



Family businesses are the growth engines of the country GDP, contributing significantly to the development of the society, the economy and generating employment as well.

At the same time, due to their unique competencies, deep rooted spirit of entrepreneurship and relationships, the family businesses are the most complex form of organizations.

Ownership, leadership, succession, governance, talent management are some of the common challenges faced by any family business.

With the increase in family members, changes in generations and expectations, complexities in the family and the business pose a threat to the survival of the family business. Less than 10% of the family businesses survive beyond the 3rd generation.

“As the family businesses grow, the family business owners or the business leaders who have controlled and managed the family business are either weary by now or are looking to accelerate the growth, think of “Professionalizing” their business.”

WHY SHOULD A FAMILY BUSINESS PROFESSIONALIZE?

Family businesses must professionalize for the following reasons:

1. The revenue growth is faster than the talent growth in the organization, resulting in system failure
2. The family members lack the desired capabilities to grow the business beyond a certain point
3. The family controls creating bureaucracy within, choke the pace and fade away the competitive edge of the family business
4. Lack of decision making due to internal conflicts, is a road block to execution of key long-term strategic actions
5. Favoritism and nepotism by family members demotivates other employees and affects their performance as well



MEANING OF PROFESSIONALISM IN A FAMILY BUSINESS

Professionalism means to adhere to the core values, business philosophy, high performance standards and ethics which increase equity value and benefit the customers, stakeholders, owners etc.

In a professional culture, there are processes for setting up organization vision, goals, performance measurements and management systems. Professionalism is the resultant of attitude, behavior, performance and discipline.

Professionalism is independent of the identity tag of a family member or non-family member attached to the individual. In the family, due to the emotions, relationships and expectations every member is treated equally.

While in the business, it's the performance and the returns which decide the meritorious and the rewards.

Family businesses, with management systems in place and operating standards being monitored are quite professional in nature. Professionalization is often thought as having more outsiders (non -family members) in the business.

In short, there is a need of experienced and trained human resource who can propel the organization forward. When a non-family member is chosen to lead the business, it is one of the elements of professionalism, but certainly not the only route for the family business to transit to professionalism.

“Vision, Goals, Ethics, Performance are the pillars of Professionalism”



HOW CAN A FAMILY BUSINESS PROFESSIONALIZE?

Family businesses can professionalize themselves by adopting principles such as:

- Building the foundations of professionalism through family discipline and commitments
- Creating an organization culture which nurtures performance and business ethics of highest standards
- Defining organization vision, goals and objectives
- Creating the organization architecture
- Defining roles and responsibilities for all employees
- Setting up policies for performance measurement, promotions and career growth
- Instilling the spirit of ownership in the non-family members by involving them in key decision making, recognizing their efforts and providing security through ESOPs etc.

“Define, Monitor and Improve Management Systems”

10 WAYS TO PROFESSIONALIZE THE FAMILY BUSINESS

Family businesses have their own unwritten rules and run-on mutual understanding. When the conflicts erupt and growth is stagnated, the need for professionalism arises.

The 10 ways to professionalize the family business are:

1. Define the boundaries of the family, the business and the ownership. The family and the business must be separate and must be independent in functioning
2. Family goals and business philosophy must never be hazy or get diluted with the growth challenges. Stick to them, no matter the circumstances
3. A clearly defined strategy along with objectives and performance measurements paves the way for a great professional culture
4. Rewards, recognitions, growth should be strictly in line with performance
5. Educating the next generation family members is the best way to pave the way for transforming the family business into a professionally run entity

6. More than an educational degree, a few years of working experience outside the family business works out to be the best catalyst for embracing professionalism in the family business
7. Structured growth policies for the family members helps them understand the family business
8. Hiring non-family employees, so called professionals, having the right education and rich experience can bring about the desired changes in the management systems quickly for attaining professionalism
9. An experienced Board of Directors, bringing an outsider's perspective, enhances the performance of the business leader and the management team for fulfilling the expectations of the family members
10. Make decision making a formal structured process, which involves the key employees, making them feel part of the family



PROFESSIONALIZING THE FAMILY BUSINESS IN A NUTSHELL

With the increase in the family members and complexities in the relationships, along with business demands, the process of professionalizing the family business is must to move to the next level.

Family forums, family council, family meetings and other governance structures are a great platform supporting the transition process.

It's the preparedness of the family members and the clarity of the business leader which decides the smoothness of the transition.

Defining boundaries, roles and responsibilities, of the family members, eliminate the ambiguity and conflicts arising in day-to-day operations.

Standardize the key processes. Review and monitor them frequently.

Have a well-qualified and experienced Board of Advisors, independent directors, to build and mentor a cohesive management team, to infuse growth in the organization.

FAMILY BUSINESS MANAGEMENT COACHES

Mr. Nilesh Arora and **Dr. Gunjan Arora**, founded ADDVALUE in 1999. Both are very passionate and focused on Family Business Coaching and Personal Life Coaching for members in the family business.

NILESH ARORA – BUSINESS COACH:



Nilesh Arora is BTech. (Mech), IIM – Ahmedabad Alumnus, Certified Corporate Director, Certified Management Consultant having more than 20 years of global experience in the field of Strategic Management, Family Business Management, Operational Excellence and Business Excellence.

As a Global Family Business Coach and Executive Advisor to many Family Owned Businesses (FOB's) he has assisted more than 100 families and 250 organizations to date across Africa, Middle East & Asia (AMEA) in manufacturing as well as service sector, enhancing their revenues and equity value.

Specialities: Family Business Advisory, Succession Planning, Entrepreneurship, Business Coaching, and Business Excellence

Dr. GUNJAN ARORA – LIFE COACH:



Dr. Gunjan Arora is BSc - Human Relations (Gold Medallist), MSc Psychological Counselling, MS – Psychotherapy, PhD Counselling, Certified NLP Master Practitioner, and Certified Advanced Life Coach.

As a Life Coach, she has counselled and mentored several CEOs, business families and the next generation in aligning self, family, ownership and the business.

Specialities: Life Coaching, Relationship Management, and Family Counselling

ADDVALUE was recently conferred the “BEST PERFORMING CONSULTING ORGANIZATION” award by Govt. of India.

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