9	37.2
		NS	61.8	10.1	28.1
20	transparent, well organized processes and policies in business	S	40	0	60
		NS	50.5	12.4	37
21	a lot of time spent in day to day operations	S	68.6	8.6	22.9
		NS	78.7	5.6	15.7
22	difference in ambition levels of family members	S	80	0	7
		NS	75.3	5.6	19.1
23	differences on long term goals & future direction of business	S	80	5.7	14.3
		NS	51.7	6.7	41.5
24	important to follow family traditions and customs	S	54.3	11.4	34.3
		NS	67.4	12.4	20.3
25	all members have equal standard of living	S	60	5.7	34.3
		NS	84.2	5.6	10.1
26	younger members encouraged to start independent ventures to avoid conflict	S	28.6	20	51.4
		NS	34.8	25.8	39.4
27	most decisions taken by the leader/head of family	S	68.6	14.3	17.2
		NS	56.1	15.7	28.1

7.5 Factor Analysis: Interpretations

The independent variables were believed to be represented more parsimoniously by a smaller set of factors or components. These components were considered for factor analysis. The end result of the analysis was to find which variables could be represented by which components, and which variables should remain as individual variables because the factor solution did not adequately represent their information.

As mentioned earlier, the sample was divided into two categories: split family businesses and no-split family businesses. Based on the conceptual constructs and findings of the exploratory survey described in chapter 4, 27 independent variables as causes of conflict, which may lead to split in the family business, were identified and analyzed through data reduction technique of factor analysis.

7.5.1 Descriptive Statistics

A comparison of means and standard deviation of 27 independent variables for each, split and no-split group is given in the Table 7.32. The number of valid cases (respondents) was 124, from which 35 cases belonged to split family businesses where respondents had witnessed split. 89 cases belonged to no-split category comprising 77 cases where family businesses have never split and 12 cases where family businesses had split but the respondents were not present in the business at the time of split.

The sample of 124 satisfies the requirement of preferred sample for factor analysis. The ratio of cases to variables in a principal component analysis should be at least 5:1. In the given study the sample size to variables ratio was 4.6:1, which, considering strict selection criteria for the sample, no missing information, and the nature of the subject, was taken as a valid size.

Table 7.32 Means and Standard Deviations

No.	Variable	Split/No-split family business	Mean	Std. Deviation	N
1	unwanted influence of non-working family members/ outsiders	S	3.46	1.30	35
		NS	2.01	1.24	89
2	dissatisfaction with the share of earning and profit	S	3.51	1.31	35
		NS	2.10	1.40	89
3	lack of trust and respect for each other	S	3.49	1.22	35
		NS	2.06	1.33	89
4	adverse influence of non-working women family members	S	2.91	1.38	35
		NS	1.82	1.03	89
5	advantage of family name & reputation taken for selfish gain	S	2.63	1.37	35
		NS	1.87	1.25	89
6	Non-transparency in business/financial dealings	S	3.60	1.33	35
		NS	2.01	1.29	89
7	feeling of competition/rivalry among family members	S	3.31	1.39	35
		NS	1.90	1.25	89
8	undue importance given to some members	S	3.11	1.35	35
		NS	2.08	1.28	89
9	differences on succession and future leadership	S	3.94	1.31	35
		NS	2.45	1.52	89
10	entry of younger generation has increased differences among family members	S	4.29	.860	35
		NS	2.30	1.37	89
11	dissatisfaction on sharing of power and authority	S	3.97	1.12	35
		NS	2.46	1.59	89
12	lower commitment toward business	S	3.34	1.454	35
		NS	2.62	1.46	89
13	no faith and confidence in the leader/head of the family	S	2.86	1.29	35
		NS	2.15	1.37	89
14	important decisions taken without consent of other members	S	3.23	1.26	35
		NS	2.62	1.46	89
15	it is important for all members to meet regularly	S	2.86	1.12	35
		NS	2.20	1.21	89
16	growth of business suffering due to differences among members	S	3.74	1.37	35
		NS	2.46	1.55	89
17	lack of communication among family members	S	3.91	1.01	35
		NS	2.79	1.47	89
18	conflicting styles of running business	S	4.40	.553	35
		NS	3.72	1.30	89
19	overlapping roles and responsibilities in the business	S	3.31	1.30	35
		NS	3.36	1.26	89
20	transparent, well organized processes and policies in business	S	3.23	1.26	35
		NS	2.73	1.28	89
21	a lot of time spent in day to day operations	S	3.69	1.16	35
		NS	3.93	1.16	89

Contd.					
22	difference in ambition levels of family members	S	4.00	1.11	35
		NS	3.82	1.18	89
23	differences on long term goals & future direction of business	S	4.03	1.01	35
		NS	3.03	1.52	89
24	important to follow family traditions and customs	S	2.60	1.17	35
		NS	2.27	1.16	89
25	all members have equal standard of living	S	2.40	1.42	35
		NS	1.70	1.04	89
26	younger members encouraged to start independent ventures to avoid conflict	S	3.26	1.17	35
		NS	2.97	1.32	89
27	most decisions taken by the leader/head of family	S	3.89	1.18	35
		NS	3.37	1.32	89

7.5.2 KMO and Bartlett's Test

The Bartlett’s Test of Sphericity was conducted to determine the appropriateness of the factor analysis. It is a statistical test for overall significance of all correlations within a correlation matrix. Principal component analysis requires that the probability associated with Bartlett’s Test of Sphericity be less that the level of significance. As shown in Table 7.33, probability associated with the Bartlett’s test is $p<0.001$, which satisfied this requirement with Sig.=0.000, indicating that the variables included in the analysis satisfied the screening criteria for appropriateness of factor analysis.

Table 7.33 KMO and Bartlett’s Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy		.906
Bartlett's Test of Sphericity	Approx. Chi-Square	1647.350
	df	351
	Sig.	.000

7.5.3 Communalities

The next adjustment to be made to the factor solution was to examine the communalities. The rule of thumb is that the derived components should explain at least half of each original variable’s variance, so the communality value for each variable should be 0.50 or higher. If one or more variables have a value for communality that is less than 0.50, the variable with the lowest communality should be excluded and the principal component analysis should be computed again. Table 7.34 depicts communality of the variables. Each variable had communality higher than 0.5, and therefore all the variables were included in further analysis.

Table 7.34 Communalities

No.	Variables	Initial	Extraction
1	differences on long term goals & future direction of business	1.000	.593
2	conflicting styles of running business	1.000	.522
3	a lot of time spent in day to day operations	1.000	.558
4	lack of communication among family members	1.000	.701
5	overlapping roles and responsibilities in the business	1.000	.726
6	difference on succession and future leadership	1.000	.719
7	dissatisfaction on sharing of power & authority	1.000	.755
8	important decisions taken without consent of other members	1.000	.623
9	undue importance given to some members	1.000	.594
10	dissatisfaction with the share of earning and profit	1.000	.679
11	lower commitment toward business	1.000	.649
12	growth of business suffering due to differences among members	1.000	.695
13	unwanted influence of non-working family members/outsiders	1.000	.670
14	lack of trust and respect for each other	1.000	.743
15	most decisions taken by the leader/head of family	1.000	.869
16	non transparency in business/financial dealings	1.000	.664

Contd.			
No.	**Variables**	**Initial**	**Extraction**
17	feeling of competition/rivalry among family members	1.000	.732
18	entry of younger generation has increased differences among family members	1.000	.643
19	advantage of family name & reputation taken for selfish gain	1.000	.622
20	difference in ambition levels of family members	1.000	.697
21	no faith and confidence in the leader/head of the family	1.000	.706
22	adverse influence of non-working women family members	1.000	.569
23	younger members encouraged to start independent ventures to avoid conflict	1.000	.682
24	it is important for all members to meet regularly	1.000	.586
25	all members have equal standard of living	1.000	.672
26	transparent, well organized processes and policies in business	1.000	.669
27	important to follow family traditions and customs	1.000	.669

Extraction Method: Principal Component Analysis.

7.5.4 Total Variance Explained Method for Factor Extraction

Once all variables having communality greater than 0.50 are obtained, Total Variance Explained is to be looked at. Latent root criterion (same as Eigenvalues – represents the amount of variance accounted for by a factor) helps in understanding the number of factors generated in the factor analysis. Though eigenvalues of all possible factors are provided, only those factors where eigenvalues are greater than 1.0 should be considered. In this case, 7 factors were created. Table 7.35 depicts the summary of Total Variance Explained.

If the percentage of variance explained is less than 60%, a note of caution should be attached to the solution obtained, since using the components as substitutes for the variables may not be all that useful. If the first component contains ordinal variables, or if the proportion of total variance explained is less than 60%, a caution is added to the true answer.

The cumulative proportion of variance criteria would require 8 components to satisfy the criterion of explaining 60% or more of the total variance in the original set of variables. In the given case, the solution obtained was of 7 components, which explained 66.69% of the total variance.

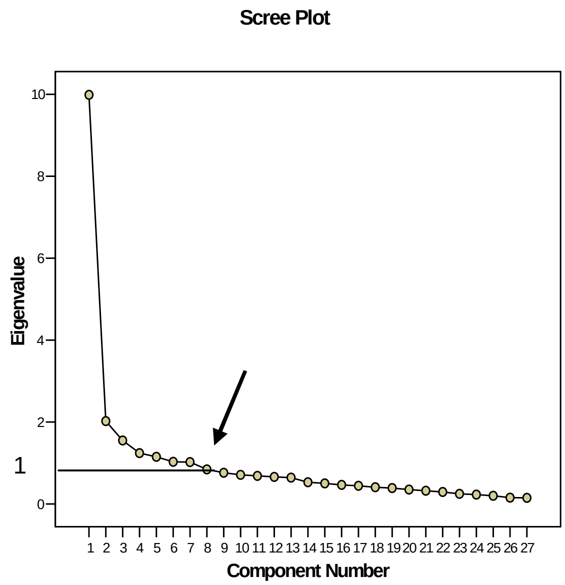
Table 7.35 Summary of Total Variance Explained

Comp-onent	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	9.987	36.990	36.990	9.987	36.990	36.990	5.925	21.943	21.943
2	2.023	7.493	44.484	2.023	7.493	44.484	3.240	12.001	33.945
3	1.550	5.741	50.225	1.550	5.741	50.225	2.232	8.265	42.210
4	1.242	4.600	54.824	1.242	4.600	54.824	2.085	7.721	49.931
5	1.151	4.262	59.086	1.151	4.262	59.086	1.714	6.349	56.280
6	1.029	3.811	62.897	1.029	3.811	62.897	1.669	6.181	62.461
7	1.023	3.790	66.687	1.023	3.790	66.687	1.141	4.225	**66.687**
8	.844	3.127	69.813						

7.5.5 Scree Plot Method for Factor Extraction

Scree Plot was another method used to decide the number of factors to be extracted. The curve began to tail off from 3rd factor, and on the 7th factor there was another drop, shown by an arrow. The curve started reaching stable plateau from 8th factor. Though the scree plot indication is an approximate method, it showed the similar result of retaining 7 factors from the extraction process, with Eigen values more than 1. Scree plot output obtained from SPSS software is depicted in Fig. 7.7 below.

Fig.: 7.7 Scree Plot



7.5.6 Factor Rotation

In SPSS, orthogonal varimax rotation was run on 27 independent variables. The output showed the rotated component matrix (also called the rotational factor matrix), which is a matrix of the factor loadings for each variable onto each factor (Nargundkar, 2005).

Several points have to be considered about the format of the matrix. First, factor loadings less than 0.4 were suppressed by giving the SPSS command and therefore are not displayed in Table 7.36. This was to make the interpretation considerably easy. Second, "sorted by size" output was selected so that the variables were listed in the order of size of their factor loading. Third, variables 3, 9, 10, 11, 16, and 17 had cross-loadings. These variables being important from conceptual aspect, were not deleted, but retained under the respective factors where they had loadings higher than 0.5. This was to ensure that each variable loads on one and only one component. All the loadings had positive signs and therefore they were positively related.

Table 7.36 Rotated Component Matrix

No.	Variable	Component						
		1	2	3	4	5	6	7
1	unwanted influence of non-working family members/outsiders	.794						
2	dissatisfaction with the share of earning and profit	.747						
3	lack of trust and respect for each other	.724						
4	adverse influence of non-working women family members	.714						
5	advantage of family name & reputation taken for selfish gain	.689						
6	non transparency in business/financial dealings	.648						
7	feeling of competition/rivalry among family members	.648						
8	Undue importance given to some members	.646						
9	difference on succession and future leadership	.587						
10	entry of younger generation has increased differences among family members	.557						
11	dissatisfaction on sharing of power & authority	.544						
12	lower commitment toward business		.645					
13	no faith and confidence in the leader/head of the family		.634					
14	important decisions taken without consent of other members		.608					
15	it is important for all members to meet regularly		.579					
16	growth of business suffering due to differences among members		.535					
17	lack of communication among family members		.503					
18	conflicting styles of running business		.485					
19	overlapping roles and responsibilities in the business			.818				
20	transparent, well organized processes and policies in business			.707				
21	a lot of time spent in day to day operations			.630				
22	difference in ambition levels of family members				.775			
23	differences on long term goals & future direction of business				.614			
24	important to follow family traditions and customs					.792		
25	all members have equal standard of living					.755		
26	younger members encouraged to start independent ventures to avoid conflict						.819	
27	most decisions taken by the leader/head of family							.928

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.
a Rotation converged in 8 iterations.

Table 7.36 depicts 27 variables extracted into 7 components or factors. Each of the first three factors had three and more variables under them. Factor 4 and 5 were represented by two variables, which is the minimum requirement of number of variables in a factor. Factor 6 and 7 were represented by only one variable each. As they did not represent sufficient variables, they were treated as independent variables in further analysis. However these were addressed as “factors” only. In factor 2, variable 18 had a loading little less than 0.5, i.e. 0.485. This variable was an important cause in the typology of conflict and therefore was retained in the analysis as an exception despite its lower loading than 0.5.

7.5.7 Factor Labeling

The statistical analysis produced 7 factors which represented the theoretical constructs of typology of conflict. The logical reasoning for the labels given to the factors is explained below:

The first factor was made up of 11 independent variables as given in Table 7.37(a), and amounted to 21.94% of the total variance. The factor represented causes of conflict noted by researchers (Dyer, 1986; Schwenk, 1990; Ling et al., 2002) as “relationship” conflict, and therefore was termed as “relationship conflict”.

The second factor represented below-the-surface, hidden conflict causes (Wakefield & Sebora, 2004; Levinson, 1971; Cosier & Harvey, 1998) explaining 12% of the variance. This factor was therefore termed as “latent conflict,” as depicted in Table 7.37 (b).

The third factor shown in Table 7.37(c), explained the variance of 8.3% and clearly depicted conflict causes arising from business processes. Therefore it was named as “process conflict” (Jehn, 1997).

Task conflict, also known as substantive conflict (Beckhard & Dyer, 1983; Davis & Harveston, 2001) in the literature, consists of task disagreements on the nature and importance of goals and decision areas. The fourth factor shown in Table 7.37 (d), represented variables generating conflict from the diverse perspective of the family members as a group and as individuals, and in understanding of tasks at hand (Jehn, 1997). It explained the variance of 7.7% and was named as ‘task conflict”.

Family businesses use family creed, and family constitution or protocol (Benson, 1988; Ward, 2000) as some of the conflict preventive methods. Family customs and rituals may act as conflict prevention mechanisms by enhancing familial bonding. Lack of such mechanisms was represented by the fifth factor, which explained a variance of 6.3% and was termed as “lack of conflict prevention norms,” as depicted in Table 7.37 (e).

The sixth factor as per Table 7.37 (f), with a variance of 6.2% was represented by a single variable, and although treated as an independent factor, it represented the generational non-sustainability of the family business. Involvement of the next generation in a family business can have dramatic consequences for the continuity of the firm (Stavrou, 1998). A practice that is observed in Indian family businesses is when the business has more number of family members or potential successors than required, or the business shows signs of moderate to high levels of conflict among family members, the younger generation members are preferred not to be associated with the main family business and are given to manage their independent businesses. This factor was termed as “next generation (gen) exclusion”.

The seventh factor, represented by a single variable explained 4.2% variance as shown in the Table 7.37 (g), and was related to the dominating/authoritative leadership style in the family businesses. It was named as “authoritative leadership”. Kellermann and Eddleston (2004) propose that the higher concentration of control is associated with the lower levels of task and process conflict. Therefore, authoritative decision making by the leader in the family business reduces task and process conflict, there by reducing the possibility of splits in the family businesses.

Table 7.37(a) Factor 1 Label – Relationship Conflict

No.	**Factor 1: Relationship Conflict**	**Factor Loadings**
1	Unwanted influence of non-working family members/outsiders	.794
2	Dissatisfaction with the share of earning and profit	.747
3	Lack of trust and respect for each other	.724
4	Adverse influence of non-working women family members	.714
5	Advantage of family name and reputation taken for selfish gain	.689
6	Non-transparency in business/financial dealings	.648
7	Feeling of competition/rivalry among family members	.648
8	Undue importance and nepotism	.646
9	Difference on succession and future leadership	.587
10	Entry of younger generation increasing differences among family members	.557
11	Dissatisfaction on sharing of power and authority	.544

Table 7.37(b) Factor 2 Label – Latent Conflict

No.	**Factor 2: Latent Conflict**	**Factor Loadings**
1	Lower commitment toward business	.645
2	No faith and confidence in the leader/head of the family	.634
3	Important decisions taken without consent of other members	.608
4	It is important for all members to meet regularly	.579
5	Growth of business suffering due to differences among members	.535
6	Lack of communication among family members	.503
7	Conflicting styles of running business	.485

Table 7.37(c) Factor 3 Label – Process Conflict

No.	Factor 3: Process Conflict	Factor Loadings
1	Overlapping roles and responsibilities in the business	.818
2	Transparent, well organized processes and policies in business	.707
3	A lot of time spent in day to day operations	.630

Table 7.37(d) Factor 4 Label – Task Conflict

No.	Factor 4: Task Conflict	Factor Loadings
1	Difference in ambition levels of family members	.775
2	Differences on long term goals & future direction of business	.614

Table 7.37(e) Factor 5 Label – Lack of Conflict Prevention Norms

No.	Factor 5: Lack of Conflict Prevention Norms	Factor Loadings
1	Important to follow family traditions and customs	.792
2	All members have equal standard of living	.755

Table 7.37(f) Factor 6 Label – Next-Gen Exclusion

No.	Factor 6: Next-Gen Exclusion	Factor Loading
1	Younger members encouraged to start independent ventures to avoid conflict	.819

Table 7.37(g) Factor 7 Label – Authoritative Leadership

No.	Factor 7: Authoritative Leadership	Factor Loading
1	Most decisions in the family business taken by the leader/head of family	.928

7.5.8 Factor Score Calculation

The first objective of factor analysis was data reduction, which was achieved as explained above. The second objective was to replace the original set of variables with an entirely new, smaller set of variables created through factor scores method, for further statistical analysis. The analytical dimension and methodology for calculating factor scores is elaborated in chapter 5, and explained briefly as follows:

The rotated factor loadings of the variables for factor 1 were converted into relative loadings by dividing the factor loading of the variable with the sum of the factor loadings of all the variables of factor 1. As a result, all the variables that constructed factor 1, led to a sum total of 1 of relative factor loadings. These values were considered as the coefficients of respective variables that constructed factor 1. For examples, if the relative factor loadings were represented as $\beta_1, \beta_2, ..., \beta_{n_1}$ and n_1 variables were denoted as $X_1, X_2, ...X_{n_1}$ then factor 1 was represented as: $factor1 = \beta_1 X_1 + \beta_2 X_2 + ... + \beta_{n_1} X_{n_1}$.

Other factors were formed in the similar manner. Factor score for each factor calculated in the above manner was transferred to SPSS data sheet. For each individual respondent (row), a new data file of seven factor scores (columns) was created. These new factors were used as independent variables in the second multivariate technique of discriminant analysis.

7.5.9 Reliability

The scale of 27 independent variables was tested for reliability. SPSS output gave the reliability coefficient with Cronbach's alpha as 0.926, which was considered a high score compared to the generally agreed upon lower limit of 0.70 (Robinson et al., 1991).

7.6 Discriminant Analysis: Interpretations

The factor analysis findings detailed in section 7.6, resulted in creation of 7 new independent variables, as causes of conflict. The conceptual underpinning of discriminant analysis in the study was to analyze the independent variables (causes of conflict) that can discriminate between the two groups of dependent variable. Therefore the two categories of family businesses: split and no-split, became a dependent nonmetric variable group in the analysis.

7.6.1 New Variables

Given below in Table 7.38(a) and 7.38(b), are the new independent and dependent variables respectively with their labels used throughout in the discriminant analysis.

Table 7.38(a) New Independent Variables and Labels

No.	New Independent variable formed from Factor Analysis	Label used in discriminant analysis
1	Relationship Conflict	RCF
2	Latent Conflict	LCF
3	Process Conflict	PCF
4	Task Conflict	TCF
5	Lack of Conflict Prevention Norms	LCP
6	Next-Gen Exclusion	NGE
7	Authoritative Leadership	AUL

Table 7.38(b) New Dependent Variable Group and Labels

No.	Two-group dependent variable	Label used in discriminant analysis
1	Witnessed split in the family business	Split
2	Never witnessed split in the family business	No-split

7.6.2 Predictive Model

In order to test the validity of the discriminant model, the 70-30 split sample method was used. 70% of the total sample (N=124) was randomly selected in SPSS module and discriminant analysis was performed. The discriminant Z score for the discriminant function was calculated by using discriminant coefficients. The equation was applied to the remaining 30% sample and its predictive validity was checked by cross-tabulation. SPSS output is discussed below and the analytical concept is discussed in chapter 5.

7.6.3 Sample Size

Total number of respondents was 124. There were no missing or out-of-range group codes and all the cases were valid for the analysis. The minimum ratio of valid cases to independent variables for discriminant analysis is 5:1, to a preferred ratio of 20:1. In this analysis, there were 124 valid cases and seven independent variables, a ratio of approximate 18:1, which satisfied the criterion of minimum requirement, and was close to the preferred ratio criterion of 20:1.

*Table 7.39 Approximately 70 % of cases (Sample) * Witness Cross-tabulation*

		Witness		Total
		No-split	split	
Approximately 70 % of cases (Sample)	not selected	21	11	32
	selected	68	24	92
Total		89	35	124

As shown in Table 7.39, approximate 70% sample constituted 92 cases, of which 68 cases were no-split and 24 cases were split family businesses.

7.6.4 Tests of Equality of Group Means

Table 7.40 Tests of Equality of Group Means

	Wilks' Lambda	F	df1	df2	Sig.
RCF	.661	46.223	1	90	.000
LCF	.794	23.415	1	90	.000
PCF	.994	.551	1	90	.460
TCF	.895	10.578	1	90	.002
LCP	.987	1.166	1	90	.283
NGE	.995	.483	1	90	.489
AUL	.939	5.857	1	90	.018

Table 7.40 shows the SPSS output of Tests of Equality of Group Means. The *p*-value significance for each of the variables is discussed below. Wilk's Lambda tests the extent of equality of group means and their statistical significance for independent variables. Lowest value of lambda is for the variable RCF (0.661), making it the most significant variable.

As shown in the Table 7.40, three independent variables, PCF (sig.=0.460), LCP (sig.=0.283), and NGE (sig.=0.489) had the probabilities higher than the required significance of $p < 0.05$. Therefore they were not considered as good discriminatory independent variables. The other four variables were considered as good discriminatory variables. These observations were cross-validated with the structure matrix and were found to be on the similar lines. Statistical significance for each independent variable was interpreted as follows:

i) "Relationship conflict" had a significance value (sig. = 0.000) less than the required level of significance, $p < 0.05$, indicating it as a good discriminatory independent variable. Therefore, the null hypothesis $H_{01}: \beta_1 = 0$ was rejected at 95% level of confidence.

ii) "Latent conflict" had significance value (sig. = 0.000) less than the required level of significance, $p < 0.05$, signifying it as a good discriminatory independent variable. Therefore, the null hypothesis H_{02}: $\beta_2 = 0$ was rejected at 95% level of confidence.

iii) "Process conflict" had a significance value (sig. = 0.460), greater than the required level of significance, $p < 0.05$, indicating that it was not a good discriminatory independent variable for the two groups. Therefore the null hypothesis H_{03}: $\beta_3 = 0$ was accepted at 95% level of confidence.

iv) "Task conflict" had a significance value (sig.= 0.013) less than the required level of significance, $p < 0.05$, signifying it as a good discriminatory independent variable. Therefore the null hypothesis H_{04}: $\beta_4 = 0$ was rejected at the 95% level of confidence.

v) "Lack of conflict prevention norms" had a significance value (sig.= 0.283), greater than the required level of significance, $p < 0.05$, indicating that it was not a good discriminatory independent variable. Therefore the null hypothesis H_{05}: $\beta_5 = 0$ was accepted at 95% level of confidence.

vi) "Next-gen exclusion" had a significance value (sig.= 0.489), greater than the required level of significance, $p < 0.05$, indicating that it was not a good discriminatory independent variable for the two groups. Therefore the null hypothesis H_{06}: $\beta_6 = 0$ was accepted at 95% level of significance.

vii) "Authoritative leadership" had a significance value (sig.= 0.018), less than the required significance, $p < 0.05$, signifying it as a good discriminatory independent variable. Therefore the null hypothesis H_{07}: $\beta_7 = 0$ was rejected at 95% level of confidence.

From the above explanation, it can be summarized that four independent variables i.e., causes of conflict such as RCF, LCF, TCF, and AUL were good discriminatory variables and three variables such as PCF, LCP, and NGE were poor discriminatory variables to discriminate split family businesses from no-split family businesses.

7.6.5 Structure Matrix

Direct entry (simultaneous) discriminant analysis was performed with all the variables included. The interpretation that a variable contributing to the discrimination of the groups defined by the dependent variable is based on the loadings in the structure matrix.

Table 7.41 shows the correlation (in order of importance) of each variable with the discriminant function. In the given case, the endeavor was to understand the role of the independent variable in predicting group membership i.e., were the higher or the lower scores on the independent variables associated with membership, present in one group rather than the other? This relationship was stated as a comparison of the means of the groups defined by the dependent variable i.e., split and no-split groups.

Table 7.41 Structure Matrix

	Function
	1
RCF	.907
LCF	.645
TCF	.434
AUL	.323
LCP	.144
PCF	.099
NGE	.093

Pooled within-groups correlations between discriminating variables and standardized canonical discriminant functions Variables ordered by absolute size of correlation within function.

In the given case, the rule of thumb was used that the contributing variables have a loading $\pm$ 0.30 or higher on the discriminant function. The variables were interpreted in relationship to the function with the highest loading.

Based on the above structure matrix, as Table 7.41 indicates, four variables had loadings higher than 0.30 and were considered as the independent variables distinguishing between the groups differentiated by discriminant function. These were: “relationship conflict”

(RCF) with the highest loading ($r = 0.907$); “latent conflict” (LCF) with a relatively high loading ($r = 0.645$); “task conflict” (TCF) with the loading ($r = 0.434$); and “authoritative leadership” with the loading ($r = 0.323$).

Three independent variables had loading less than 0.30 and were interpreted as they did not differentiate between the two groups of family businesses, i.e. their presence did not contribute toward split in the family business. These were: “lack of conflict prevention norms” (LCP) with the loading ($r = 0.144$); “process conflict” (PCF) with the loading ($r = 0.099$); and “next-gen exclusion” (NGE) with the loading ($r = 0.093$).

The literature on conflict in family businesses mentions presence of “process conflict” in most cases, and also conflict prevention norms contributing to reduction in the intensity of conflict. Entry of younger generation is also considered a conflicting issue, which may result in splits in the family businesses. Therefore, these three factors, although theoretically have an impact on conflict, in the given empirical study came out as weak variables, not contributing or discriminating toward split in the family business.

7.6.6 Second Iteration of Discriminant Analysis

In order to get accurate discriminant function, the three variables, LCP, PCF, and NGE, which did not differentiate between the two groups, were removed and second iteration of discriminant analysis was performed with the remaining four variables. Given below are the results of second discriminant analysis, obtained from the four differentiating variables.

7.6.6.1 Tests of Equality of Group Means

The second iteration resulted in the Wilk’s Lambda values as given in the Table 7.42. All the four variables had significance values less than the required level of significance, $p < 0.05$ such as: RCF (sig.= 0.000); LCF (sig. = 0.000); TCF (sig. = 0.002); and AUL (sig. = 0.018), indicating that they were good discriminatory independent variables for split and no-split family businesses.

Table 7.42 Tests of Equality of Group Means, Second Iteration

	Wilks' Lambda	F	df1	df2	Sig.
RCF	.661	46.223	1	90	.000
LCF	.794	23.415	1	90	.000
TCF	.895	10.578	1	90	.002
AUL	.939	5.857	1	90	.018

7.6.6.2 Structure Matrix

With the four variables, second iteration of direct entry discriminant analysis, resulted in the structure matrix, as depicted in the Table 7.43. All the variables had loadings higher than 0.30, as per the standard norm. “Relationship conflict” (RCF, r = 0.942) had the highest loading, followed by “latent conflict” (LCF, r = 0.671), “task conflict” (TCF, r = 0.451), and “authoritative leadership” (AUL, r = 0.323). Presence of all these four variables contributed toward split in the family business.

Table 7.43 Structure Matrix, Second Iteration

	Function
	1
RCF	.942
LCF	.671
TCF	.451
AUL	.335

Pooled within-groups correlations between discriminating variables and standardized canonical discriminant functions. Variables ordered by absolute size of correlation within function.

7.6.7 Summary of Canonical Discriminant Functions

The following tables present the results of important functions obtained through a variety of tests of Canonical Discriminant Functions in the second iteration of four independent variables.

7.6.7.1 Eigenvalues

Table 7.44 depicts Eigenvalues. With four independent variables and two-group analysis, only one function was needed to discriminate. Thus, one eigenvalue existed for one discriminant function. It showed the relative discriminatory power of the discriminant functions. The canonical correlation obtained in the above analysis was 0.605, moderately high.

Table 7.44 Eigenvalues

Function	Eigenvalue	% of Variance	Cumulative %	Canonical Correlation
1	.579(a)	100.0	100.0	.605

(a) First 1 canonical discriminant functions were used in the analysis.

7.6.7.2 Wilks' Lambda

As given in Table 7.45, Wilk's Lambda showed the proportion of the total variance (63.4%) in the discriminant scores, not explained by differences among groups.

Table 7.45 Wilk's Lambda

Test of Function(s)	Wilks' Lambda	Chi-square	df	Sig.
1	.634	40.171	4	.000

The observed Chi-square (40.171) did not fall within the critical region as = CHINV (0.050,4) = 9.49 and = CHINV (0.950,4) = 0.71. Because the observed Chi-square value (40.171) did not fall between the two values of CHINV (0.050,4) and CHINV (0.950,4), the null hypothesis which states that the independent variables do not discriminate split cases from no-split cases is rejected at 5% level of significance. The lambda of 0.634 had the significance value (Sig.= 0.000) implying that the group means appeared to differ.

7.6.7.3 Canonical Discriminant Function Coefficients

Table 7.46 shows the impact of each variable on the discriminant function after "standardization," putting each variable on the same platform since each variable may have different coefficients.

Table 7.46 Standardized Canonical Discriminant Function Coefficients

	Function
	1
RCF	.923
LCF	.305
TCF	.173
AUL	-.452

Table 7.47 given below, depicts the "unstandardized" discriminant function coefficients, which were used in calculating the discriminant Z scores. The function of these coefficients was to compare the relative importance of the independent variables. The RCF coefficient has the highest weight, followed by LCF, TCF, and AUL. Coefficient of AUL has negative weight, indicating its reverse relationship.

Table 7.47 Unstandardized Canonical Discriminant Function Coefficients

	Function
	1
RCF	1.156
LCF	.380
TCF	.168
AUL	-.356
(Constant)	-3.669

Unstandardized coefficients

The discriminant Z score was calculated as follows:

Z = - 3.669 + (1.156 x RCF) + (0.380 x LCF) + (0.168 x TCF) – (0.356 x AUL)

7.6.7.4 Functions at Group Centroids

Mean value for the discriminant Z scores for all objects for the two groups is depicted in the Table 7.48. In the given study, one discriminant function divided the groups into two subgroups. Function 1 separated survey respondents who had witnessed split in the family business (1.232) from the survey respondents who had never had witnessed split in the family business (-0.460).

Table 7.48 Functions at Group Centroids

Witness	Function
	1
No-split	-.460
Split	1.232

Unstandardized canonical discriminant functions evaluated at group means

7.6.7.5 Group Statistics

Group statistics was obtained by selecting the Means option in Descriptives template of SPSS. Table 7.49 depicts Group statistics, detailing means and standard deviations. From total 92 valid cases, “split” cases were 24 and “no-split” cases were 68.

Table 7.49 Group Statistics

Witness		Mean	Std. Deviation	Valid N (listwise)	
				Unweighted	Weighted
No-split	RCF	2.04	0.82	68	68.000
	LCF	2.67	0.85	68	68.000
	TCF	3.30	1.11	68	68.000
	AUL	2.00	1.26	68	68.000
Split	RCF	3.31	0.73	24	24.000
	LCF	3.58	0.64	24	24.000
	TCF	4.09	0.79	24	24.000
	AUL	2.72	1.31	24	24.000
Total	RCF	2.38	0.98	92	92.000
	LCF	2.91	0.89	92	92.000
	TCF	3.52	1.08	92	92.000
	AUL	2.20	1.30	92	92.000

From the second iteration of SPSS output of mean values, given below is the interpretation of the independent variables for each group.

i) RCF: The average “relationship conflict” for the survey respondents who had witnessed split in the family business (mean=3.31) was considerably higher than the average “relationship conflict” for the respondents who had never witnessed a split in the family business (mean=2.04). Therefore, relationship conflict was significantly higher in the family businesses that had gone through split compared to no-split family businesses.

ii) LCF: The average “latent conflict” for the survey respondents who had witnessed split in the family business (mean=3.58) was much higher than the average “latent conflict” for the respondents who had never witnessed a split in the family business (mean=2.67). Therefore, under-the-surface or latent conflict was much higher in the family businesses that had gone through split compared to no-split family businesses.

iii) TCF: The average “task conflict” for the respondents who had witnessed split in the family business (mean=4.09) was somewhat higher than the average “task conflict” for the respondents who had never witnessed a split in the family business (mean=3.30). Therefore, it could be concluded that task conflict was higher in the family businesses that had gone through a split compared to no-split family businesses, however it was not as high as relationship and latent conflict.

iv) AUL: The average “authoritative leadership” for the respondents who had witnessed split in the family business (mean=2.72) was somewhat higher than the average “authoritative leadership” for the respondents who had never witnessed a split in the family business (mean=2.00). The higher mean of the split group compared to no-split group suggested that the leadership was more authoritative in the split group than the no-split group. However, the negative sign of the discriminant coefficient indicated a reverse relationship, implying that authoritative leadership contributed to no-split in the family business.

7.6.7.6 Prior Probabilities for Groups

In addition to the requirement for the ratio of cases to independent variables, discriminant analysis requires that there be a minimum number of cases in the smallest group defined by the dependent variable. These cases must be larger than the number of independent variables, and preferably contain more than 20 cases. From the Table 7.50, it is clear that the split sample of 70% had fulfilled both the requirements by having 24 cases in the smallest group with 7 independent variables. A conservative approach of equal probabilities was selected as a SPSS command, where each group was assumed to have an equal chance of occurring even if the group sizes were unequal.

Table 7.50 Prior Probabilities for Groups

Witness	Prior	Cases Used in Analysis	
		Unweighted	Weighted
No-split	.500	68	68.000
Split	.500	24	24.000
Total	1.000	92	92.000

7.6.8 Classification Results

In the given study of 70% sample, the predictive ability of the discriminant function was computed. The results are depicted in Table 7.51, as classification results.

Table 7.51 Classification Results(a)

		Witness	Predicted Group Membership		Total
			No-split	Split	
Original	Count	No-split	53	15	68
		Split	4	20	24
	%	No-split	77.9	22.1	100.0
		Split	16.7	83.3	100.0

(a) 79.3% of original grouped cases correctly classified.

In the above table, the number of individuals correctly assigned to No-split group are 53, and 15 members are incorrectly assigned to split group. Similarly, the number of correct classifications to split group is 20, and the incorrect classifications to no-split group is 4. Therefore, the classification accuracy percentages of the discriminant function for the actual groups, no-split and split, are 77.9% and 83.3% respectively. The overall classification accuracy (hit ratio) is 79.3%.

7.6.9 Predictive Model on Hold-out Sample of 30%

Usually the validation of the hit ratio is performed by creating a holdout sample, also known as the validation sample. In the given study, the spilt half sample was used i.e., 70% portion of the cases were assigned to the *analysis sample* for purposes of developing a discriminant function. Second iteration of discriminant analysis was carried out with four significant coefficients. The discriminant function obtained from the discriminant Z score, from the 70% sample in second iteration, was then applied to the remaining 30% hold-out sample, for the predictive validity of the "Conflict-Impact" model, presented later. The logic for dividing the sample in two groups is that, if the same individuals' data is used in developing the classification matrix as well as computing the function, an upward bias will occur in the prediction accuracy of the discriminant function. Internal validity was established with the 70-30% split samples of the original sample of N=124.

*Table 7.52 Witness * Predicted Group Cross-tabulation*

			Predicted group		Total
			No-split	Split	
Witness	No-split	Count	11	10	21
		% within Witness	52.4%	47.6%	100.0%
	split	Count	1	10	11
		% within Witness	9.1%	90.9%	100.0%
Total		Count	12	20	32
		% within Witness	37.5%	62.5%	100.0%

The discriminant analysis showed that the 4 independent variables had correct predictability of 65% (21 out of 32 cases) for both, split and no-split cases. However, the predictability for split group was 91% and no-split group was 52.4%. As illustrated in Table 7.52, it can be concluded that the Conflict-Impact model has a greater capability for predicting likelihood of split in the family business than the likelihood of no-split.

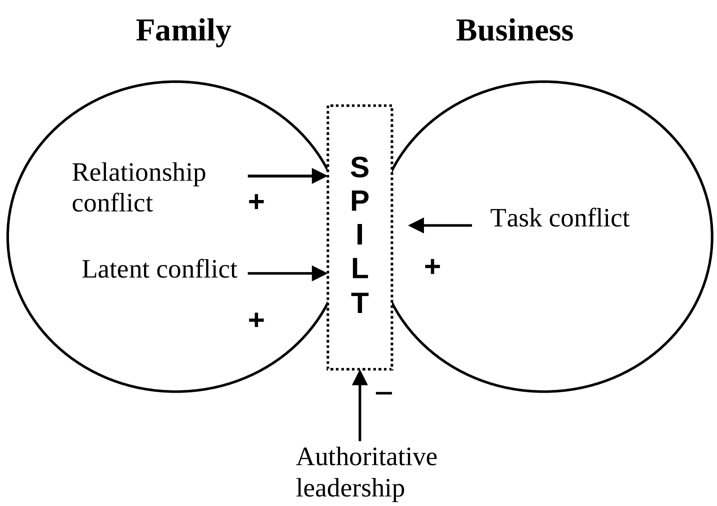
7.7 Conclusion

From the statistical analysis of data for the given study, initial 27 independent variables as causes of conflict were reduced to new smaller parsimonious sets of 7 factors. These factors were analyzed in discriminant analysis for discriminating between two groups i.e., split and no-split family businesses. In the split-sample discriminant analysis, 70% sample was first analyzed. The structure matrix showed three factors - PCF, LCP, and NGE were not differentiating between the two groups. These were removed and second iteration was carried out with the remaining four factors – RCF, LCF, TCF, and AUL.

The discriminant model that evolved was tested for its predictive validity with 30% remaining sample. The results showed that the model had 91% predictability for likelihood of split and 52.4% predictability of likelihood of no-split in the family businesses.

The Conflict-Impact Model shown in Fig. 7.8 illustrates relationships of the types of conflicts and their impact on the family businesses. **+** sign indicates positively discriminating factors, **–** sign indicates negatively discriminating factor i.e., the factor lowering the effect of conflict.

Fig. 7.8 Conflict-Impact Model



The results of the empirical data analysis specify 3 factors positively contributing to the split in the family business. These are: relationship conflict, latent conflict, and task conflict. The factor of authoritative leadership is found to contribute negatively to the split i.e., it reduces or mitigates the impact of severe conflict leading to a split. Other factors such as process conflict, lack of conflict prevention norms, and next-gen exclusion i.e., younger generation encouraged to do their own business in order to reduce friction among members in the mainstream business, are not found to be contributing to the impact of conflict in the form of a split in the family business. Inferences and practical implications of research findings are discussed in chapter 8.

Chapter 8
Conclusion

8.0 Introduction

What you have inherited, you must earn to possess.
Goethe

Family businesses are the fundamental catalysts promoting business entrepreneurship, and they benefit from the drive and commitment of those who founded them and built them up to their potential (Sampath, 2001). Problems of family businesses are unique because of the inherent interplay of family interests and business interests. Ignoring these unique problems is not the solution, but taking them head-on and in time, can save the families from emotional break-ups, and businesses from survival threats. With this premise, a scientific enquiry into the conflict, a key concern faced by all the family businesses, and its impact, is made in this study. The study has attempted to empirically research conflict dynamics and patterns in the form of causes and types, and relate them with the conflict outcome in the form of split of the family business.

Two aspects from the findings emerged, as follows:

1. Insights about essential characteristics of Indian family businesses, obtained from the statistical analysis
2. Specific research contributions of the study providing overall support to the hypothesized relationships of Conflict-Impact model

8.1 Insights about Essential Characteristics of Indian Family Businesses

In the empirical research, explicit findings about family businesses appeared, which gave significant insight into the characteristics of family businesses. These findings are given below:

8.1.1 Participation of Women Family Members

For participation of women family members in the business, the finding showed that only 7 percent respondents were women and male gender dominance in owning and managing family business prevailed. During exploratory survey, 94 percent respondents were male and except one the rest expressed their opinions that women members were not given ownership or control in their family businesses mainly due to the social and marital norms of Indian society and culture (refer chapter 4, section 4.5.3.2). However, women members were allowed to work and perform executive roles in the business.

This finding clearly indicates that Indian family businesses are still strictly male dominated and acceptance of women family members (mother/daughter/daughter-in-law/sister) in decision making position as a owner-manager is only in few or exceptional cases.

8.1.2 Growth of Business

For the parameter of business growth in last three years, 87 percent respondents mentioned that in last three years, they had more or same growth as compared to their respective industry standards. Only 13 percent respondents agreed that their business growth was less than their industry growth rate. From this finding, it can be inferred that Indian family businesses have successfully taken up the challenges of liberalization and globalization. Family businesses have grown overall and in spite of global competition, have contributed positively to India’s GDP and economic growth.

8.1.3 Ownership, Legal Structure, and Group Companies

From the sample family businesses, almost 85 percent companies had 51 percent and more equity ownership. 92 percent companies comprised private limited, deemed public limited and stock exchange listed companies, and almost 77 percent companies had one or more group companies.

These findings give an insight into the ownership pattern, legal structure, and cross-holding complexity of family-controlled companies. Because of corporate laws, taxation structure, and expanse of operations, family businesses prefer to have businesses with "company" status and also cross-holdings in group companies.

8.1.4 Succession Planning

Succession planning is one of the most important factors in survival and longevity of the family-owned-and-managed businesses. Succession is not just passing over the executive position from one to the other generation member, but it involves leadership structure of the company and the type of generational transition the family business is going through. Ownership structures change with the generational phases of the family as: controlling owner, sibling partnership, and cousin consortium (Gersick et al., 1997; Lansberg, 1999). Each phase requires careful planning and strategy for succession, lack of which is bound to raise differences among family members and also impact business performance.

Although a vital issue, succession planning is given low importance in Indian family businesses and that was evident from the findings of this study. Almost 75 percent respondents, who had experienced split, agreed that in their family businesses succession had been the bone of contention. But about 56 percent respondents who had not gone through a split in their family businesses, disagreed that they had problems of succession and future leadership. Difference on succession and future leadership were prominent causes of conflict, classified under relationship conflict.

By juxtaposing the data of the study, it can be implied that in the family businesses where a clear and thought out succession plan does not exist, there is a high possibility of relationship conflict and thereby the split.

8.1.5 Younger Generation's Entry

The pivot of the family business is its existence over generations. One of the main purposes of the founder of the business is continuation of the business in his absence. Given this stance, younger generation's acceptance and involvement in the family business is an obvious corollary. However, almost 86 percent respondents of split family business group agreed that entry of younger generation member(s) in their family business had caused or increased conflict among the incumbent generation. In contrast, almost 61 percent respondent of no-split group disagreed that younger generation added to conflict in the existing set up. During generational transition, differences arising among two or multiple generation members on business decisions, operational issues, long term strategies et al. is an ever-present phenomenon. However, managing these differences by inducting younger generation in a planned manner or using other conflict management mechanisms, can be proactive steps in reducing the chances of aggravated conflict.

From the empirical research, one more finding revealed that in case of split family group respondents, about 28 percent mentioned that in their cases, the younger generation members were encouraged to start independent businesses to avoid conflict, whereas, in case of non-split group, almost 35 percent respondents mentioned that to avoid conflict, younger members were encouraged to start their own independent venture.

The finding can be extrapolated such that separating younger members amicably from the main family business and allowing them to take an independent path of career, is a practical solution for preventing the possibilities of sourness of relationships and severe conflict in future.

8.1.6 Family Cohesion through Family Governance

Academicians and consultants working in the field of family business, recommend family governance measures to be taken by the family for long term sustainability of the business and harmonious existence of the family (Ward, 2008; Ramachandran, 2009). The family governance measures constitute developing a family council, a formal group of working and non-working family members. The family council's role is to decide standard operating procedures for the family members similar to that in the business, known as family charter. Some of the issues contained in the family charter are: family values, norms, entry of family members in the business, succession norms, welfare of non-working family members, role of women in the family and the business, profit sharing norms, community involvement of the family, and wealth management.

Indian family businesses have their roots in paternalistic society with primogenerial succession when joint family system was prevalent (refer chapter 3). The head of the family was also the leader in the business, and major decisions related to family welfare and business were taken by him, at times along with other male members. A participative style of interaction and decision making with the involvement of non-working women members was not a common custom. In most family businesses, unspoken and unwritten rules of family governance and family charter existed, developed by the founder and followed by the rest of the family.

In context of changing economic and social landscape, joint family system is on decline. Nuclear family concept has promoted individualism and self centric approach toward life. Professional work culture requires open communication and participative management style among decision makers i.e., family members in the family business. In such a scenario, it becomes imperative for the family especially in second and third generations of siblings and cousins, to develop a common platform of communication through family council and specify rules and norms as mentioned above in a family charter. In absence of such norms, differences among family members can not be resolved on predefined basis which may lead to an eruption of conflict. Therefore, a collective consensus on family governance norms is essential for cohesion and harmony in the families of the family businesses.

In empirical research, almost 90 percent respondents agreed that they did not have family council or a formal system to address the issues/grievances of the family members. It can be surmised from the findings that family businesses in India lack family governance and formal initiatives to bind the families together by having collectively agreeable norms for the interest of the family and the business.

8.1.7 Separation of Ownership from Management Control

For family businesses, to survive and sustain in a globally competitive scenario is a challenge. Professional management of the business is the need of the hour, as Das (1999) mentions that a successful family firm must be able to professionalize. To professionalize means that the family must make the mental leap and distinguish between the family's interest and the company's interest by separating ownership from management control.

Indian family businesses are in the transition mode and are trying to cope with the business pressures of building competencies, hiring skilled professionals, creating flexible and adaptive work culture, along with managing multigenerational family members, who may or may not be competent to be at the top positions. Therefore, separation of ownership of the business from managing it is a prudent step. However, such a step is beneficial for large family businesses where business size demands transparency and corporate governance.

The empirical research finding showed a skewed response toward non separation of ownership and management. About 35 percent respondents were clear that they did not want to separate ownership and management. About 14 percent were not sure whether they would prefer separation, about 38 percent intended to separate, and only 13 percent respondents agreed that they had taken such measures. Therefore, from the finding it can be implied that Indian family businesses are still not willing to take measures of separating ownership from management control.

8.1.8 Attributes of "Split" Family Businesses

The research on survival of family businesses, as discussed in chapter 2, indicates that only 30% family businesses survive in the first generation to go to the second generation. The findings of this study also revealed a similar pattern. 49 percent of the respondents has split in their family business during the founder's generation, and from the 51 percent survived to the next generation, almost equal i.e., 25.5 percent businesses broke up in the second generation and again another 25.5 percent broke up in the third generation.

Almost 64 percent split took place between siblings, and about 36 percent split between cousins or uncle and nephew i.e., third generation. By juxtaposing both the findings of the generation and relationship related to split, it can be inferred that during first generation, in the presence of founder himself, family businesses split if there are more than one potential successors. Such a split could be a part of succession planning process as well as a business strategy for expansion. In family businesses, an accurate estimate of ownership share is difficult to find, especially in privately held firms, therefore, such finding can only be inferred and not proven.

Another finding from the split cases was that 47 percent respondents mentioned that both the split companies were doing better after the split than the parent company. Therefore, split could be a strategic tool for the family businesses to exploit growth opportunities in the business, and also provide freedom and independent platform to successors to manage businesses on their own. In case of successful family businesses, one more aspect of the split is that, the split part of the business, although becomes a new ownership structure with a different business, it still strives to retain its family name, ethos, and values identified with the original family business. Examples of such splits are business families of Ambani, Birla, and Bajaj.

8.2 Specific Research Contributions of the Study

Empirical study of 124 split and no-split family businesses revealed the intensity of conflict causes, their types, and their impact in the form of split in the family business, supported by a robust literature review, conceptual, and analytical frameworks. Specific findings are discussed below:

8.2.1 Causes of Conflict

Exhaustive literature on conflict and on family businesses indicates a large number of causes of conflict related to three dynamics: family, business, and ownership. From the exploratory survey of 25 family businesses, these causes were precisely identified, evaluated, and tested in further analysis. The findings revealed that these causes were present in all the sample family businesses. However, respondents of two categories – split and no-split family businesses differed in their opinions about the intensity of these causes.

From 27 independent variables, or causes of conflict, more than 70 percent respondents from split category agreed for the presence of 7 specific causes. These causes appeared in relationship, latent, and task conflict classification in further analysis, supporting the hypotheses that these three conflict types contributed positively to split in the family business. These causes are listed below.

- Relationship conflict
  - i) differences on succession and future leadership
  - ii) entry of younger generation increasing differences among incumbent generation
  - iii) dissatisfaction on sharing of power and authority

- Latent conflict
  - iv) lack of communication among family members
  - v) conflicting styles of family members in running the business
- Task conflict
  - vi) differences in ambition levels of family members
  - vii) differences among family members on long term goals and future direction of the business

One of the contributions of this study in the literature of conflict in the family business is the identification of specific causes of conflict that lead to split in the family business, in Indian context.

8.2.2 Conflict Prevention Norms

In case of respondents belonging to no-split family businesses, almost 82 percent agreed that they had equal standard of living for all the family members, and about 67 percent agreed that for them it was important to follow family traditions and customs. Lesser number of respondents from split family groups agreed to these factors. The inference can be drawn from these findings that, there are certain practices followed by family businesses to keep their cohesion intact and manage conflict. A visible measure of equality among family members is their equal standard of living. Another important facet is open and regular communication among family members, working as well as non-working in the business. Celebrations of festivals, get-to-gathers, family retreats (outings), and planned meetings are popular techniques to enhance interaction among family members and thereby the familial ties.

8.2.3 Types of Conflict

This study has contributed in terms of an in-depth analysis of conflict causes and their classification into conflict typology. In factor analysis, four types of conflict emerged:

relationship, latent, task, and process. The research findings indicated that all the causes of relationship conflict were not overt, open, and obvious. There were specific causes which were hidden or “latent”. In Indian culture, conflict among family members and relatives is treated as a negative and shameful phenomenon. Usually it is kept within the family bounds or even swept under the carpet rather than making it loud and public. This cultural nuance is one of the reasons where family business members in spite of experiencing conflict do not express it openly. In this study, a group of conflict causes labeled as “latent conflict,” were identified which form a subgroup of relationship conflict and were present in a latent or hidden manner in family businesses.

Typology of conflict in the family business conflict literature enumerates three types of conflict, as discussed above (Jehn, 1995). Researchers have applied these three types of conflict in an interactive manner (Kellermanns & Eddleston, 2004), and have studied extent and frequency of these types of conflict (Davis & Harveston, 2001). One of these types of conflict is “process conflict.” This research identified and classified three areas of process conflict such as:

1) overlapping roles and responsibilities of family members working in the business
2) lack of transparent, well organized processes and policies leading to corporate governance
3) considerable time spent by family owner-managers in day-today operations rather than on strategies and long term planning

Further investigation confirmed that although process conflict existed across all family businesses, no-split group of respondents were somewhat more in agreement compared to the split group respondents for the presence of process conflict such as: role conflict because of overlapping roles and responsibilities; focus on operational activities rather than strategic planning; and lack of transparent processes and governance norms.

Hypothesis testing confirmed that process conflict was not a contributing factor to "split" in the family business. This study has empirically proven that process conflict, which is about how the task can be accomplished, who is responsible for what, and how things should be delegated (Jehn, 1995), is experienced by both split and no-split family businesses but relatively more in no-split businesses, probably due to the intense interaction and communication among family businesses. However, it does not add directly to the bitter conflict that can result in split in the family business.

8.2.4 Split: Impact of Conflict

Conflict types and their relationships with several characteristics of family businesses such as ownership continuity, control structures, generational involvement, business performance, conflict management, and conflict resolution (Sorenson, 2000; Degadt, 2003; Davis & Harveston, 2001; Cosier & Harvey, 1998) have been researched by academicians and family business experts. However, there has been no study on which types of conflict have an intense impact on family businesses so that they can result in a split.

The present study has contributed to the family business research by empirically analyzing the impact of types of conflict in the form of a split. The Conflict-Impact model described in chapter 7 indicates positive impact of relationship, task, and latent conflict on "split" in the family business. However, an independent variable, authoritative leadership has a negative impact, indicating that the authoritative leadership can help keeping the family united, or reduce the possibility of a split.

8.3 Limitations of the Study

The research results are encouraging and practical in content however, they should be interpreted with caution. The generalization of research findings is limited by the size and type of sample. Widely accepted definitions of family business are applied in sample selection. India is too large a country and the size of family business sector is not exactly known. Also there are cultural differences related to caste, religion, and geography. However, it is assumed that the general thrust of the findings should hold true in another sample too because of the well structured sample selection process adopted in the given study.

Conflict is a sensitive issue, behavioral in nature. Therefore, to describe conflict and emotions, opinions attached to it, is a personal and situational matter. For this reason, owner-managers' feelings and experiences captured on their own conflict has a subjective tone. However, in this study an attempt is made to capture the subjectivity of conflict along with a measurable structure through a rigorous exploratory study and a pilot survey. Family businesses have numerous characteristics entwined and conflict is one of them. This study has been conducted within a defined boundary of causes of conflict and its impact in the form of split.

The data used in the study is cross-sectional, collected in a particular time frame and this is a potential limitation of the study. Conflict is a long term phenomenon and its intensity changes with time and other environmental forces. A longitudinal approach with the study of a broad spectrum of situations might give a better insight into the influencing factors.

In addition, collecting data of the type used in this study is a time consuming process. The family business owner-managers are usually reluctant to share the information to outsiders and also, there is a tendency of respondents to describe their situations with positive approach rather than negative, as the subject is related to themselves and their families. Therefore a limitation in the form of biased perspective of the source is expected. In spite of these limitations, the results propose a measure to evaluate the intensity of conflict and the possibility of split in the family business, knowing which, the family business can take steps and precautions to prevent bitter, harmful disputes and break-up of the business.

8.4 Scope for Future Research

Family business research in India is at such a nascent stage that there is a tremendous need and scope of conducting empirical research in numerous areas related to the subject. The findings of this study indicate specific future research opportunities. First, in the realm of conflict in family businesses, a greater attention can be given to conflict management aspect. Taking into account the contribution of family businesses in Indian economy, sustenance and long-term viability of family businesses is imperative. Most family businesses after reaching a certain size, scale, and attaining multi-generational level tend to divide. They have choices of either splitting amicably in a planned manner and draw out separate courses for future growth; or go through disputes, animosity, and rancorous splits, which not only can harm the family relations but also can dilute business value proposition. A thought-out conflict management strategy can help family businesses control negative effects of conflict. The outcome variables of Conflict-Impact model can also be further investigated in relation to conflict management styles of owner-managers.

Another area of study that requires further exploration is family governance. Quite a popular strategy in western countries, family governance as a concept is still at a nascent stage of acceptance in Indian family businesses, particularly in context to globalized economy. A few large business houses of multigenerational nature have adopted family governance strategy by constituting a family board, family creed and constitution, and have separated ownership from management control. Such cases can be researched with an objective of assessing usefulness of family governance in Indian family businesses.

An extension of this research can be done in the area of professionalization of family businesses, particularly in the segment of SMEs. Corporate and family governance mechanisms pave the way for professionalizing, which is the need of the hour in the global economy. Family businesses have changed in their forms and structures, yet the mainstream characteristic of ownership, management control, and family priorities over business have continued over centuries. Younger generation members have plethora of opportunities for education, training, global exposure, and business expansion. Younger generation is inclined toward operating businesses with professional dimensions where family goals and business goals can be separated to enhance competence and performance of the business, leading to increasing stakeholders' value proposition by taking rational business decisions. Research on professionalizing family businesses by empirically studying its advantages, disadvantages, and impact on business performance, can be a contemporary subject.

8.5 Conclusion

Viability and continuance of family businesses is important for the global economy. Conflict has the potential to become a life threatening phenomenon for family businesses. With sparse research available on conflict and its impact on Indian family businesses, this study has examined causes of conflict, classified them into types of conflict, and has analyzed their impact as influencing factors leading to the split in the family business. The results show that relationship, task, and latent conflict in a family business positively influence conflict and make it intensive to the extent of splitting the family business. An authoritative leadership contributes positively in reducing severe effect of conflict. However, two factors - conflict prevention norms in the family, and exclusion of younger generation from joining the main family business, do not influence the split process. These factors are present in family businesses independently and may have an indirect bearing on the conflict phenomenon. From the given empirical research, it is concluded that family businesses can evaluate their conflict status, split possibilities, and practically evolve a strategy to handle detrimental effects of conflict, and maintain harmony and cohesion in their families and in the businesses.

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Appendix A: Prominent Splits in Indian Family Businesses

Group	Founder	Year of Split
Dalmia S Jain	Ramkrishna Dalmia	1952
Thapar	Karam Chand Thapar	1962
Goenka	Badri Das Goenka	1979
Mafatlal	Mafatlal Gagalbhai	1979
Singhania	Kamalpat Singhania	1979
Dalmia	Ramkrishna Dalmia	1981
Piramal	Piramal Chaturbhuj	1982
LMW	G Kuppuswamy Naidu	1983
Shriram	Shri Ram	1984
Birla	Baldeo Das Birla	1986
Punj	Kanhaiya Lal Punj	1987
Bharat Ram	Bharat Ram	1989
Padampat Singhania	Padampat Singhania	1992
Modi	Gujar Mal Modi	1992
Bangur	M R and R Bangur	1992
Walchand	W and L Hirachand	1993
Ranbaxy	Bhai Mohan Singh	1993
Pai	T Ramesh U Pai	1993
TVS	T V S Iyengar	1993
Chhabria	Manohar R Chhabria	1993
Apollo	Raunaq Singh	1994
Mittal	Mohan Lal Mittal	1995
LMW	G Kuppuswamy Naidu	1995
Walchand	Bahubali Gulabchand	1996
L M Thapar	Karam Chand	1997
Bhartia	M L Bhartia	1997
Shree Niwas Bangur	Shree Niwas Bangur	1997
Kirloskar	S. L. Kirloskar	2000
Nanda	H. P. Nanda	2003
Piramal	Gopikrishna Piramal	2004
Bajaj	Jamnalal Bajaj	2004*
Reliance	Dhirubhai Ambani	2005

- *Split process still ongoing in 2008.*

Source: “Fighting for family fortunes”, The Financial Express, FOCUS, June, 26, 2005

Appendix B: Case I

Case I. Motichand Dichand Group

Conflict Status: Intense conflict and bitter splits taken place in the family business

Founder: Motichand Dilchand

The Business Then

The group was one of the top ten business houses in early and mid 1900s. The flagship company was the largest trading house for cotton and oilseeds. The group had interests in shipping, aircrafts, banking, automobiles, insurance, thermoplastics, synthetic rubber and textiles.

The Business Now

The group has gone through several splits in its family business and only three companies out of fifteen companies belonging to the original family business are surviving currently.

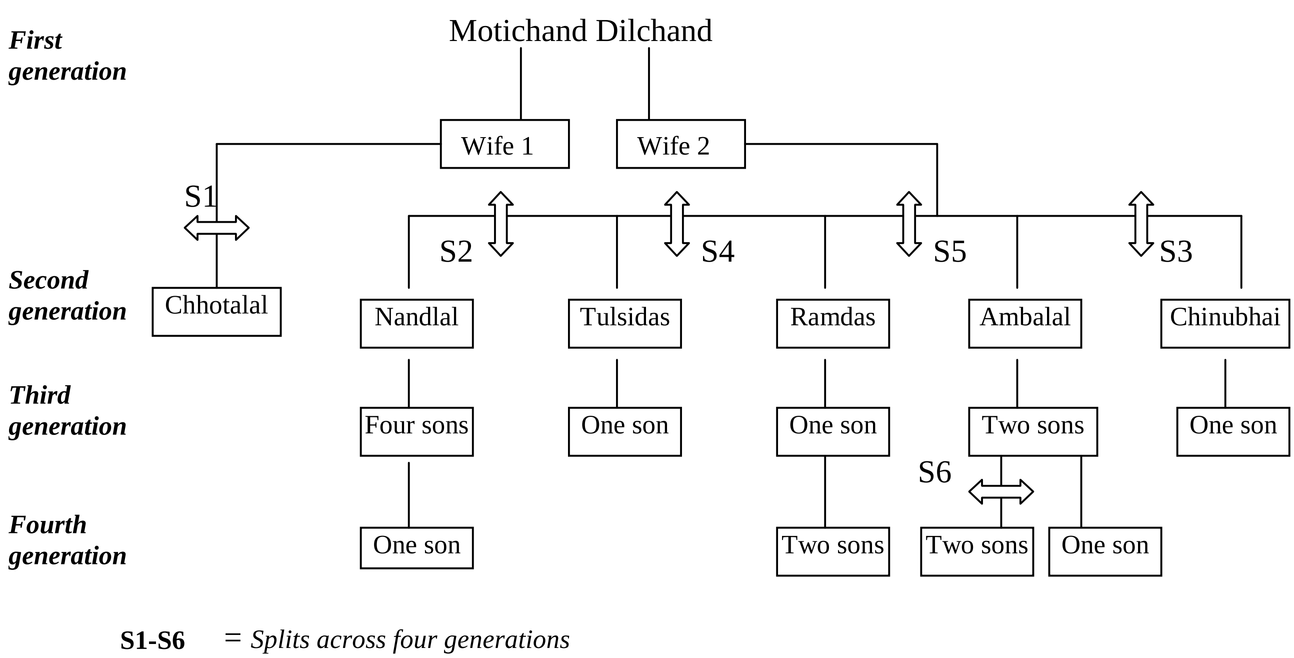
Historic Overview of the Company

About 100 years ago, Moticahnd Dilchand migrated from a distant village in Gujrat to Mumbai. As an enterprising young man, he traded in oils, cotton, cotton seeds and several commodities. During British Raj, decades of 1920s, 1930s, and 1940s were rewarding for Indian businesses. Traders and entrepreneurs in India took advantage of two world wars during which the demand for almost all goods and commodities increased in Britain and exports from India skyrocketed. Many trading houses reaped good profits, invested in manufacturing industries and became large and famous on the Indian business horizon. Motichand group was one of them.

First Generation

Motichand started the business in the 1910s' and it flourished for another 50 years. He had six sons, the eldest Chhotalal was from his first wife. After her death, Motichand married again and had five sons and six daughters. This was the time of the century when joint family system was rooted in the Indian cultural fabric. Motichand's business grew. It was the social and family norm of those days, the male family members were expected to work in the family business. Chhotalal worked with the father but due to his stock market speculation habits, lost a good amount in stocks and incurred huge debt. Father Motichand did not approve of this and threw him out of the business. However, the son was still a part of the family and the father created a family trust where all the children including Chhotalal were beneficiaries. This was the first split (S1) in the family.

Family Tree *(Indicative only. Shows family members worked/working in the business)*



Second Generation

Nandlal was the second brother, and after the separation of Chhotalal, he became the elest sibling among five real brothers. According to primogenerial succession practice, he became the head of the family and the business after Motichand passed away. Nandlal and his brother Tulsidas, were almost of the same age, had grown together and in temperament became sibling rivals. Both had dominating personalities. Tulsidas' wife was a dominating women, and had a strong influence on her husband. The power equation was strained between the brothers because Nandlal was the eldest and Tulsidas was more educated. In 1933, the brothers established a holding company, Sunflower Enterprises Ltd. (SEL), which would promote all the ventures of the group in future. Nandlal was separated from the business in 1945, with his share paid in cash. However, his four sons though minors, remained with the family business. Tulsidas was the leader and nephews when grew up, were unhappy with the uncle and felt that their father was not give a fair share and reasonable dues. During 1957-1959, the conflict became intense and outside mediators were involved to sort out the ownership issues. Some of the group companies of SEL were given to the nephews that is, Nandlal's sons. This was the second split (S2) with bitterness.

Third split (S3) occurred again in the second generation between Chinubhai and other brothers. In early 1970s. Chinubhai, being the youngest was more pampered. He looked after the joint venture between Motichand group and Hirji group which was the owner of Standard Auto Ltd., a premier automobile company in India. He was a poor manager and siphoned considerable amount of money from the business for his personal use. Breach of trust was an unpardonable offense in the family, and he was removed from the ownership of the family business. Again, the break-up was mired with litigations and a long process of arbitration and mediation took place to settle the split issues.

In the family business, a major issue faced by the family is whether 'family first' or 'business first' (Leender & Waarts, 2003). One of the advantages of the family business is that it provides employment to the family members by virtue of being the family irrespective of the individual's competence or inclination. What happens when the individual is not competent or does not perform his role adequately or responsibly? Lack of family governance in family businesses is a major cause of conflict (Sorenson, 1999), and the same was the reason for the fourth split in the Motichand family, in second generation. Tulsidas wanted his son to be given charge of one of the successful group companies. His brother Ramdas did not find his nephew to be competent to run that business. The differences led to conflicts and settlement which took almost 10 years to complete. This was the fourth split (S4) in the family business.

Third Generation

By late 1980s, from five siblings, only two remained together with the flagship company SEL and a few other companies. Third generation of two brothers, Ramdas and Ambalal had entered the business. Cousins had different styles of operating businesses and therefore their elders, second generation brothers decided to part amicably. In 1994, the fifth split (S5) took place between the second generation brothers, because of the differences created by the entry of the third generation in the business.

Surviving Generations

The tradition of disputes and splits in the Motichand family continued. Sixth split (S6) took place between the grandsons of Ambalal, fifth generation brothers in early 2000. By the advent of 21st century the group had disintegrated and lost its identity. The legacy of Motichand group, one of the top most business houses of India at the beginning of the twentieth century got almost vanished by the end of the century. Sons and grandsons of Nandlal, Ramdas and Ambalal are managing the companies which they have received as their share of inheritance, however these split companies do not carry the brand equity and the glory that the group enjoyed once upon a time.

Causes of Conflict

From the case narration and interviews of two family members, following causative factors appear to be responsible for harsh conflicts and splits in the business:

1. Absence of strong family values and family bonding
2. Struggle for power among competent successors
3. Lack of succession planning, especially in the family of many siblings and cousins
4. Personality and ego clashes among siblings
5. Poor financial management and governance with cross holdings, joint ventures
6. Discontent among family members on sharing of profits
7. Lack of communication among family members
8. Lack of altruistic leadership consecutive to the founder
9. Younger generation’s entry increased differences between the elder generation
10. Negative influence of non-working women members of the family

Appendix C: Case II

Case II. Patil, Nandu & Co. Ltd.

Conflict Status: Moderate level of conflict and an agreeable split taken place in the family business

The Founder: Shankarrao Patil

The Business

Bidi manufacturing. One of the top five organized bidi manufacturers in India. Also having business interests in real estate development.

Historic Overview of the Company

Shankarrao came to Mumbai from the small town of Pune in 1920s. After doing some odd jobs, he started selling grocery to laborers and lower class population in Kurla, a suburb of Mumbai. His small shop became popular with the mill workers and laborers and slowly he started manufacturing and selling bidis (Indian version of poor man's cigarette). Bidi was a handmade item, did not require any sophisticated machines and the major advantage was that the raw materials like Tobacco, Tendu leaves in which the tobacco was rolled, and the paper for secondary packing, all were available on credit. Shankarrao has high entrepreneurial spirit and soon his business grew. His bother Govindrao and brother-in-law Haribhau Nandu joined him in 1945 and set up a bidi production unit in Pune. The trio formed a partnership firm, Patil, Nandu & Co.

The Growth Phase

The first generation worked hard and the business developed. The flagship brand "Pratap Bidi," became popular in Maharashtra. Shankarrao expanded distribution of his bidi brands to interiors of Maharahtra, Gujrat, Goa, Madhya Pradesh and Karnataka. In 1954, second manufacturing unit at Nizamabad in Andhra Pradesh was started.

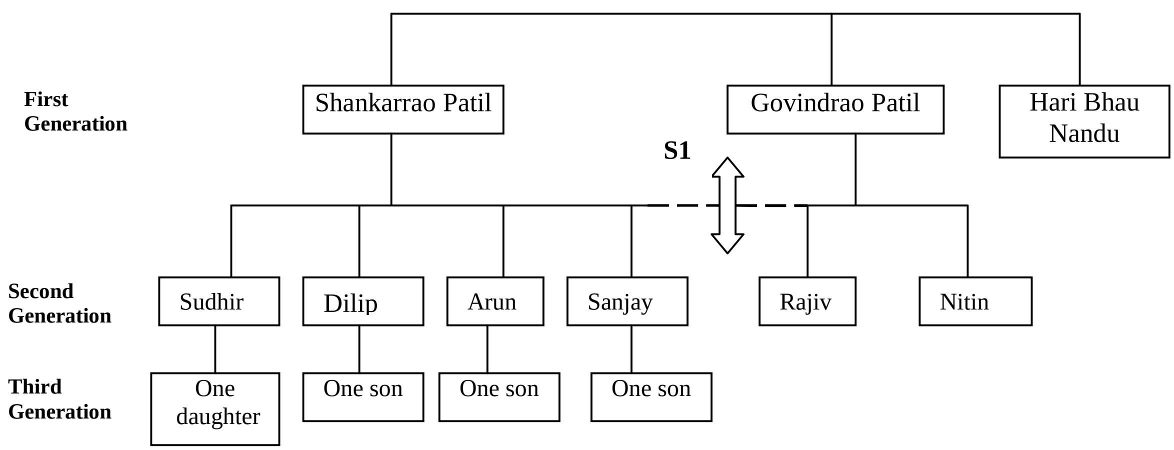
Shankarrao was a visionary and could find opportunities in adversaries. Bidi is poor man's cigarette, much cheaper and a low margin product. Shankarrao developed a network of women in rural areas, who were given raw materials and were trained to roll bidis. Instead of investing in capital intensive plant and machinery, his innovative strategy of low cost labor based production was successful. With fire in the belly and clearly defined roles, the three partners expanded business exponentially.

Second Generation

Shankarrao had four sons, Govindrao had two sons, and Haribhau Nandu did not have children. Entry of male scions in the family business was 'taken for granted' in those days, and from very young age, the siblings would get an exposure to the business. Sixties and seventies were the years of growth and prosperity. Sudhir, Shankarrao's eldest son, joined the business at an age of seventeen in 1967, while studying. Second generation siblings started joining business as soon as they completed their studies and the responsibilities got divided among themselves.

Family Tree *(Indicative only. Shows family members worked/working in the business)*

Patil, Nandu & Co. Ltd. (1945-2002)



S1 = *Split between cousins in second generation*

Sudhir, being the eldest of all, was the primogenerial successor. After the death of all the three elders, he got the reins of the business in his hands. He was a dynamic businessman, and under his leadership Patil, Nandu & Co. Ltd., became one of the top five organized bidi manufacturers in India. The cousin consortium was quite large with six brothers to own and manage the business. Conflicting styles of operating business were visible among brothers.

The turning point was the liberalization of Indian economy in early nineties. Its impact on the bidi industry was noticeable. Government of India imposed restrictions on advertising and promoting tobacco products. Anti-smoking campaigns started gaining popularity and clear signs of decline of Bidi industry were visible. Between 1997-2000, Rs. 300 crore business turnover had gone down by 20% and the third generation scions were getting ready to join the business.

The Crack

In 1995, Govindrao's son Nitin died quite young unexpectedly in an accident. Rajiv, his real brother and cousin of Shankarrao's sons, started feeling left-out among his cousins. Being young and educated abroad, he was of the opinion that the family should quit bidi business as early as possible. He was also afraid that the ownership pattern would skew in favor of his cousins in future. Sudhir, the leader, felt that bidi manufacturing was cash rich business and they should continue till it was profitable and then diversify into other industries. Differences among brothers on vision, long term strategy, and uneasiness about the ownership pattern started increasing. However, family values were strong. Younger members respecting elders, and altruism of the leader were still prevalent in the family, as inculcated by the founder Shankerrao.

In 2003-4, after some deliberations and negotiations, Shankerrao's sons and Govindrao's son Rajiv, decided for a split (S1), although it meant taking away large amount of money from the existing business to pay off Rajiv's share and starving the cash rich business for smooth functioning.

Surviving Generations

During 2001-4, the third generation, Sudhir’s eldest daughter and two nephews joined the business. These scions are getting trained under elders to take up the management challenges of future. Patil, Nandu & Co. Ltd. has diversified into construction and FMCG industry and is trying to strengthen it’s foothold in these new business. Second generation is still at the helm. Sudhir, being the leader, is in predicament about the succession plan. Should his daughter, being the eldest among the younger generation, succeed him, or his nephew, being the male? How to decide on the competence of the younger generation members? Will the third generation have amicable relations or once again there will be a split in the family business?

Causes of Conflict

1. Differences among family members on a common vision, and goals of the business
2. Conflicting styles of managing the business
3. Differences among family members on ownership pattern
4. More family members in the business than required
5. Lack of growth opportunities for individual members in the family business
6. familial bonding dilution over multiple generations

Appendix D: Case III

Case III. Janheet Publications

Conflict Status: High level of conflict and possibility of split in the family business

The Founder: Nemchandbhai Shah

The Business

"Janheet Samachar," a daily newspaper publication in a regional language.

Historic Overview of the Company

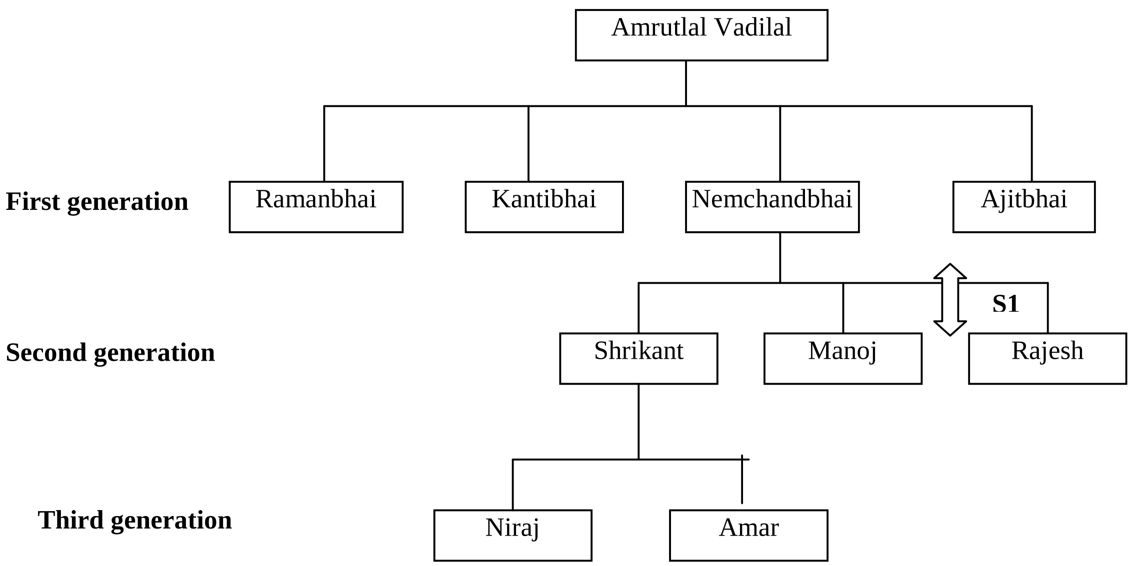
Janheet Samachar is the largest daily published in Gujarati language, and second largest in the regional language newspapers in India. Amrutlal Vadilal, Nemchandbhai Shah's father belonged to Jain Visa Oswal community from Rajasthan and had settled in Ahmedabad in early nineties. He had four sons, the eldest one Ramanbhai went into the Jewellary business in young age and the second son Kantibhai was running a small advertising agency. During 1920s and 1930s, Gujarat was completely involved in the freedom fight with Mahatma Gandhiji. Most of the business houses and enterprises were working or supporting the freedom movement. Kantibhai had textile mills as his clients and was also printing handouts and material for freedom movement. Kantibhai's younger brother Nemchandbhai failed in matriculation exam, left studies and joined him in advertising business in mid-1940s. Ajitbhai, the youngest son had died at an early age.

Kantibhai had strong business acumen and Nemchandbhai was an excellent salesman. Both the brothers, with different styles of operating the business, worked together in the business for a while. For Nemchandbhai, working with his brother was not enough. Entrepreneur in him was looking for an opportunity and saw the one when he learned that Janheet Samachar, a fairly known publication, started in 1932, was closing down. With the help of his excellent contacts of rich industrialists of Ahmedabad, he gathered enough finance and bought the publication along with its premise, press and other fixed assets. It was 1951, when he took charge of the publication and since then Janheet Samachar has progressed and never looked back.

The Transition

Nemchandbhai was an avid risk taker, whether it was playing cards, or stock market, or the business. He had a charming personality and was a people's person. Soon he became a social personality hobnobbing with the rich and the famous. He was admired by his employees. The family was a joint family, as was the norm of the society in those days. Kantibhai worked with him for a while but the brothers started having personality clashes and Kantibhai moved back to his advertising business.

Family Tree *(Indicative only. Shows family members worked/working in the business)*



S1 *= Split in the second generation*

Nemchandbhai, being the younger sibling, respected his elder brother as the head of the family. Family decisions were taken by Kantibhai and he also had a say in business decisions. The brothers shared the familial bond. Nemchandbhai had three sons. In early sixties, the eldest son Shrikant started working with the father while studying. The business was small but with the entry of the younger generation, developments started happening. The publication added more features and more machinery. Second son Manoj also joined the business two years after Shrikant joined. Both the brothers had different personalities. Shrikant had an exposure to the business world and was trained to look after the editorial part of the business, the power point. Manoj learned the business but had other social interests, with which the conservative jain family of Nemchandbhai Shah was uncomfortable. Both the brothers started having differences, which still exist in high intensity. The third brother Rajesh wanted to separate from the family business as he had interest in other industry (Split 1). He was given his financial share and was separated from the family business.

Current Status

Nemchandbhai retired from the business in late nineties. In last twenty five years, the father-sons trio had shown their business acumen in making the Janheet Samachar daily the number one daily in Gujrat. A news paper is the voice of the society and plays a certain ethical and social role. Politics is highly connected with media industry and it takes guts and courage for the publication owners and editors to stand up against unethical pressure from various socio-political quarters. Shrikant, being the primogenerial leader, an authoritative and respected editor-publisher, has stood the tests of time on several occasions. However, Manoj and Shrikant continue to have their irreconcilable differences over power and authority issues. Shrikant has two sons and his wife has been assisting him in the business. Niraj, the eldest son of Shrikant has joined the family business and the younger son Amar is running his own business, independent from the family business. Manoj is single and does not have children. In spite of being a small family and having only one successor in the business, intense relationship conflict between brothers prevails. Conflict can enhance due to several reasons, such as adverse influence of outsiders and women family members, incompetence of some family members, fear of challenging the changing environment, and lack of super ordinate goals among the family.

The Janheet Samachar daily with a circulation of 18 lac copies per day, is seriously threatened by the competition and the changing media scope in India. The publication company has lost over 16% market share and profits have started dwindling. The publication company not only requires to strengthen their brand, product features, but also needs to diversify. Shrikant and his son Niraj have differences about the strategy and positioning of the publication. The growth of the business is stagnant and the organization culture has become unhealthy and laggard.

Causes of Conflict

1. Dissatisfaction of the family members about sharing of power and authority
2. Harmful influence of the family women on the business
3. Incongruent goals and expectations of family members from the business
4. Lack of trust and communication among family members
5. Ego and sibling rivalry
6. Absence of corporate governance, lack of financial discipline
7. Weakening business, loss of market share, reducing profitability

Appendix E: Case IV

Case IV. H K Group

Conflict Status: Four generations old family business which has not split

The Founder: Khemchand Shah

The Business

Pharmaceutical bulk drugs and chemicals manufacturing, distribution, and warehousing

Historic Overview of the Company

Rooted in Mumbai since 100 years and one of the most respected families of Patan Jain community from Gujarat, H K Group has earned a distinct position in the pharmaceutical industry.

The patriarch Khemchandbhai Shah came to Mumbai from Bagasara, Gujrat about 100 years ago in search of livelihood. As a hard working, dedicated and honest employee of a pharmaceutical trading company, he was made a partner in the company when one of the owners retired. Khemchandbhai had married twice and had four sons and two daughters from two marriages. The two elder sons Popatlal and Kantilal joined their father's firm. Youngest son Hiralal and his brother-in-law Kirit, the second generation, started jointly a pharmaceutical trading firm known as Hiralal Kirit & Co. in 1932. The youngest son Nihalchand joined the business much later.

In the true spirit of Indian joint family system, all the four real and step brothers lived with parents and shared a common kitchen. Second World War was a boon for many industries and pharma was one of them. Hiralal's dynamism and entrepreneurial spirit paved way. The business started growing fast. Hiralal had only one daughter and his three brothers had sons. The family too was growing fast. Hiralal could foresee that the family would survive well, if the younger members joined him in the business. Family values of sharing, bonding and equality were inculcated in all the children of Khemchandbhai.

The Growth

Khemchandbhai's values and beliefs of 'united family' percolated down in his sons and Hiralal believed and practiced his father's ethos rigorously. When his eldest brother Popatlal died young at an age of 38, Hiralal and his father took the responsibility of the family of six children. Nihalchand joined his elder brother in the business. He was irresponsible and quarrelsome. Employees were harassed by Nihalchad. After a few years of working together, Hiralal asked Nihalchand to leave the business with his due share. However, Nihalchand's sons later on joined the uncle Hiralal in his business. Kirit, the partner of Hiralal also decided to leave the business at some point because of his family issues and other business interests. The company was now totally owned by Hiralal, however, it continued to be known as Hiralal Kirit & Co. and the group as H K Group. The parent partnership company of Khemchandbhai was also merged with H K Group.

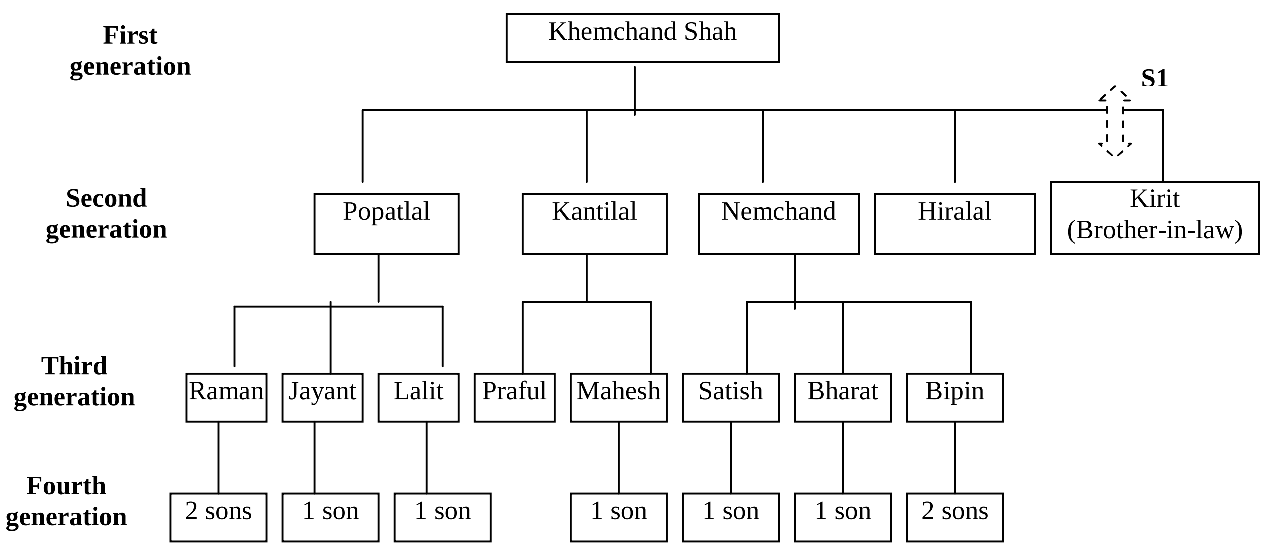
Hiralal managed the business and the family. He was an autocratic leader, but fair and benevolent. His employees and peers respected him for his sense of justice and mediation skills. The grandfather Khemchandbhai, though uneducated, had the wisdom to understand and appreciate "family' and "business" as entwined systems, having considerable impact on each other. For maintaining harmony and cohesion in the family, and keep away conflicts, he established certain family and business norms, which the family of over 100 members even today follows. These norms are:

1) The children in the family would get education and would be married from a common fund of the joint family.
2) All the members working in the family business would get their partnership share based on their performance and not as the birth right.
3) Irrespective of partnership share, the standard of living/lifestyle would be the same for all members of the primary and extended families.

4) Daughter-in-laws would be treated as family members of the H K family and not as outsiders
5) Women family members and son-in-laws would not be allowed to work in the H K group, and the business would be closely held among brothers and cousins.

Hiralal's nephews started joining his business from 1945 onwards. Jayant, Popatlal's son was the first among the third generation members to join his uncle. He was enterprising, a fast learner and a natural leader. Hiralal groomed him to be his successor. The success and continuity of the family business depends on the patriarch's vision, ethos and socio-religious norms. Under Jayant's leadership, H K group has grown manifolds and has earned a reputation of one of the best companies in the pharmaceutical and bulk drugs industry.

Family *Tree* *(Indicative only. Shows family members worked/working in the business)*



S1 = *Separation of the founders*

Unity is Prosperity

Jayant started working in the business at an age of seventeen, while studying in the college. Uncle Hiralal not only trained him for trade tactics but also infused leadership traits and passed on the values of sacrifice, respect for elders, equality, and fair practices. Social and religious influences are strong in Indian culture and Jain community in particular is closely knit (Dutta, 1997). In 1979, after the death of Hiralal, responsibilities of the business and the entire family came on the shoulders of Jayant. He had developed participative style of leadership. All his brothers were equal partners in the business and the major decisions in the family and the business were taken collectively, although he was the leader. His wife was a supportive and cooperative partner. He had seven brothers and seven sisters, real, step and cousin. In a large family, dissatisfaction and comparisons were bound to take place among members. Jayant kept them united by helping them financially and bringing all the siblings to an equal level of affluence and life style.

Jayant knew from his childhood experience that family is the best social insurance and to remain united as a family, trust, respect, and strong boding among members is essential. In 1984, under the guidance of his mother, he organized a family retreat during Diwali, where all the members spent four days together. This event became a tradition and so popular among the family that even today, H K family retreat is the most awaited social occasion and about 120 family members of third, fourth and fifth generations participate in it.

From trading of pharmaceuticals, H K Group had forayed into manufacturing bulk drugs and intermediaries, all India distribution of multinational pharma companies, and ware houses. With a turnover of Rs.500 crores, and 13 group companies, Jayant has devised a strategy for business growth and induction of younger generation into the business. The younger members after completing their education work in one of the group companies and get trained under one of the uncles and not the father. This mechanism strengthens multigenerational relationships, and also improves communication between two generations. The senior family members are encouraged to start new ventures under the umbrella of the H K group, and are given total freedom of operation. Task conflict, which is a serious problem in large sized family businesses, is thus managed amicably. The H K group completed 75 years of existence in 2007. Jayant, now 80 years old, has retired from active participation in the business but is still respected and considered the leader of the family.

Current Status

Khemchandbhai's grand sons, i.e. Jayant and his brothers are the third generation, senior members of the management. The fourth generation has entered in managerial roles in different group companies. Eleven male members of the family, belonging to third and fourth generation are in the business together and do not show any signs of split or breakup in the near future.

Foundation of Cohesion

1. Unanimously accepted and respected leadership of the patriarch
2. Trust and confidence among family members
3. Equal standard of living and lack of nepotism
4. Sense of sacrifice and altruism among family members
5. Belief and practice of family values
6. Open and transparent communication among family members
7. Independence to grow in the business
8. Planned induction of younger generation in the business
9. Sharing of profits according to performance
10. Unity and belongingness as a family during difficult times
11. Family governance norms, clarity in roles and responsibilities of family members
12. Active involvement of women in social and family matters

Conflict Areas

1. Competence and styles of operating businesses differ with individuals and that may lead to process conflict
2. Collective decisions may dissatisfy some members
3. Woman power not harnessed in the business, especially younger generation of educated women married in the family not given decision making roles in the business
4. With multigenerational set up in the business, special efforts for clear and transparent communication required
5. Decision making being participative, becomes slow and agility to compete in the global scenario has reduced.

Appendix F – Survey Questionnaire Instrument

Section 1:

This section deals with the general information about you.

1.1 Your designation in the business: ☐ Chairperson ☐ Chairperson & MD ☐ Managing Director ☐ Executive Director ☐ Director ☐ Manager ☐ Executive/Trainee

Other ____

1.2 The city where you reside: ______________________________

1.3 Your age (years): ______________________________

1.4 Your gender: ☐ Male ☐ Female

1.5 Your education qualification (highest): ☐ Under graduation ☐ Graduation ☐ Post graduation ☐ Specialization

1.6 No. of years of work experience in the family business: _____________

1.7 Your involvement in the business: ☐ Full time ☐ Part time ☐ Advisory

1.8 How old is your family business (OR year of inception): ____________

1.9 The company you are closely involved in managing is your *(select only one option)*:

☐ Main family business ☐ One of the group/associated companies of the family business

☐ An independent company, not directly associated with the family business

Other (Pl. specify): ____

1.10 What is the type of your business/industry: ____________________________________

1.11 In last three years, the average growth of your business (OR the flagship company in case of multiple companies) has been:

☐ More than industry growth ☐ Same as industry growth ☐ Less than industry growth

1.12 Your generation (e.g. first/second/third):_____________________________________

1.13 You are related to the Founder as (Self OR his/her): ____________________________

1.14 No. of family members working in the business as:

a) Your immediate relatives (e.g. parents, children, brothers-sisters, spouse): ____________

b) Other relatives (e.g. uncles, aunts, cousins, nephews): ___________________________

1.15 Please give the details of the positions of the family members including you, currently working in the business.

Position	No. of family members	Belonging to generation(s)
Advisors		
Top level (e.g. Chairperson/MD)		
Senior level (e.g. Director/CEO/VP)		
Managerial/entry level		
	Total:	

1.16 Has your family business gone through any division/split in past?

☐ Yes ☐ No

If 'NO' in 1.16, please answer Section 2. Do not answer the following.
If 'YES' in 1.16, please answer the following.

1.17 If **YES,** how many splits have taken place since the business was found?

☐ One ☐ Two ☐ Three ☐ More

1.18 When (OR in which year) did the last division/split take place? ___________________

1.19 In which generation did the last division/split take place? _______________________

1.20 The last division/split was between:

☐ Father and son (daughter) ☐ Real Brothers (sisters) ☐ Cousins

☐ Uncle and nephew ☐ Other relation (Pl. specify): _______________________________

1.21 Please check [✔] one of the statements given below **in context to the division/split** that you have mentioned above:

a) Both the businesses after the split are doing better <u>than</u> when they were together ☐

b) Our business is doing better <u>than</u> the other ☐

c) Other business is doing better <u>than</u> ours ☐

d) Both the businesses after the split are doing worse than when they were together ☐

e) Any other situation (Pl. specify):

____

1.22 Were you working in the family business at the time of division/split?

☐ Yes ☐ No

If 'YES' in 1.22, please answer Section 3. Do not answer Section 2.

If 'NO' in 1.22, please answer Section 2.

Section 2: (*Please answer only if your family business has not gone through a division/split)*

Given below are some situations that **may be present currently** in your family business. Please read the statements carefully and tell us to what extent you agree/disagree with their presence. Check [✔] one option for each of the following statements.

No	Statements	Strongly agree	Some-what agree	Neither agree nor disagree	Some-what disagree	Strongly disagree
1	There are differences among family members on long-term goals and future direction of the business.					
2	Some family members have incompatible/conflicting styles of running the business.					
3	Some family members spend a lot of time in day-to-day operations rather than focusing on business growth.					
4	There is lack of communication among family members.					

No	Statements	Strongly agree	Some-what agree	Neither agree nor disagree	Some-what disagree	Strongly disagree
5	Some family members have overlapping roles and responsibilities in the business.					
6	There is difference/disagreement among family members on succession and future leadership of the business.					
7	There is dissatisfaction among some family members on sharing of power and authority.					
8	Some family members take important decisions without the consent of other family members.					
9	Some family members are given importance that they do not deserve.					
10	Some family members are dissatisfied with their share of earnings and profit from the business.					
11	Some family members have lower commitment towards the family business compared to others.					
12	Growth/performance of the business is suffering due to the differences among family members.					
13	There is an unwanted influence of non-working family members/outsiders on some family members.					
14	Some family members lack trust and respect for other members.					
15	In our family business, most of the decisions are taken by the leader/head of the family.					
16	Some family members are not transparent to other members in their business/financial dealings.					
17	There is a feeling of competition/rivalry among some family members.					
18	Entry of younger generation member(s) in the business has increased differences among family members.					
19	Some family members take advantage of the family name and reputation for their selfish gain.					

No	Statements	Strongly agree	Some what agree	Neither agree nor disagree	Some what disagree	Strongly disagree
20	Some family members are ambitious and want to grow the business faster than the other members would like.					
21	In our family business, the younger members are encouraged to start their independent ventures to avoid conflict.					
22	In our family, some members do not have faith and confidence in the leader/head of the family.					
23	In our family, it is important that all the working and non-working family members meet regularly/frequently.					
24	Some non-working women family members adversely influence business decisions.					
25	In our family, all the members have equal standard of living, irrespective of their ownership share.					
26	We have transparent, well-organized processes and policies in the business operations.					
27	In our family, it is important to follow family traditions and customs.					

From here, please go to Section 4.

Section 3: (Do not answer this section if you have answered Section 2.)

Given below are some situations that **may have been present at the time of division/split** in your family business. Please read the statements carefully and tell us to what extent you agree/disagree with their presence. Check [✔] one option for each of the following statements.

No	Statements	Strongly agree	Some-what agree	Neither agree nor disagree	Some-what disagree	Strongly disagree
1	There were differences among family members on long-term goals and future direction of the business.					
2	Some family members had incompatible/ conflicting styles of running the business.					
3	Some family members used to spend a lot of time in day-to-day operations rather than focusing on business growth.					
4	There was lack of communication among family members.					
5	Some family members had overlapping roles and responsibilities in the business.					
6	There was difference/disagreement among family members on succession and future leadership of the business.					
7	There was dissatisfaction among some family members on sharing of power and authority.					
8	Some family members took important decisions without the consent of other family members.					
9	Some family members were given importance that they did not deserve.					
10	Some family members were dissatisfied with their share of earnings and profit from the business.					
11	Some family members had lower commitment towards the family business compared to others.					
12	Growth/performance of the business suffered due to the differences among family members.					

No	Statements	Strongly agree	Some what agree	Neither agree nor disagree	Some what disagree	Strongly disagree
13	There was an unwanted influence of non-working family members/outsiders on some family members.					
14	Some family members lacked trust and respect for other members.					
15	In our family business, most of the decisions were taken by the leader/head of the family.					
16	Some family members were not transparent to other members in their business/financial dealings.					
17	There was a feeling of competition/rivalry among some family members.					
18	Entry of younger generation member(s) in the business had increased differences among family members.					
19	Some family members took advantage of the family name and reputation for their selfish gain.					
20	Some family members were ambitious and wanted to grow the business faster than the other members would like.					
21	In our family business, the younger members were encouraged to start their independent ventures to avoid conflict.					
22	In our family, some members did not have faith and confidence in the leader/head of the family.					
23	In our family, it was important that all the working and non-working family members meet regularly/frequently.					
24	Some non-working women family members adversely influenced business decisions.					
25	In our family, all the members had equal standard of living, irrespective of their ownership share.					

No	Statements	Strongly agree	Some-what agree	Neither agree nor disagree	Some-what disagree	Strongly disagree
26	We had transparent, well-organized processes and policies in the business operations.					
27	In our family, it was important to follow family traditions and customs.					

From here, please go to Section 4.

Section 4:

1. Your Name: ____ (Optional)
2. Contact No. (Mobile): __________________________________ (Optional)
3. Your email: ____ (Optional)
4. Your Company (Group): _________________________________ (Optional)
5. Do you have multiple companies in the Group?

   ☐ Yes __________ ☐ No __________

6. **If Yes**, how many companies do you have in the Group: _________________________
7. Do you have a Trust under your family business?

   ☐ Yes _________ ☐ No: __________

8. **If Yes**, what is the type of Trust?

   ☐ Family Trust ☐ Private Trust ☐ Charitable Trust

9. Do you have a ‘Family Council’ or a formal system to addresses the issues/grievances of the working and non- working family members?

   ☐ Yes _________ ☐ No _________

10. What is the likelihood of your family business getting divided/split in near future?

☐ Highly probable ☐ Somewhat probable ☐ Not at all probable ☐ Can't say

11. Do you intend to take measures to separate ownership from management control of business?

☐ Have already taken ☐ Intend to take ☐ Can't say ☐ Do not want to take

12. What was the turnover of your Group (OR the flagship company in case of multiple companies) in 2007-8 (Rs. Crore):

☐ <= 25 ☐ 26 – 50 ☐ 51- 100 ☐ 101 – 300 ☐ 301- 500 ☐ > 500

13. What is the legal structure of your family business (OR the flagship company in case of multiple companies): ☐ Proprietorship ☐ Partnership ☐ Private Ltd.

☐ Deemed Public Ltd. ☐ Stock Exchange Listed ☐ Private Trust

● Other (Pl. specify): ____

14. What is the ownership structure of your family business (OR the flagship company in case of multiple companies)?

Family	**% equity (share) holding**
You/your family	
Other investors, e.g. partners, institutions, stakeholders (Pl. explain): ________________	

15. Are you an equity holder in the business?

☐ Yes ☐ No

16. If No, then are you likely to hold equity in future?

☐ Yes ☐ No

List of Publications

Mita Dixit

Published Work

1. Dixit, M., & Mallik, D. "Assessing Suitability of Rahim Organizational Conflict Inventory-II in Indian Family-Owned-and-Managed Businesses", *International Journal of Business Insights and Transformation,* 2(1), p.28-38.
2. Dixit, M. "United We Prosper: The Future of Indian Family Businesses", *JITO World*, October, 2008, p.91-93.
3. Dixit, M. "Predicament of Progress: Third Generation's Dilemma on Sustenance and Growth of Business". *Developing Analytical Skills: Case Studies in Management*. B. Natarajan, S. K. Nagarajan (Eds), 2008, Navi Mumbai: Shroff Publishers & Distributors Pvt. Ltd.
4. Dixit, M. "Enterprise and Enterprise", *The Observer of Management Education*, 1(5), May, 2006, p.23.
5. Dixit, M. "In the Name of the Father", TCS Smart Case Contest, *The Smart Manager,* 4(3), April-May, 2005, p.70-82.

Research Papers Presented

1. Dixit, M., & Mallik, D. "Coping with the Change: Transition Challenges Faced by a Third Generation Family Business in Globalized India". Research paper presented at the *Second Asian Invitational Conference on Family Business*, at Indian School of Business, Hyderabad, , February 6-8, 2009.
2. Dixit, M. "Challenges of Professionalizing Family Businesses". Research paper presented at the annual conference of Master Printers Association of India, *Print Summit 2008*, Mumbai, April, 2008.
3. Dixit, M. "Issues in Professionalizing Management: Perspectives of Owner- Managers of Small and Medium Sized Family Firms". Research paper presented at the *First South Asian Invitational Conference on Family Business*, at Indian School Of Business, Hyderabad, February 1-3, 2008.
4. Dixit, M. "An Entrepreneur's Dilemma". Research paper presented at the *National Workshop on Entrepreneurship*, Mumbai Institute of Management and Research, October, 2007.

Biography of the Candidate

Mita Dixit (2003PHXF023)

Mita Dixit is currently working as a Senior Consultant with Equations Marketing Consultants, a Mumbai based consulting firm, specialized in providing strategic marketing and human resource consultancy to SMEs and family businesses. She has 15 years of work experience in the field of strategic marketing, product management, qualitative research, organization development and training. She has done consultancy assignments for about 30 family businesses and SMEs.

She has six years of teaching experience and has been associated as a Visiting faculty at XIMR, Mumbai and IBSAR, Navi Mumbai. She teaches Marketing strategies, Brand management and Entrepreneurship subjects. Currently she is associated as a Researcher with S P Jain Institute of Management and Research, Mumbai.

She has done Masters in Marketing Management from University of Mumbai. Her Doctoral dissertation is about Conflicts and Splits in Indian Family Owned and Managed Businesses.

Biography of the Supervisor - Dr. Pradip Manjrekar

Dr. Pradip Manjrekar (Age : 52 yrs) is presently (Full) Professor & Head- Research & Consultancy & Extension Centre (60 Ph.D. scholars & 60 M.Phil. scholars are attached to this Centre) & Head- Industry Institute Interaction Centre (inclusive of Placement Activities), Department of Business Management, Padmashree Dr. D.Y. Patil University, Navi Mumbai. (This Institute has an Intake capacity of 400 MBA students in 05 Core MBA Programs (AICTE & UGC approved) & 07 Sectoral MBA Programs (AICTE & UGC approved)). He holds a Ph.D. (1985) from Mumbai University & MBA from Mumbai University's Jamnalal Bajaj Institute of Management Studies. He holds 2 Postgraduate Diplomas in a) Sales & Marketing Management & b) Journalism & Mass Communication from reputed Universities. He is also CFA. He is a Fellow : Indian Chemical Society & Ex-Research, Fellow : University Grants Commission (UGC), Govt. of India. He has work experience of more than 23 years in Senior Positions in both the private sector as well as the public sector organizations like M/s Hindustan Organic Chemicals (HOC), M/s Blue Circle, M/s Classic Solvents, etc. He was a Scientist in Chemical R&D of HOC for several years wherein he has executed chemical projects from bench-scale to pilot-plant scale to commercial scale. He was a Consultant to several industries in areas like Marketing Strategy, International Business, MIS, etc and especially in areas related to ISO 9001: 2000 QMS Certification and was also ISO 9001 : 2000 Management Representative to organizations which are ISO certified by International ISO Certifications Bodies like BVQI, DNV, etc. He is a Visiting Management Faculty at several leading Management Educational Institutions in Mumbai. He has published more than 150 research papers in National / International Conferences / Journals in different areas of Chemical Sciences & Management. He was awarded "Outstanding Research Paper Award" for his Research Paper by the Asia Pacific Marketing Research Conference, 2007 which was held in Malaysia. He has been awarded "Outstanding Management Teacher Award" by Mahatma Phule Education Society, Mumbai. He was the Session Chairperson at various prestigious Research Conferences, like at Asia Pacific Marketing Conference (2007), Malaysia, Strategic Management Research Conference (2008) at IIT Kanpur, Kohinoor-IMI Institute of Hospitality Management, Khandala (Pune), IES Institute of Management & Research, Bandra (Mumbai), St. Francis Institute of Management & Research, Borivili (Mumbai), Guru Nanak Institute of Management Studies, Matunga (Mumbai), etc. He has also published articles in Business Magazines and other popular periodicals. He is the Editor, DYPIMS Research Review & Former, Editor, SFIMAR Research Review. He is the Co-Editor of the book "Path : A Research Base for Entrepreneurial Excellence". He is also the Editor, of the Book (published by 'Excel Books') on BPO / KPO Management which is collection of Research Papers on BPO / KPO submitted at the 1st National Research Conference on BPO / KPO Management. He is currently authoring Books on "Marketing Strategy" & "Implementation of ISO in B-Schools". He is also the Editor, of the Book (to be published by 'Excel Books') on Entrepreneurship which is collection of Research Papers on Entrepreneurship submitted at the 1st International Research Conference on Entrepreneurship. He is a M. Phil. & Ph.D. Guide for Business Management at Padmashree Dr. D. Y. Patil University (Navi Mumbai), Madurai Kamaraj University, BITS (Pilani). Several Ph.D. scholars & M.Phil. Scholars from these Universities are presently working under his guidance.