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Corporate Governance in Family Businesses – A Review

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Abstract

Family Businesses form the pillars of most economies across the globe. These businesses are a major contributor to wealth creation and employment creation which at the same time have ensured that quality products and services reach to the consumer. Most successful multinational business has commenced their operations as Family Businesses and has successfully grown to be multinational brands. These businesses they have their own set of strong points as well as weaknesses. Like any other business, corporate governance is as much of concern here. Since being family owned and family run, the issue of corporate governance is usually neglected with one school of thought claiming absolutely no need. With the growing competitiveness in the market and with Family Businesses going public, the business or firm cannot avoid implementation of the corporate governance norms for fair and transparent functioning. The paper reviews the literature available with the aim to identify the weaknesses/ limitations of Family Businesses and provide suggestions with the way that these can be overcome. With the help of readily available researched work, a detailed SWOT analysis has been carried out of the existing Family Businesses so as to identify their strong points, know their weaknesses, capitalise of their opportunities and overcome their threats.

Keywords: Family Businesses, Corporate Governance.

JEL Classification: G30, G34, G39

Introduction

Family businesses are the driving force in economic development in most countries, and their success affects the well-being of economies. They are the engines of job creation and encourage growth and innovation. According to De Vries (1985), despite having a close network of owner/director relationship and the ability to make decisions quickly, Family Businesses are generally unable to sustain growth and have a shorter life-cycle. This is primarily to the fact that the Family Businesses are run and managed by the members of a particular family that may or may not have the capability to make decisions that are in the benefit of various stakeholders of the business.

Brands such as Wal-Mart, Nike, Bombardier, Ford Motor, BMW, Reliance etc. that have reached the pinnacle of success in their respective businesses had all started as Family owned and managed businesses. The business has been able to achieve success with their successive generations over the year have knowingly or unknowingly adhered to the requirements and principles of corporate governance. While the Business is its initial stages all important decisions are taken by the founder or his/ her's immediate offspring's. The decisions are usually selfless decisions taking for the overall benefit of the business. With time the business grows and more and more family members become associated with the business. The family grows and gradually comes to a stage where there is a conflict of interests amongst the family members. This leads to a stage where such conflicts of interest become detrimental for the business. In case corrective steps are not undertaken at this stage the business can commence its journey towards failure. These corrective steps that need to be undertaken would invariably involve the implementation of corporate governance within the business. Corporate governance norms of transparency, the nomination of the board of directors, the presence of independent directors are as applicable to Family Businesses as for any other Business. The need for implementation of the corporate governance norms becomes further essential with the business growing and going public. Once gone public, inherent talent within the family can no longer suffice and the business would invariably have to look outwards for professional managers and decisions that have to be taken with majority acceptance and professional advice rather than solely based on gut feelings or technical and professional competence of a single person.

Many studies in the past have talked about the implementation of corporate governance within Family Businesses. The paper uses the data from these studies to give an unbiased opinion of having a family associated with the running of the business. Both strengths and weaknesses have been evaluated while arriving at final recommendations to ensure success and longevity of a Family Business. Being unbiased the paper does not limit itself to any particular region or economy thus having a global applicability. The rest of the paper has been organised in the following ways:

Objectives

Literature review

a. Definition and Interesting findings of the business

b. Stages in the family business

c. Corporate Governance & Family Businesses

d. Strengths & Challenges of Family Businesses

with emphasis to Corporate Governance

e. Recommendation

Objectives of the paper

The paper aims to do a comprehensive literature review of the corporate governance requirements and issues in Family Businesses. The paper has following objectives:

- To analyse the strong points that are inherently available with Family Businesses due to the involvement of a family in running and managing the business.
- To identify the limitations of these businesses so that the same can be kept in mind by the hierarchy so as efforts are made from the start to overcome them. Studies from across nations have been referred to before coming on to any firm conclusion. This gives the paper a universal read without being limited by geographical, economic or demographic boundaries.
- To provide by listing out firm recommendations for Family Businesses that if followed can make the Businesses a force to reckon with.

Literature Review

Family Businesses comprise the world's oldest and most dominant form of business organizations. Family Businesses represent more than 70 per cent of the total businesses in most countries and thus play a key role in the economic growth and workforce employment. These businesses range from small and medium-sized companies to large conglomerates that operate in multiple industries and countries. Family Businesses have a very short lifespan beyond their founder's stage and as per the webpage of 'The Family Business Network', approximately 95 per cent of family businesses do not survive the third generation of ownership. Lack of preparation of the subsequent generations to handle the demands of a growing business and a large family involvement is probably the biggest reason behind it. Family Businesses can improve their chances of survival by setting the right governance structures in place and by starting the educational process of the subsequent generations in this area as soon as possible.

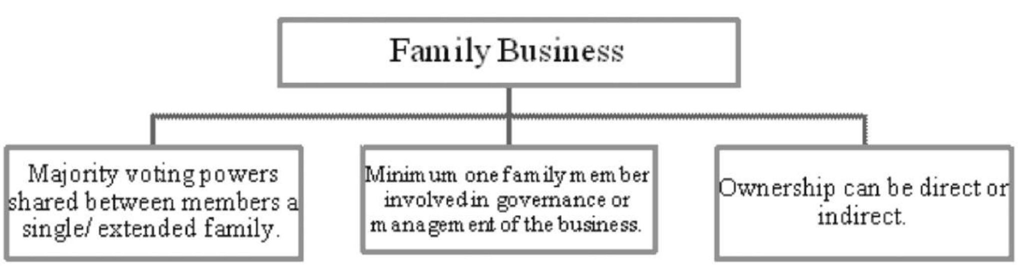
As per Pearl Initiative & Pricewaterhouse Coopers (2012), several large multinational corporations started their businesses as Family Businesses, and around 90% of the world's businesses can be defined as Family Businesses, in developed, developing as well as emerging markets with the majority are small and medium-sized enterprises (SMEs), but few are very large companies.

What are Family Businesses?

In a layman's term, a Family Business would refer to a business, company, enterprise or a firm where the voting majority is in the hands of the controlling family. The family is instrumental in taking all important decisions for the business & majority of the top hierarchy are the family members (FBGH, n.d.). It is handed over from one generation to another, however, the role of the family may change over a period of time. Several terms that are interchangeably used for such kinds of businesses are family business, family firm, family company, family-owned business, family-owned company or family-controlled company.

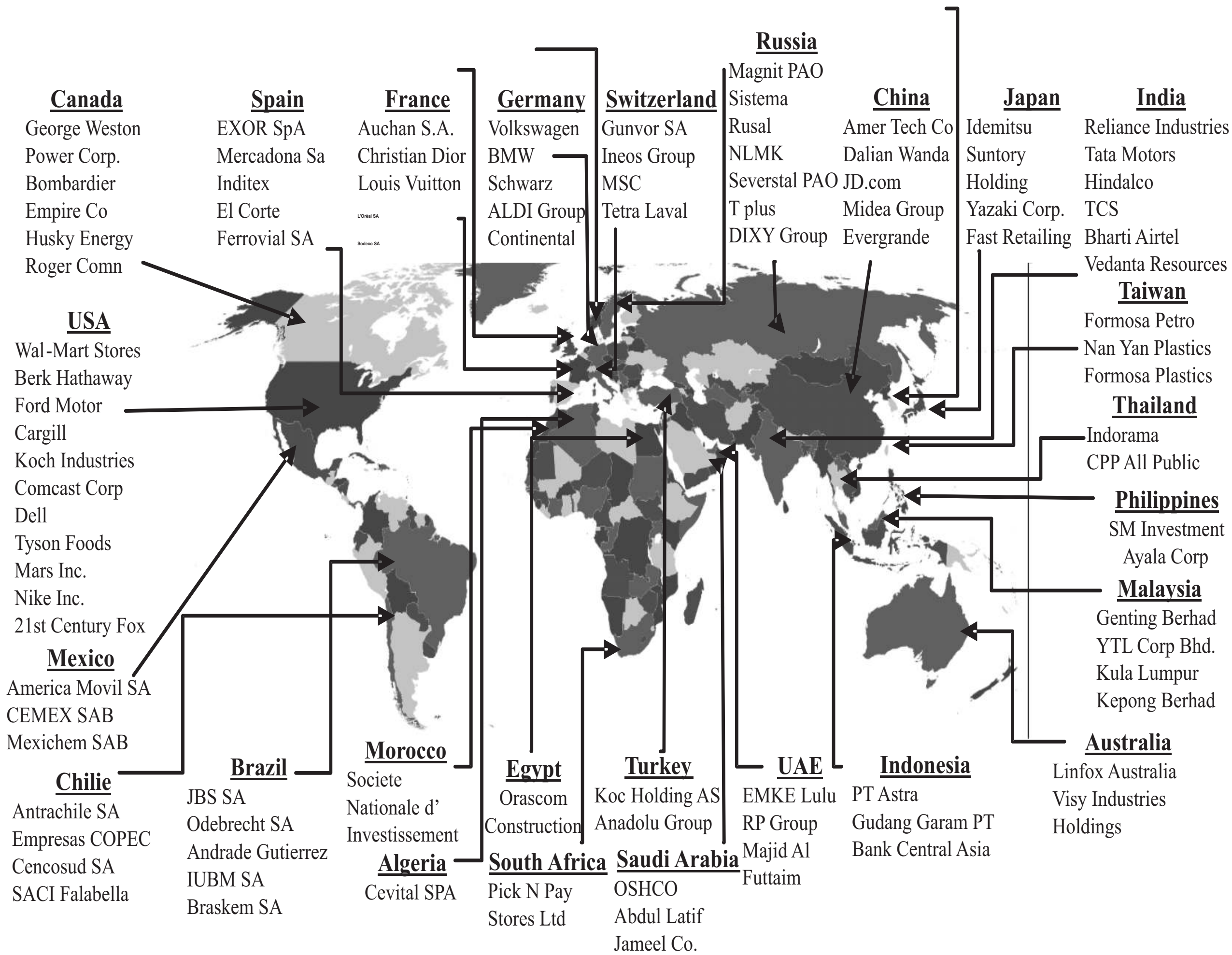
Yasser (2011) defines 'Family Controlled Businesses as those enterprises that are either owned, controlled or drastically influenced by a specific family or families and have a significant dominant position in firms' equity. These firms are founded by the current top executives or their forefathers. This is the case when the family has the final say in whoever is responsible for managing it'. Listed companies may be called a family business if minimum one-fourth of the voting power belongs to a single person or is shared amongst the members of a family. It is mandatory for a listed family business that indirect voting power in a listed company must belong to the family. With this definition, Fig 1 lists basic tenets of defining any business as a family-owned or controlled business.

Fig 1. Basic Tenets of describing any Business as a Family Business.



Family businesses can range from a small & medium sized companies to large group or cluster of companies. The business can range from operating in one particular company operating in a particular region or company to multi-disciplinary industries operating in different countries. Usually, these businesses are founded at small level and with passage of time turn into listed companies. Some of the biggest family owned businesses worldwide are denoted graphically in the figure 2.

Fig 2. Few of the Biggest and Successful Family Businesses Worldwide.



Interesting Facts about Family Businesses Worldwide

Family Businesses form the bedrock of most economies. Several studies carried out over a period of time have reinforced the thought that economies across the globe were built due to the services rendered by Family Business. Viriri and Muzividzi (2013) state that 'Empirically it has been proven that more than two thirds of all businesses in the world are estimated to be Family Businesses. Worldwide these businesses have proven beyond any reasonable doubt to contribute significantly towards employment creation, poverty reduction and wealth creation'. Yasser (2011) in his study illustrates the dominance of Family Businesses by listing out the proportion of family enterprise to registered companies. As per the study the proportion is estimated to range from 75% in the UK to more than 90% in South Asia, Latin America and the Far and Middle East. In order to gauge the significance and importance of Family Businesses Worldwide, findings of few studies carried out have been listed in Fig 3

Fig 3. Findings about Family Businesses

Serial No.	Findings	Source
1.	Family-owned businesses comprise over 95% of all business establishments in the worldwide.	Litz (1995)
2.	51.5 percent of the world's 200 largest listed companies are family-controlled.	Silveira, Leal, Silva and Barros (2007).
3.	Family Businesses have a very short life span beyond their founder's stage and 95 percent of family businesses do not survive the third generation of ownership.	Webpage of The Family Business Network.
4.	The proportions of all worldwide business enterprises that are owned or managed by families are in range of 65 to 80% . 40% of the Fortune 50 are family owned or controlled	Gersick, Davis, Hampton, and Lan sber (1997).
5.	Family businesses contribute to about 60 percent of the aggregate GNP in Latin America. 75 percent of the businesses are family -owned and contribute to 65 percent of the Spain's GNP.	Webpage of The Family Business Network.
6.	Family Businesses account for 80 to 90 percent of the 18-million business enterprises in the United States, and 50 percent of the employment and GNP.	Yasser (2011), Viriri et al. (2013)
7.	In US, Family Business accounts for 80 to 9 0% of the 18 million business enterprises and contribute 50% of the employment. In Canada, 80% of the companies listed on the Toronto Stock Exchange are closely held in family trusts. In Taiwan, small and medium-sized family enterprise accounts for more than 98.5% of companies, 80% of employment and 47% of the total economy.	Phan, Butler, and Lee (2005).
8.	The proportion of family enterprises to registered companies is estimated to range from 75% in the UK to more than 90% in South Asia, Latin America and the Far and Middle East.	Yasser (2011).

9.	In India Family controlled business are 85 to 90 per cent of total corporate entities which contribute to 75 per cent of employment, 65 per cent of GDP and 71 per cent of market capitalization.	Yasser (2011).
10.	75% of employment, 65% of GDP and 71% market capitalization in India is contributed by Family Business. Only 38 % Family Business in India survive after 1st generation, 12% after second generation and only 3% after 3rd generation. Of those that do last, 88% either disintegrate or completely vanish before the fourth generation takes the reins.	CII study (2001).
11.	Family Businesses employ between 50 -60% of those who Work in companies a round the world. In the Gulf area, Family Businesses represent 95% of companies and in the Arab region; they form about 70% of the size of the economy. The local investments of 20 thousand Family Businesses in the gulf area alone exceed $500 billion while their total international investments worth over $2 Trillion. These companies constitute 75% of the non - governmental sector in the Gulf area employing around 15 million employees.	Bin Saleh (2006).

As per to Ward (1991), Family Businesses, over the world, represent a prevalent and prominent form of enter-prise in the economic and social landscape. Some researchers estimate that, today, As per the data collected by Poutziouris, O'Sullivan and Nicolescu (1997) in the United States, Canada, Europe, Australia, and Latin America, suggests that Family Businesses account for the majority of the businesses and have a major impact on the growth of the national economies

Stages of Family Businesses

'The first generation builds the business, the second generation "milks" or "harvest it" and the third generation must either auction what is left to the highest bidder or start all over again.'

Various researches & studies have attempted to develop models that describe various stages that Family Businesses go through during their lifespans. These businesses evolve through modest entrepreneurial beginnings. The reigns of these businesses are handed over from generation to generation, with each generation facing its own unique set of management problems. During the initial founder(s) stage, very few issues especially related to management or governance are apparent since most decisions are taken by the founder(s). With the passage of time, the business goes through the next stages of its lifecycle, newer generations and more members join the Family Business. The various models that have been developed over the years point out to three basic stages of family business evolution i.e. (a) The Initial Stage i.e. during the founders time (b) The Middle

Stage i.e. during the sibling partnership and (c) The Advance Stage that is usually the Cousin's Confederate. However, it is not necessary that all family businesses do go through all these three stages of evolution. It might quite happen that few businesses disappear during the early stages of their life-cycle due to bankruptcy or getting acquired by another firm (FBGH, n.d.). Yet, for purpose of analysing, the three stages are broadly discussed in subsequent paragraphs.

Initial Stage. During the Founder's time or during the times of his immediate generation most aspects of family and business governance are informal. During the initial stages, efforts are made to formalize management or governance policies, but these efforts to formalize policies are usually limited to general family vision and mission with respect to the company. The founders decide and set their explicit regulation which usually more often than not reflects the personality of these owners. The issues that affect the shareholders' interest during this stage are limited to Leadership Transition, Succession Planning and Estate Planning (FBGH, n.d.).

Middle Stage. Gradually the business reaches a stage that it is managed entirely by the immediate generation of the founder or by the one after that. This is also referred to as the 'Sibling Partnership' (Yasser, 2011). This stage requisites the need of developing a family employment policy. The family employment policy would lay down clear policies on terms and conditions of family employment within the business. It may also lay down conditions of entry, retention and the way to exit from the business. It also needs to cover the treatment of family member employees vis-a-vis the non-family employees. Issues of Shareholders interest increase to succession, maintain teamwork and harmony and sustainment of the family ownership.

Advanced Stage. After the Middle stage, the Family Business enters into the advanced stage wherein a large number of the family member are now involved directly or indirectly in the overall functioning of the business. This stage generally arrives two or more generations succeeding the founder's generation. Since the generations would have evolved and hence would be an overall increase in the total number of family members the stage also comes to be known as 'Cousin's Confederate' (FBGH, n.d.). The business to survive and flourish during this stage would require full family governance policies that are written and communicated within the family and the business, as well as to other outside stakeholders. The document covering all of these policies is commonly called a family constitution. The interests of the stakeholders during this stage expand to cover issues such as allocation of corporate capital, dividends, debt, and profit levels, shareholder liquidity, family conflict resolution, family participation and role, family vision and mission, family linkage with the business etc.

Corporate Governance & Family Businesses

Corporate Governance as a subject was not considered of much relevance until the late eighties. It was the collapse of some of the prominent companies in the early 90s in the UK that triggered the need for corporate governance. The bigger reason for concern was that none of the Annual Reports of these companies, before the crash gave any indication of the poor financial status of these businesses. The weaknesses in accounting standards were being exploited by the company decision makers to paint a better picture of growth and profitability to various stakeholders. In many of the companies, it had happened that the Boards had been shrunk and the roles of the Chairman and Chief Executive were combined so as to enable one individual to run the company. The collapse during the 90s made a realisation that irrespective of how brilliant the person was, no one individual could be 'right' all the time and needed guidance from independent Board members and thus came the requirement of implementation and monitoring of Corporate Governance.

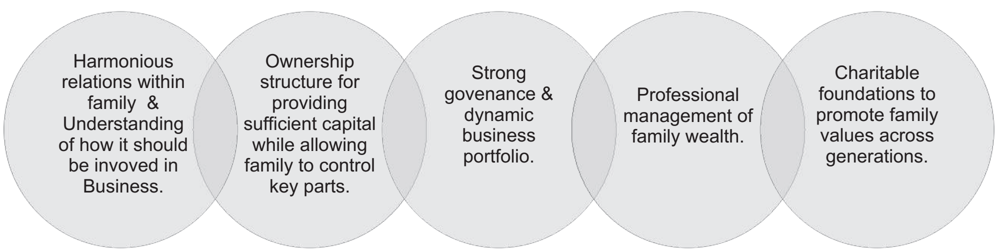
According to the revised principles of corporate governance of OECD, corporate governance may be defined as “Procedures and processes according to which an organization is directed and controlled. The corporate governance structure specifies the distribution of rights and responsibilities among the different participants in the organization–such as the board, managers, shareholders and other stakeholders–and lays down the rules and procedures for decision making. Or simply it may be explained as a blend of internal and external company governance mechanisms. External mechanisms may include the managerial labour market, the capital market, takeover and legal protections/systems whereas the internal governance mechanisms would include a board of directors and most important is ownership. Across the world, Family businesses are probably one of the most important contributors to wealth and employment creation. Family Businesses are the main source of economic wealth creation in most economies. Smyrnios et al (1998) in their study concluded that several family businesses fail to appreciate the concept of preserving wealth. Popularly it is believed that the founder works hard and builds a business, the son takes it over and is poorly prepared to manage and make it grow, but enjoys the wealth and eventually, the grandson inherits a dead business and an empty bank account. Viriri et al. (2013) in their study gathered evidence from worldwide sources and suggested that only 15% of family-owned enterprises continue to survive on to the third generation. Of this 15 %, approximately 85% either disintegrate or completely vanish before the fourth generation comes into the driving seat. It is the involvement of a family makes the Family Business different from other businesses. Neubauer and Lank (1998) in their study call Family Business a complicated phenomenon, the complication primarily arising due to the fact that the Family Business is at the culmination of two interacting systems i.e. the family and the business. Distinguishing the family, its ownership, and the management within the business is almost impossible. Gulzar and Wang (2010) state that an increase in globalisation and overall growth challenges for family businesses have been compounded. The relationship among the owners, managers and employees becomes more complex as the family business expands. Most of these challenges can be tackled by adopting sound corporate governance structures.

Introduction of Corporate governance clarifies the organizational structure which in turn clarifies roles, reporting lines and delegation of responsibility. It draws the line between ownership and management thus specifying the policy direction from the day-to-day running of the company.

It also enables the businesses to face risks and to prosper in a competitive environment. However, on the contrary, Adjasi (2007) states that since the employees of Family Businesses are mostly family members and hence there is no separation of ownership and control which mitigates the need for corporate governance in their operations. On trying to contemplate the two views it needs to be understood that as the business grows, finding appropriate and experienced management talent within the family becomes difficult with eventually the business looking outwards towards the society for the talent along with developing written documents and policies on corporate governance that act as a guide to all family members on the management of the business. Gradually there might be a need to separate management from the control of the business which can be done through the appointment of a board of directors who would not only ensure the survival of the family business but also ensure its prosperity.As per Sarbah and Xiao (2015), implementation of a good governance system would also help to resolve conflicts within the family, thus allowing the family members to focus on other key issues of the business. This would lead to an open decision making and implementation of procedures that would ensure fairness, and eventually improve the reputation of the company. Good corporate governance within a family business would therefore ensure sustainable economic growth of the business by enhancing the performance of business and by increasing the access to outside capital.

For a Family Business to be successful both as a business and a family, a family business must be able to meet two intertwined challenges, one be capable of achieving strong business performance and two, keeping the family committed to be capable of carrying on as the owner. Sarbah et al. (2015) in their study introduce five dimensions of activities that must synchronously work so as to achieve these aims. These dimensions have be listed out in Fig 4.

Fig 4. Synchronous Dimensions of Activities for Family Business to Prosper



Strengths & Challenges of Family Businesses with emphasis to Corporate Governance

Klein et al. (2005) state in their study that a business being family managed or owned has its own advantages, the biggest being that the businesses becomes a source of competitive strength . The role of the family in all aspects such as ownership, governance and management distinguishes it from non-family businesses. The family can add various resources to the businesses that may be financial, labour, intellectual, cultural etc. in nature thus providing an edge over its competitors. Families bring characteristics such as long-term relationships and trust to the business resulting in ease in communication, faster decision making, creativity, innovation and flexibility. At the same time empirical evidence studied by Miller et al (2007) also points out to the likely negative effects of family influence in terms of nepotism, jealousy and entrenchment that leads to lower performance of family businesses. In the next few paragraphs certain strengths as well as challenges that the involvement of families bring into the corporate governance of the businesses are discussed.

Strengths

Several studies across the globe have shown that Family Businesses outperformtheir non-family counterparts in terms of sales, profits and other growth measures. This high performance is the result of the inherent strengths that family businesses have compared to their counterparts. Some of these vital strengths as brought out by Cadbury (2002) and Ward (1991) include:-

Commitment. The commitment that an owner would have towards a business is probably much more than an employee would have over the business. The family being the owner of the business thus would shows the highestdedication in ensuring that the business grows, prospers, and get handed over to the subsequent generations. Due to this the family members identify with the business and are usually willing to work harder for it. They are also more than willing to reinvest part of their profits into the business to allow it to grow in the long term. Accordingly, their dealings with the clients of the business is probably much more committed than

Knowledge Continuity. Since family businesses get handed over from generation to generation, the institutional memory and continuity is way more than that of their counterparts. All accumulated knowledge, experience, and skills are passed on the next generation on priority. Most family members get involved into their family business from a very young age which is bound to increases their level of commitment. This develops a sense of responsibility, ownership and accountability in the family members leading to overall growth of the business.

Reliability and Pride. The family name that is associated with Family Business or the other way around i.e. the reputation if the business is linked with the family, instils a sense of pride and responsibility amongst the family members and at the same time encouraging the confidence, sense of reliability and faith amongst the various stakeholders including the clients and the shareholders. Since Family Businesses have their name and reputation associated with their products and/or services, the decision makers and the executives i.e. the family members strive to increase the quality of their output and ensure that they maintain a good relationship with their partners (customers, suppliers, employees, community, etc.).

Challenges

Whereas association of a family does bring its own set of strong point, however at the same time it might also bring along its set of negative effects. These may not exactly be termed as weaknesses or limitations but may be called as challenges that a Family Business may have to face being family controlled/ managed. The stakeholders of a business with family ownership may be at risk of anecdotal degrees of expropriation, primarily through the family receiving inappropriate benefits. This invariably leads to failure of the business and accounts of one of the main causes of high rate of failure among family businesses. Other reasons of failure of family businesses may include poor management, insufficient cash to fund growth, inadequate control of costs, industry and other macro conditions etc. Few of the challenges of the Family Business that need to be overcome else would be detrimental to the overall health business as brought out by Cadbury (2002), Ward (1991), Yasser (2011) and few others have been listed in subsequent paragraphs.

Complexity. The Family Business due to involvement of the family in governance of the business becomes a far more complex situation vis-à-vis their counterparts. Adding the family emotions and issues to the business increases the complexity of issues that these businesses have to deal with. With different family members playing different roles within the business can sometimes lead to a mismatch of incentives among all family members.

Informality. During the period of the first generation or maybe even upto the first two generations the Family Business are single person centric or revolving around a certain set of people. Due to such a scenario, there is usually very little interest in setting clearly illustrated business practices and procedures. With the family and its business growing larger, this situation can lead to many inefficiencies and internal conflicts that could threaten the very existence of the business.

Conflict between the Boards. Most Family Businesses reserve the right of Board membership limited to members of the family and in a few cases to some well trusted non-family managers. Most decisions of running the business are usually taken by the family member directors. Family 'working' directors who are actively involved in the management of the business are usually in favour of reinvesting profits in the company for overall growth. On the contrary, family 'dormant' directors who are not actively involved in the overall management of the business are generally in the favour of distributing the profits as dividends to family shareholders. Such differences can lead to major conflicts in the board and negatively impact the overall functioning of the business.

CEO Duality. In majority of the Family Businesses the CEO and the Chairperson is generally the same person. Thus in effect at the same time the same person is the Owner and the employee of the business. Being an employee, the CEO has accountability towards the shareholders and can be questioned by the Board or the Chairperson, his/her main aim is maximising profits. On the other side the Chairperson at all times thinks of growth of the business and at times may have to take experimental decisions based on gut. In a situation when the Chairperson is the CEO things become quite difficult and awkward which can create further unsuitable problems for management and as a whole business.

Succession Plan. Rothwell (2002) defines succession planning as "a deliberate and systematic effort by an organization to ensure leadership continuity in key positions, retain and develop intellectual and knowledge capital for the future and encourage individual advancement". In Family Business there is a tendency to expect family members of the subsequent generations to run the Business. The ability to ensure competent family leadership across generations makes this task very complex. The situation gets worse when all the siblings aspire for the top slot, and can even be disastrous when the siblings remaining within a single fold pull in different directions. The next generation even if not capable of running the business is expected to do so. Such an eventuality would lead to a gradual failure of the business. It is generally said for family businesses that the first generation creates, the second inherits and the third destroys. Ward (1987) states that the choice of a successor may also have more to do with family's values than with the chosen successor's capabilities. On the contrary according to Bjuggren and Sund (2001), succession can provide a Family Business with a competitive edge over a non-family business by enabling the continued use of accumulated idiosyncratic knowledge of family members. Preparing the next generation for taking over the business becomes one of the biggest challenges of a family business.

Transparency. Transparency maybe defined as "the ability of firms to signal or provide adequate and relevant information timely and effectively to their shareholders, stakeholders or to other principal parties such as policy makers who motivate and constrain them to behave within the principal's interest and in an acceptable way to society". The OECD Principles of Corporate Governance (1999), clearly state that the corporate governance framework should ensure that timely and accurate disclosure is made on all material matters regarding the corporation, including financial situation, performance, ownership, and governance of the company. It is a misnomer that since Family Businesses don't have public accountability and therefore are not mandated to disclose their financial dealings. Most family owned businesses tend to believe that transparency and information disclosure pertaining to business issues should circulate and consequently benefit the business owner and family inner circle since they do not depend on funding from nobody. Family Businesses, being characterized by secrecy, concentrated ownership and relationship- based systems are obstacles to corporate governance reforms. Thus, introducing transparency within the family owned business becomes the foremost challenges of a Family Business and in case not addressed has the potential to ruin the business.

Recommendations for Corporate Governance in Family Businesses

As has been brought out earlier in the paper, corporate governance ensures addressing the concerns of the business various shareholders and stakeholders, good corporate governance can be provided by offering greater transparency to the principal stakeholders about the management of the business, board supervision, auditing process and financial disclosure as well as institutional and societal arrangements (Sarbah et al. 2015). Good corporate governance within a Family Business would strengthen and clarify the business activities, assist in improving trust in the management within various stakeholders, instilling a sense of confidence and above all improving competitiveness of the business. Proper functioning and transparency of the roles and responsibilities of all owners and employees in the business would be in the interest of the owners, other stakeholders and the as a whole for the entire business. Sun (2014) lists out the principles of corporate governance as illustrated in Fig 5 that must be adhered in family business which are more or less in line with that being mentioned earlier.

Fig 5. Principles of Corporate Governance that must be adhered in Family Business.

Business transparency is the key to promoting shareholder trust. Financial records, earnings reports andforward guidance should all be clearly stated without exaggeration or "creative" accounting.

1.Succession Plan. Smooth succession in an important aspect for family business governance and can save many businesses. Within a family business there is need to have a fair and transparent process for succession selection. The succession process need to be such that it is candid and transparent to the person (successor) as to why he/she was chosen, to the contemporaries so that it can deal with the their disappointments and above all to the various stakeholders that the successor has been chosen in such a way that he/she is capable of ensuring the growth as well as day to day functioning of the business. The succession plan needs to be formal and is recommended to be prepared well in time so as to avoid potential disputes over as to who is entitled to take over. This plan is also needs to be communicated to all concerned well in advance. Viriri et al. (2013) in their study recommend that communication is essential in succession process especially between predecessors and potent successor alongwith utilization of professional management especially legal advisors. It is also very important that the predecessor imbibes within the successor the values of passion for quality, customer focus, professional integrity and above all the values and beliefs based on which the business has been formed. Family businesses need to make themselves future ready by investing in leadership development and succession planning processes and adapting succession planning best practices of similar family-owned businesses.

2.**Distinguishing between Ownership & Management (Avoiding CEO Duality).** Viriri et al. (2013) have inferred that, in order to be able to ensure good performance of family businesses and to ensure the survivability of the family businesses, ownership should be integrally separated from the other dimensions in the governance within the business. In addition to this family relationships have to be managed, picking and promoting the right members of the family, providing attractive opportunities to managers from outside the family and demonstrating even-handedness in training, promoting, compensation and benefits. The formation of a proper structure provides the basis for establishing clear lines of authority and responsibility. The CEO has accountability and responsibility to the organisation and its shareholders. He or she should be able to be questioned by an 'independent' authority called the Board or Chairperson of the company. In a worst case situation if found unsuitable, he/she is asked to relinquish the position. Practically, it is when the CEO is a family member, this becomes quite difficult and awkward. This is when there is a compromise to the shareholder. Secondly, if the CEO and Chairperson is one and the same, we get into the same turmoil, since he is the authority within the organisation and on the Board. To avoid such compromises, it is recommended that the two roles be handled by separate individuals. In a Family Business, very often, it is the entrepreneur who is the CMD – all in one; giving up a position, even to hand it over to the next generation is a tough one to crack and therefore complications set in.

3. Board of Directors. With respect to the Board of Directors of Family Business, two aspects need to be kept in mind, one is the structure or the organization of the Board and the second is their role and duties. The Board of Directors within a Family Business composes primarily of family members most of whom are there purely for namesake, and don't understand or aren't made to understand their duties, or in general what is the business. Several times outside members are selected by the owners for the sole purpose of using their names in the Company's Annual Reports, these people rarely disagree or question the owners thought process or decisions. Such an eventuality for family businesses is a sure shot recipe for failure and it will not be long before till the business would start crumbling. The composition of the Board of Directors should be such that it is capable of taking independent/unbiased decisions. The Board is responsible of providing transparent data, taking decisions in the best interest of the 'shareholder'. Ideally the Board members should be independent outside directors with sufficient experience in their respective fields who will bring the required outside knowledge, creativity and innovation. Corporate Governance laws have now been formalised across the globe that lay down the various duties that the Board of Directors now need to follow, Taking the specific case of India, where a Code of Conduct has to be followed by directors and senior management employees and has been defined in Clause 49 of the Listing Agreement. Various Board Committees can be formed for the smooth and effective corporate governance such as Audit Committee, Share Transfer and Shareholders' Grievance Committee, Strategic Business Development Committee, Human Resource Committee, Borrowing and Investment Committee and Overseas Investment Committee that would constitute of various Board members, depending on their expertise. Formation of such committees with independent directors and specified roles would go a long way in strengthening the corporate governance norms of the Family Business and also instil confidence in various stakeholders of the business.

4. Family Governance Institution and Documents. As the family grows and the business is handed over from one generation to another, transferring of the values and the business knowledge of the founders which had formed the very basis of the business to future generations becomes more difficult (Practical Guide to Corporate Governance [GPGCG], n.d.). To keep all the family members over the years united and their interests aligned is a big challenge. Thus arises the need of formalization of the family policy regarding governance of the business. The nature of these documents would vary based on the ownership stage at which the business is. The first formal written policies are usually brief documents that state a general family vision and mission with respect to the business which is generally at the initial stage. At the middle stages or the sibling stage there is a need to develop a family employment policy that would lay down clear rules on terms and conditions of family employment within the business as well as treatment of family member employees vis-a-vis non-family employees (FBGH, n.d.).In the advance stages of the family business the business would require detailed written governance policies that communicated to all family members as well as to other stakeholders. This document covering all such policies is referred to as the family constitution. The term Family Constitution may also be interchangeably be used with terms such as “Family Creed”, “Statement of Family Principles” “FamilyProtocol”, “Family Rules and Values”, “Family Rules and Regulations”, and “Family Strategic Plan”. The Family constitution is considered as a living document that evolves as the family and the business grows. As per Yasser (2011) a typical family constitution will include the following: -

(a) Values, mission statement and vision as core value for business.

(b) Board of directors / Board of trustees.

(c) Executive management.

(d) Authority, responsibility, and relationship among the family, the board, and the senior management.

(e) Solution in the case of conflicts.

(f) Policies regarding significant family issues such as family members' employment & transfer of shares, succession planning, Chairman tenure and nomination, etc.

Transparency. For a Family businesses to survive there is a need to practice transparency and information disclosures to key stakeholders (Viriri et al. 2013). Transparency being the heart of corporate governance will minimize any information-gap and would promote greater efficiency and lead to higher economic growth of the business. The application of corporate governance transparency by family businesses would help reduce corruption and misuse of resources. Transparency would be achieved in family businesses by adhering to the family constitution, its policies, regular disclosure of liabilities and assets to all the stakeholders etc. In short, principles of corporate governance will have to be followed in letter and spirit to ensure transparency within the business. In case the family business can achieve transparency to an extent, the business will continue to grow.

Compliance with Ethical Standards

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