CORPORATE GOVERNANCE PRACTICES IN FAMILY-OWNED ENTERPRISES IN INDIA

Submitted to

NFCG National Foundation for Corporate Governance

Submitted by

Center for Corporate Governance

INSTITUTE OF PUBLIC ENTERPRISE

(Under the aegis of ICSSR, MoE, GoI)

(December, 2022)

ACKNOWLEDGEMENT

On behalf of the Center for Corporate Governance and Corporate Social Responsibility, we are grateful to NFCG, Ministry of Corporate Affairs, Government of India, for providing us theopportunity to conduct a study on 'Corporate Governance Practices in Family-Owned Enterprises in India.

We extended heartfelt thanks to ED, NFCG andconsultants Mr Karan Anand and Ms Amanpreet for their administrative support. We also thank our Director, Prof S Sreenivasa Murthy for his constant guidance.

We thank Prof R K Mishra, Project Advisor and Prof Ananda Das Gupta, Project Consultant for their valuable inputs. Thanks to the research team comprising of Mr Vaman, Ms Deepa, Mr Vijay, Ms Minka and Ms Preeti, IPE who extended their support in timely completion of the study.

Research Team
Centre for CG and CSR

About NFCG

In 2003, the Ministry of Corporate Affairs (MCA) led a unique PPP model to set up the National Foundation for Corporate Governance in partnership with the Confederation of Indian Industry, the Institute of Company Secretaries of India, and the Institute of Chartered Accountants of India. Subsequently, the Institute of Cost Accountants of India, National Stock Exchange and the Indian Institute of Corporate Affairs also joined with an objective to promote good Corporate Governance practices both at the level of individual corporates and Industry as a whole.

NFCG endeavours to create a business environment that promotes voluntary adoption of good corporate governance practices.

Vision

Be the Key Facilitator and Reference Point for highest standards of Corporate Governance in India

Mission

- To foster a culture of good Corporate Governance
- To create a framework of best practices, structure, processes and Ethics
- To reduce the existing gap between Corporate Governance framework & actual compliance by corporates
- To facilitate effective participation of different stakeholders
- To catalyse capacity building in emerging areas of Corporate Governance

CONTENTS

List of Tables

List of Figures

List of Abbreviations

CEO	Chief Executive Officer
CFO	Chief Finance Officer
CG	Corporate Governance
FB	Family Owned Business
ICG	International Corporate Governance
MNC	Multinational Corporation
ROA	Return On Assets
SEBI	Securities and Exchange Board of India
PwC	PricewaterhouseCoopers

Chapter 1

CORPORATE GOVERNANCE: AN OVERVIEW

This chapter outlines the corporate governance (CG) philosophy in the present changing global business scenario. The chapter also throws light on the various theories of CG, describes committees concerning CG, and details their recommendations.

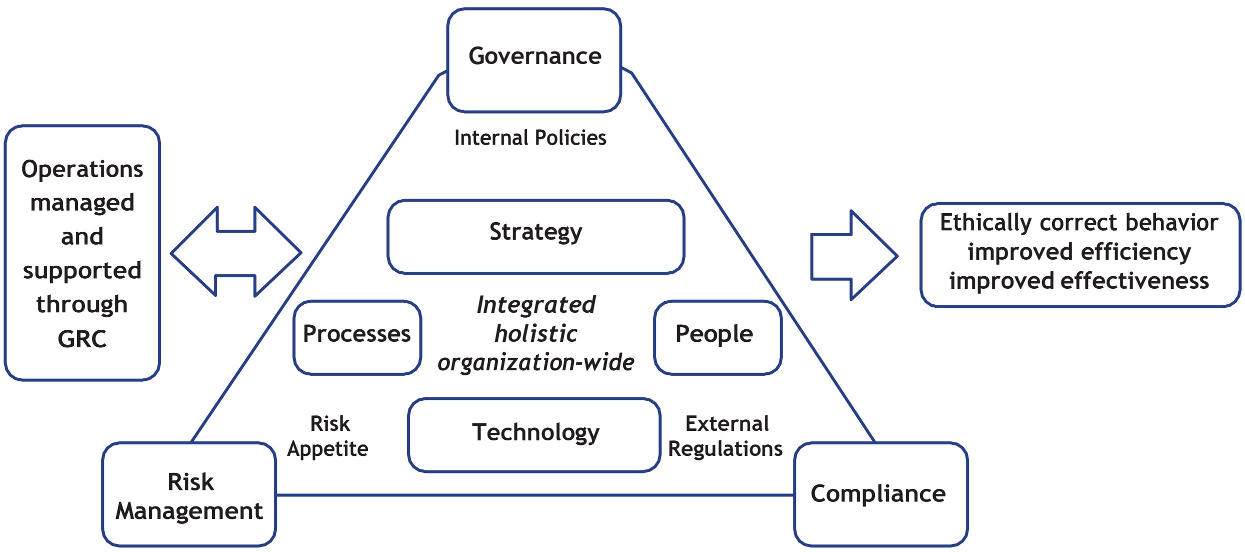
Introduction

CG is an integrated, holistic approach to organization-wide governance, risk and compliance ensuring that an organization acts ethically correct and in accordance with its risk appetite, internal policies, and external regulations through the alignment of strategy, processes, technology, and people, thereby improving efficiency and effectiveness. The essence of corporate governance (CG) is embedded in the philosophy of running business in the way of maintaining transparency, efficacy and compliance. The *raisin de etre* of corporate governance gained importance with the advent of corporate revolution across the globe and new theories started building up. Though mostly in west, the structure of corporate governance lies in the framework of Transparency. Risk Management and Compliance of the law of the land where the corporate operates. The framework also tries to protect the interest of the investors, stockholders and ultimately, the well-being and satisfaction of the stakeholders at large.

The lack of transparency and compliance coupled with absence of risk management triggered several cases across the globe. The theories of corporate governance go around the Agency theory. The theory of principal and agent got initiated fromthe writings of Adam Smith (1776) and Berle and Means (1932) who identified the issues of separation between the principal and agent with respect to ownership and operations. As a result, Agency theory laid importance on the opportunistic behavior of the corporate when the focused on the role of Audit Committee of the Board is being emphasized. DeZoort, Hetmanson et al. (2002) emphasized the importance of the role of the board for the first time. Dey (2008) and Chen, Lin et al. (2008) found that the companies which have more effective audit committees are less into organizational conflict and problems arising out of governance.

Eisenhard (1989) gave the idea of giving incentives to the managers for the smooth running of the company. The theory of STEWARDSHIP stemmed out of the writings of Davis, Schoorman and Donaldson (1997) saying that a Steward protects the interest of the investors through firm performance. The basic work of Mc Gregor (1960) in his famous Y theory which underlines the importance of autonomy, self-governance and dedication are the important factors for governance and excellence of an organization. Stakeholder Theory is another milestone in the realm of corporate governance. Propounded by Adam (1951) in his theory he put forward that a 360-degree approach has to be initiated for the organization for maintaining transparency and, credibility with respect to governance. Freeman (1984) established the broader corporate responsibility and the role of the board. Donaldson and Preston (1995) explained that making sensible decisions are important. Aldrich and Pfeffer (1976) propounded Resource Based Theory where they argued that organizational success depends on focusing on acquiring critical resources and the board should concentrate on resource-based excellence.

Figure-1.1: Frame of Reference for Research of Integrated GRC



(Source: India as a Concept Note by S. Rout, Research Scholar, Institute of Directors)

The major drivers pushing business towards CG include the following:

- **The shrinking role of government**: In the past, governments have relied on legislation and regulation to deliver social and environmental objectives in the business sector. Shrinking government resources, coupled with a distrust of regulations, has led to the exploration of voluntary and non-regulatory initiatives instead.

- **Six Demands for greater disclosure**: There is a growing demand for corporate disclosure from stakeholders, including customers, suppliers, employees, communities, investors, and activist organizations.

- **Increased customer interest**: There is evidence that the ethical conduct of companies exerts a growing influence on the purchasing decisions of customers growing investor pressure: Investors are changing the way they assess companies' performance and are making decisions based on criteria that include ethical concerns.

- **Competitive labor markets**: Employees are increasingly looking beyond salary and benefits and seeking out employers whose philosophies and operating practices match their own principles. To hire and retain skilled employees, companies are being forced to improve working conditions.

- **Supplier relations**: As stakeholders are becoming increasingly interested in business affairs, many companies are taking steps to ensure that their partners conduct themselves in a socially responsible manner. Some are introducing codes of conduct for their suppliers, to ensure that other companies' policies or practices do not tarnish their reputation.

Functioning of the national economies in the integrated global economy requires a uniform code of conduct for the participating economies. The formulation of the code of conduct requires consensus-based decisions through global bodies. Regimes in themselves cannot provide governance structure because they lack the most critical component of governance – the power to enforce compliance. Hegemonic stability requires, for functioning of liberal international economy, a leader that uses its resources and influence to establish and manage an economic order based on free trade, monetary stability, and freedom of movement of capital. The leader must also encourage other states to obey the rules and regimes governing international economic activities. The argument is that the Hegemon is supposed to have power and right to monitor the compliance of rules by the states in the rest of the world. This is contradictory because the Hegemon frames the code of conduct and passes it in the name of consensus.

There are at least two approaches of analysis on governance. One is within the nation-state centered on national laws and institutions. If the political frame of the nation state is based on democracy, the logic of governance is all encompassing. Beyond the national boundary, global governance is centered on global institutions. So far there is no global parliament and no uniform rule for compliance by all countries. Also, the membership of countries in global institutions is voluntary, provided that the entry is open, thereby the question of compliance does not hold good. Governance comes in the development agenda within a nation-state because, other factors remaining present, absence of good governance may lead to missed development opportunities.

A structured and functioning institutional system at the global level requires that reforms in global and regional institutions are complemented by reforms in national institutions and seven policies. In that sense, there must be a basic consistency between the global economic regime promoted by the global institutions and the policy regimes at national level. Business cannot be abstracted from the society in which it exists and functions; it is an integral part of the human society. This 'holistic' view of business is another perception emerging in modern business philosophy and business happens to be the most dominant and representative organ of the modern society. So in an organic vision of business, it has to be viewed as an integral part of the economic, technological, social, political and cultural environment in which it functions. And this environment, and the forces of the environment, at once influences and is influenced by the social organs which constitute it. But our focus will be not on the environment that belongs to the past, but of the new world of the future which is struggling to emerge from the ashes of the past and the facts of the present.

Ethics should start from the top down in any organization. Being honest and open is the only way to succeed at business. As a Chief Executive Officer (CEO) or top manager, how can one avoid ethics problems within the business? The Better Business Bureau offers the following tips:

- Bringing highest sense of ethics to business and lead by example. Demonstrate high ethical standards of behavior toward the customers, suppliers, shareholders, employees, and communities in which one do business. Be honest in all the dealings.
- Developing ethics policy: Make certain that the policy starts at the top level so that company management sets an important example for all employees. Set up training programs that will assist employees in carrying out established ethics policies. Although an ethics policy may not stop unethical behavior, it may give people something to think about and provide a measurement against which to assess their behavior.
- Establishaninternalcommunicationsystemthatallowsemployeestoexpressconcerns directly to top management if they suspect wrongdoing or are uncomfortable with current practices. Consider appointing an ombudsman.

- Treating employees with respect and fairness.
- Rewarding employees for ethical decision-making and actions.
- Meeting with the accounting staff to reinforce the highest reporting and accounting standards and expectations. When the line between doing what is right and what is legal is not clear, move back to what one knows is right.

On the other hand, there are multi-faceted dimensions to the issues that are to be addressed under the framework of Ethical behavior, CSR, Good Governance of the corporate and Social Impact Management. One of such issues is managing environment. The Bhopal (India) Gas tragedy clearly demonstrated one of the world's worst industrial accidents. The significance of this accident, however, extends well beyond avoiding such a disaster and a need to move beyond 8 just polluting the environment. Since the legacy of Bhopal, large manufacturing houses in India (such as Reliance Industries, Tata Chemicals, Indian Petrochemicals Corp. etc.) have all committed themselves to the environmental movement. However, the crux of the problem is the pollution generated by small and medium industries. Although they are promoted in a large way by the Indian government and play an important role within the economy with their prime role and vast scope in employment, the unsafe environmental practices of these industries for a long time have gone unnoticed. The collective environmental damage done by small industries can obviously be much higher than envisaged.

The challenge of the times would seem to involve a call for personal transformation through which social and conceptual frameworks can be viewed anew. Willingness to sacrifice inherited perspectives is an indication of the dimension of the challenge-most dramatically illustrated by willingness to risk death. However physical death is not the issue, and may easily be a simplistic, deluded impulse lending itself to manipulation. Destruction of frameworks valued by others is equally suspect. Such dramatics provide rewards within the very frameworks whose nature the individual needs to question, but by which he or she may need to choose to be constrained.

To succeed in today's competitive market requires a high professional competence as well as a continual improvement of that competence. Equally important is co-operation among professionals, often of a great variety. Success also requires communication and co-operation with customers and with the community. Communication and co-operation require social and cultural competence. Cultural competence is shared knowledge and hence communal knowledge. Cultural or communal knowledge bridge the gap between individuals and between professions.

The whole set of values needed for management can be summed up in the words of dharma is the code of right conduct. In these days when corporate governance is emerging as a significant factor, we find that Indian management can emerge successfully in the marketplace if it is able to draw on its route for good corporate governance, which is available in our culture and tradition. But then the question may arise, how many of us are aware of scriptures, Upanishads, culture and so on. Though one may not be consciously aware, one learns about basic principles from childhood, from parents and from religion.

Values are deeply held beliefs, the fundamental building blocks of a workplace culture reflecting a view about 'what is good.' In a law firm, they can include integrity, superior performance, putting the client first, making a big profit, and so forth, but it is important to note that there is no real right or wrong in values. There are two visions of the new approach of management:

- First is a new vision of business based on an evolutionary spiritual humanism.
- Second is the possibility of business becoming an experimental workshop for a creative synthesis of ethics and management. This second possibility, if it becomes a reality, can provide the insights, learning, experience, and the capabilities for a creative synthesis of East and West in Business.

To succeed in today's competitive market requires a high professional competence as well as a continual improvement of that competence. Equally important is co-operation among professionals, often of a great variety. Success also requires communication and co-operation with customers and with the community. Communication and co-operation require social and cultural competence. Cultural competence is shared knowledge and hence communal knowledge. Cultural or communal knowledge bridge the gap between individuals and between professions. The whole set of values needed for management can be summed up in the words of dharma is the code of right conduct. In these days when corporate governance is emerging as a significant factor, we find that Indian management can emerge successfully in the marketplace if it is able to draw on its route for good corporate governance, which is available in our culture and tradition. But then the question may arise, how many of us are aware of scriptures, Upanishads, culture and so on. Though one may not be consciously aware, one learns about basic principles from childhood, from parents and from religion.

Committees on Corporate Governance in India

On the issues relating to the framework of corporate governance in Indian context, it is being observed that because of the interest generated in the corporate sector by the Cadbury Committee's report, the issue of Corporate Governance was studied and dealt with by the Confederation of Indian Industries (CII), the Associated Chamber of Commerce and the Securities and Exchange Board of India (SEBI). In India, the emphasis during the past few years has been limited to only some of the recommendations of the Cadbury Committee, such as the role and composition of the Audit Committees and the importance of making all the necessary disclosures with annual statements of accounts, which are considered important for investors' protection. The CII was the first to come out with its version of an Audit Committee. The SEBI, as the custodian of investor interests, did not lag. On May 7, 1999, it constituted an 18-member committee, chaired by the young and forward-looking industrialist, Mr. Kumar Mangalam Birla (a chartered accountant himself), on Corporate Governance, mainly with a view to protecting the investors' interests. The Committee made 25 recommendations, 19 of them `mandatory' in the sense that these were enforceable. The listed companies as you may be aware were obliged to comply with these on account of the contractual obligation arising out of the listing agreement with Stock Exchanges.

The mandatory recommendations of the Kumar Mangalam committee include the constitution of Audit Committee and Remuneration Committee in all listed companies, appointment of one or more independent Directors in them, recognition of the leadership role of the Chairman of a company, enforcement of Accounting Standards, the obligation to make more disclosures in annual financial reports, effective use of the power and influence of institutional shareholders, and so on. The Committee also recommended a few provisions, which are non-mandatory. It will be interesting to note that Kumar Mangalam Committee while drafting its recommendations was faced with the dilemma of statutory v/s voluntary compliance. You may also be aware that the desirable code of Corporate Governance, which was drafted by CII and was voluntary in nature, did not produce the expected improvement in Corporate Governance. It is in this context that the Kumar Mangalam Committee felt that under the Indian conditions a statutory rather than a voluntary code would be far more purposive and meaningful. This led the Committee to decide between mandatory and non-mandatory provisions. The Committee felt that some of the recommendations are essential for theframework of Corporate Governance and virtually form its code, while others could be considered as desirable. Besides, some of the recommendations needed changeof statute, such as the Companies Act for their enforcement. Faced with this difficulty the Committee settled for two classes of recommendations. SEBI has given effect to the Kumar Mangalam Committee's recommendations by a direction to all the Stock Exchanges to amend their listing agreement with various companies in accordance with the `mandatory' part of the recommendations. Banks, as we know, are critical component of any economy. They provide financing for commercial enterprises, basic financial services to a broad segment of the population and access to payments systems. In addition, some banks are expected to make credit and liquidity available in difficult market conditions. The importance of banks to national economies is underscored by the fact that banking is virtually universally a regulated industry and that banks have access to government safety nets. It is of crucial importance therefore that banks have strong corporate governance.

Basel Committee published a paper on Corporate Governance for banking organizations in September 1999. The Committee feels it is the responsibility of the banking supervisors to ensure that there is effective corporate governance in the banking industry. Supervisory experience underscores the need of having appropriate accountability and checks and balances within each bank to ensure sound corporate governance, which in turn would lead to effective and more meaningful supervision. Sound corporate governance could also contribute to a collaborative working relationship between bank managements and bank supervisors.

Good Governance in capital market has always been high on the agenda of SEBI. Corporate Governance is looked upon as a distinctive brand and benchmark in the profile of Corporate Excellence. This is evident from the continuous updating of guidelines, rules, and regulations by SEBI for ensuring transparency and accountability. In the process, SEBI had constituted a Committee on Corporate Governance under the Chairmanship of Mr. Kumar Mangalam Birla. Based on the recommendations of the Committee, the SEBI had specified principles of Corporate Governance and introduced a new clause 49 in the Listing agreement of the Stock Exchanges in the year 2000. These principles of Corporate Governance were made applicable in a phased manner and all the listed companies with the paid-up capital of Rs Three crores andabove or net worth of Rs 25 crores or more at any time in the history of the company, were covered as of March 31, 2003.

SEBI, as part of its endeavor to improve the standards of corporate governance in line with the needs of a dynamic market, constituted another Committee on Corporate Governance under the Chairmanship of Mr. N. R. Narayana Murthy to review the performance of Corporate Governance and to determine the role of companies in responding to rumor and other price sensitive information circulating in the market to enhance the transparency and integrity of the market. With a view to promote and raise the standards of CG, SEBI on the basis of recommendations of the Committee and public comments received on the report and in exercise of powers conferred by Section 11(1) of the Securities and Exchange Board of India Act, 1992 read with section 10 of the Securities Contracts (Regulation) Act 1956, revised the existing clause 49 of the Listing agreement vide its circular SEBI/MRD/SE/31/2003/26/08 dated August 26, 2003. It clarified that some of the sub-clauses of the revised clause 49 shall be suitably modified or new clauses shall be added following the amendments to the Companies Act 1956 by the Companies (Amendment) Bill/Act 2003, so that the relevant provisions of the clauses on Corporate Governance in the Listing Agreement and the Companies Act remain harmonious with one another.

Governance Challenges

The concept of Corporate Governance gained further momentum after the sudden crash of Enron, WorldCom, Xerox, Lehman brothers and the crisis of Satyam one of the biggest frauds in India's corporate history. Lack of transparency and poor disclosures in the annual reports are blocking the stakeholders from ascertaining the well-being of the corporate houses. Therefore, investor community urged for improvements in governance practices. In today's world of globalization, the concept of Corporate Governance had taken an important place. Successful attempts are being made now to ensure that companies adopt good Corporate Governance practices all over the world by forming and implementing. Good Corporate Governance will also help to survive in an increasingly competitive environment through mergers, acquisitions, partnerships, and risk reduction through assets diversification. Also adopting good Corporate Governance practices leads to a better system of internal control this leading greater accountability and better profit margins.

In recent terms high quantities of domestic and international capital is being availed by business. A prime benefit of Corporate Governance is the improvement in the prospects for attracting long-term capital. Good Corporate Governance practices must be evolved to attract international investors and encourage domesticinvestors. The word Corporate Governance is a relatively new addition to the vocabulary of management science in Japan, said the CEO of Mitsubishi Corporation. Corporate Governance refers to the relationship that exists between the different participants and defining the direction and performance of a corporate firm. The main actors in Corporate Governance are- (a) the CEO (b) the board of directors (c) the shareholders. Corporate Governance consists of strategies, processes, and laws through which a firm is directed and controlled. It focuses on the safety of all the stakeholders and company goal.

Meaning of Family Ownership

Family ownership may be seen as an opportunity or a threat, depending on a variety of factors. The family ownership and commitment to the business may be understood as adding value, provided that the company and the controlling family can respond to the concerns of the investor community. The family businesses can generate value for all shareholders, based on several factors, known as 'the family business edge.' The main factors influencing family business are:

- Long-term view in decision-making
- Ability and willingness to adopt unconventional strategies, enabling family businesses to respond rapidly to changing market circumstances and giving them the flexibility to take advantage of opportunities and address emerging risks.
- Desire to build a business for future generations, translating to a focus on sustainability and reducing the risk that controlling shareholders will run down company assets and destroy value.
- Commitment of family management to their company, providing continuity in the way the business is run.

Family-owned businesses are businesses in which one or more members of a family are involved in the ownership or management of the company. Corporate governance refers to the system of rules, practices, and processes by which a company is directed and controlled. In a family-owned business, the structure of corporate governance may be different than in a publicly traded company, as the interests of the family may take precedence over those of outside shareholders. However, it is important for a family-owned business to have a clear set of corporate governance practices in place to ensure that the company is run in a fair and transparent manner, and to avoid conflicts of interest between family members.

Objectives and Need of the Study

The development of family business research as an autonomous academic field began with Donnelley's article "The family business", published in Harvard Business Review in 1964[1]. He pointed to specific features of family businesses such as family members' involvement in the business, consequences of their influence on key business success.

1 Donnelley, R. G. (1964). The family business. Harvard business review, 42(4), 93-105

factors, the composition of the management board or succession decisions (Zachary 2011[2]). Thus, Donnelley defined a family business as follows:

> **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.**

The growing competitiveness in the market and with Family Businesses going public, the business or firm cannot avoid paper reviews the literature available with the aim to identify the weaknesses/ limitations of Family Businesses. The purpose of the study is to understand the various strategies and control mechanisms in place among the family businesses in India. The study will also discuss the various practices of governance such as ownership structures, board committees, evaluation methods, compliances, board diversity, etc. among the selected sample. Case studies would be prepared based on the best practices of corporate governance followed by family businesses in India. The following factors highlight the significance of corporate governance:

- **Change in Shareholding Structure:** As a result of changing shareholding patterns, ownership has presented management with new challenges. Institutional investors, both domestically and internationally, are becoming more significant in the capital formation process. Accepting governance has become essential in the current climate to boost credibility.

- **Economic Changes:** Businesses must adapt to the shifting economic landscape to survive. They have realigned their interests and moved toward new goals andpolicies because of liberalization measures. They must contend with competition both domestically and abroad.

- **Globalization's Impact:** In the age of globalization, the world has shrunk to a relatively small market. The global economy and corporate landscape are undergoing significant changes. Challenges must be met by corporations. Professional management now dominates traditional management. The corporate world must therefore develop worldwide norms in order to combat the risks of globalization.

- **Shareholders' Net Worth and Net Wealth:** Any firm seeks to maximize wealth by maximizing profits. This improvement is the goal of effective corporate governance.

2 Zachary, R. K. (2011). The importance of the family system in family business. Journal of Family Business Management

- **Reporting:** Investors are requesting more and more disclosure from the corporation about financial reporting and transparency. They seek openness, responsibility, and accountability in all dealings. The business has a duty to safeguard its interests. The purposes of laws and regulations are to safeguard the interests of all stakeholders. The directors are believed to have a duty to be transparent in their accounting and work.

Methodology

The study used secondary method of data collection. As the study is based on secondary data sources, information from various websites, annual reports, corporate governance reports, other reports published from time to time was used to collect information. The information of selected family-owned business would be collected and would be analyzed on various governing parameters. A questionnaire was circulated among the stakeholders to collect the perception of family business other governance parameters which play pivotal role in managing the good governance practices. Few interactions with experts were also collected to understand the governance framework in the selected companies. Two case companies were selected to prepare the case studies as already the companies have involved the next generation family members in the leadership roles.

Structure of the Study

The study comprises the following chapters with the details noted against each of them.

Chapter 1: Details with the introduction of corporate governance and highlight the need, objectives and methodology of the study.

Chapter 2: Details with the introduction to family-owned business, conceptual framework, ownership patterns, role of global and Indian companies.

Chapter 3: Presents detailed the review on corporate governance in general and CG practices in family-owned business.

Chapter 4: *Presents two case studies of successful FoBs in Indian context. The chapter exhaustively discuss on the best practices of corporate governance of these selected corporate entities.*

Chapter 5: *Shares observations and futuristic the challenges of family-owned companies in general and the case studied referred in particular.*

References

- Aldrich, H. E., & Pfeffer, J. (1976). Environments of organizations. Annual review of sociology, 79-105.
- Berle, A., & Gardiner, C. (1932). Means. The Modern Corporation and Private Property. New York: Commerce Clearing House.
- Chen, C. Y., Lin, C. J., & Lin, Y. C. (2008). Audit partner tenure, audit firm tenure, and discretionary accruals: Does long auditor tenure impair earnings quality? Contemporary accounting research, 25(2), 415-445.
- Davis, J. H., Schoorman, F. D., & Donaldson, L. (1997). Davis, Schoorman, and Donaldson reply: The distinctiveness of agency theory and stewardship theory. Academy of Management. the Academy of Management Review, 22(3), 611.
- Dey, A. (2008). Corporate governance and agency conflicts. Journal of accounting research, 46(5), 1143-1181.
- DeZoort, F. T., Hermanson, D. R., Archambeault, D. S., & Reed, S. A. (2002). Audit committee effectiveness: A synthesis of the empirical audit committee literature. Audit Committee Effectiveness: A Synthesis of the Empirical Audit Committee Literature, 21, 38.
- Donaldson, T., & Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. Academy of management Review, 20(1), 65-91.
- Eisenhardt, K. M. (1989). Agency theory: An assessment and review. Academy of management review, 14(1), 57-74.
- Freeman, R.E. 1984. *Strategic Management: A Stakeholder Approach*. Boston, MA: Pitman.
- McGregor, D. (1960). Theory X and theory Y. Organization theory, 358(374), 5.
- Smith, A. (1776). An inquiry into the nature and causes of the wealth of nations: Volume One. London: printed for W. Strahan; and T. Cadell, 1776.
- Zachary, R. K. (2011). The importance of the family system in family business. Journal of Family Business Management

Chapter 2
REVIEW OF LITERATURE

The present chapter reviews the concept and context of corporate governance, in general, and CG practices in family-owned business, in particular.

Introduction

Literature review of corporate governance in family firms has revealed several important findings: corporate governance in general is a vast topic in academic research and models of governance developed for large public corporations with dispersed ownership cannot be automatically applied to the family business context where the large variety of family firm configurations and the family system itself add further complexity. The literature review shows that the focus of research on family business governance has evolved over time, from an almost exclusive focus on individual governance bodies and structures, and mainly on the role of the board of directors in the family firm, to a different approach emphasizing the governance system. The review of the literature dealing with the link between governance and family firm performance indicates several limitations to the comparability of existing research, and a lack of documentation of the causality between best practices in corporate governance and firm performance. First, on the input side, governance can be regarded from several perspectives: there are multiple actors involved in the governance arena and it is difficult to isolate a particular element when wanting to explore corporate governance as a system of numerous structures and processes. Secondly, on the output side, the lack of consensus about the definition of performance (including a time frame discussion) further limits the comparability of research results. Finally, both governance practices and performance measures vary with economic sectors, firm size, and legal contexts.

Corporate Governance and Financial performance

According to Nagar, Petroni, and Wolfenzon's (2000) research, closely held corporations have a small number of shareholders and that firm performance (net income scaled by total assets, or ROA, and operation income), which is U-shaped in relation to the ownership stake of the largest shareholder, is outperformed by both diluted ownership firms and firms with extremely concentrated ownership, regardless of the size of the largest shareholder. The findings imply that closely held corporations with fewer shareholders may benefit from dilution of ownership, which can be advantageous to company performance in large publicly traded companies with many stockholders. “In this situation, dilution of ownership might be advantageous because it creates an ownership structure where stockholders are substantial enough to resist giving the manager authority but lack ownership rights to take unilateral control of the business and reap personal gains.” Nagar, Petroni, and Wolfenzon (2000).

In their groundbreaking and in-depth analysis from 2003, Anderson and Reeb looked at the relationship between foundational ownership and company performance in large public corporations from 1992 to 1999 using the S&P 500 firms. In addition to discovering that families control more than 35% of S&P 500 companies and own an average of 18% of the outstanding equity, the authors come to the surprising conclusion that family businesses perform better than their non-family counterparts. A closer look at this earnings growth reveals two fascinating aspects in particular: First off, there is a non-linear (non-monotonic) relationship between founding-family holdings and firm success: as family ownership grows, so does performance; however, performance then declines as family ownership levels rise. The second point relates to active family involvement. Market performance tends to be better only in those instances where the founder himself or herself or an outsider oversees the company, as opposed to thosefirms where founders or their descendants hold the CEO role (as CEO). Furthermore, the performance of the market is unaffected by the founder’s descendants holding the CEO positions. In other words, outside CEOs and founder CEOs are responsible for the biggest value increases. The authors employ ROA as an accounting performance indicator and Tobin’s Q as a market measure.

What is clear from the results so far is that there is a positive correlation between family ownership and control on the one hand, and firm performance on the other, when it comes to the relationship between ownership and performance in family businesses. This beneficial association appears to be more pronounced for publicly traded family businesses than for privately held businesses (i.e., Kang, 2000; Anderson and Reeb, 2003). Let’s now discuss studies that address more general questions of governance and family firm performance.

Taxonomy of many sorts of governance structures in family-owned SMEs is proposed by Gubitta and Gianecchini (2001). There are four distinct governance models that emerge depending on the level of opening (the structure of the governance structure) and the level of extension (the decision-making process): rigid, recognisable, managerial, and flexible. The data analysis shows that there is little correlation between organizational success and the chosen governance type. The authors do not, however, describe how performance is assessed.

Governing, being entrepreneurial, and performance in family businesses are all topics Mustakallio and Autio (2002) investigate. The authors concluded that the governance of family enterprises does affect their entrepreneurial orientation, which in turn may have an impact on their long-term performance (profitability and growth).

There is a consistent theme among the studies, despite the limited number of studies on the relationship between performance and governance in family enterprises making it difficult to draw many definite conclusions. The first conclusion is that there seems to be plenty of proof that family-controlled businesses do better, at least on the stock markets. The family’s favorable influence depends not only on the fact that it owns stock but also on the fact that it assumes a leadership position on the board (i.e. Kang, 2000; Anderson & Reeb, 2003). The second finding is that there are various effects of family participation on performance. Unlimited family influence is not the solution, as evidenced by the effects of individual ownership concentration (Anderson & Reeb, 2003) or a non-family CFO (Gallo & Vilaseca, 1998) on performance. The authors examined the ROS, ROI, and ROE for 1999 to gauge economic performance.

There is a consistent theme among the studies, despite the limited number of studies on the relationship between governance and performance in family enterprises making it difficult to draw many definite conclusions. The first conclusion is that there seems to be plenty of proof that family-controlled businesses do better, at least on the stock markets. The family’s favorable influence depends not only on the fact that it owns stock but also on the fact that it assumes a leadership position on the board (i.e. Kang, 2000; Anderson & Reeb, 2003). The second finding is that there are various effects of family participation on performance. Unlimited family influence is not the solution, as evidenced by the effects of individual ownership concentration (Anderson & Reeb, 2003) or a non-family CFO (Gallo & Vilaseca, 1998) on performance.

Family-Owned Business

Meaning and Definition

When a firm has had close ties to at least two generations of the family and when this connection has influenced both corporate policy and the goals and interests of the family, this relationship is referred to as a family business (Donnelley, 1964).

A family business (FB) is a company where one or more members of the family govern a significant amount of the company's actions because they own a sizable portion of its capital (Allouche & Amman, 2000).

Rosenblatt (1985) defined a family business as any corporation where family members actively participate in running the business and possess the most of the company's equity. Later, A more thorough definition of family businesses was offered by Shanker and Astrachan (1996), which considered elements like right to vote, shareholding, the importance of strategy in judgment, multigenerational involvement in the company, and family members' employment in managerial positions. Despite the lack of a universal definition, the following three traits can set a family business apart from others: ownership (one or more family members hold a larger percentage of the company's shares), governance (one or more family members hold managerial positions), and position on the board (one or more family members are directly involved in the board of management).

A family-owned or -managed firm is referred to as a family. According to Casrud (1994), a family business is one that members of a "family group" are responsible for ownership and decision-making. Family involvement in the workplace is defined by Intihar and Pollack (2012) as "a significant family engagement in ownership, governance, control, progression, hiring employees". According to a wide definition, a family-run business is one in which the family has sufficient stock stakes to influence strategy and participates in senior management. Colli and Rose (2008) mentioned that family-owned businesses because of their inherent diversity. In these firms, family traditions and their history are very important, and younger generations tend to stick to their family's business practices (Dyer, 1988; Tapies and Fernandez, 2010). This is significant because the family history and customs are preserved and grow into a routine that guides judgement. The keeping of practices provides a framework for future policy and aids in reminding new generation family leaders of the origins of the company. It honors the ideals of previous generations, motivates younger generations, and serves as a source of respect for the company's family and staff. Yet, sustaining family reputation and wealth through non-traditional methods that are more closely line with non-family company endeavors presents a problem for family businesses in their operational processes. Stewart and Hitt (2012) acknowledge that if family firms operated more like non-family enterprises, their ability to maintain consistency would increase. According to recent organizational models, more and more companies are separating ownership from operations (Cascio et al., 1997; Colli and Rose, 2008).

Family-owned Business and Governance

The overall evidence of this review shows that neither family companies nor governance in general are fully explained by any one cohesive theory or point of view. There are many research based theories bringing out myriad meanings of CG and as such there is no single definition of governance. Additionally, the broad case for what are referred to as “best practices” is weak. In response to the paper’s central questions, “What is governance in family firms?” and “What can scholars, business owners, and advisers learn from this discussion?”, there are both positive developments and several crucial points to be made. The fact that the connection between governance and performance has not been fully addressed is one of the most urgent problems.

Family enterprises unexpectedly seem to do well. Most of the investigations on performance research converge on this conclusion. The evidence is found to be greater for publicly listed businesses, with numerous studies from various nations come to the same conclusion that family-controlled businesses outperformed listed businesses over the long term. Studies in the private sector produce fewer consistent findings, yet a few comprehensive studies conclude that family companies exist there.

The influence of ownership dispersion, family chairman, and non-family Chief financial officers were studied, and the results revealed that the performance aspect is not absolute, i.e., it depends on the level and manner of family engagement. In plenty of other words, it appears that the degree of family involvement in the various governance systems contributes to the achievement of family enterprises. The extent to which and how the family affects the performance of the company is still up for debate.

On the other hand, family business consultants should exercise caution when advising family businesses on purported “best practice” governance concepts. These ideas lack empirical support, as we have already observed, and what works for huge, non-family-controlled corporations might not have the same effect on family-influenced businesses. According to cross-sectional time series models by Kang (2000), there is a positive correlation between performance and family ownership, as well as between performance and having a family member who has some ownership stakes serve as the non-CEO chairman of the board. Kang claims that this is because of family-owned enterprises having a powerful advocate. In fact, there is a positive correlation between performance (as determined by return on assets (ROA) and Tobin’s Q) in companies where the family is the sole largest shareholder and a family member.

serves as non-CEO chairman. Family shareholders, according to Kang, appear to influence organizational results, and family owners are a significant but little-examined organizational phenomenon in management academia.

An examination of the literature on corporate governance in family businesses produced many significant results: Academic research on corporate governance is extensive, and models of governance created for large, publicly traded companies with dispersed ownership cannot automatically be applied to the context of family businesses, where the vast array of family firm configurations and the family system itself add additional complexity. The evaluation of the literature on the relationship between governance and family firm performance reveals several gaps in the comparability of previous studies as well as a lack of evidence for a direct association between good corporate governance practices and firm performance. Input-side governance can be viewed from a variety of angles because there are many players in the governance space, making it challenging to focus on a single component when examining corporate governance as a system of many structures and procedures. Second, the incompatibility of research findings on the output side is further hampered by disagreements over the definition of performance. Finally, there are differences in governance procedures and performance metrics depending on the economic sector, firm size, and legal framework.

The main conclusion of this research is that neither in governance generally nor in family enterprises specifically, there is a single, widely acknowledged theory or viewpoint that makes sense. There are numerous methodologies and conclusions, and there isn't even a singular definition of governance. Additionally, there is typically very little justification for purported "best practices." Returning to the paper's central questions of "What do we know about governance in family firms?" and "What can scholars, business owners, and advisers learn from this discussion?", there are both positive developments and several crucial points to be made. The fact that the connection between governance and performance is still unclear is one of the primary problems.

It's interesting to note that families seem to add a level of performance to family enterprises. Most of the performance research studies lean in that way. The data appears to be more compelling for publicly traded companies, as numerous studies from various nations have concluded that family-controlled enterprises have consistently outperformed the market in terms of stock performance over the long run. Private sector research findings are less uniform; however, a few in-depth studies have found that family firms do better in the private sector.

The influence of ownership dispersion, family Chairmen, and non-family CFOs studies have demonstrated that this component of performance is not absolute and depends on the level and manner of family engagement. In other words, it appears that the degree of family involvement in the various important governance structures contributes to the success of family enterprises. The subject of how and to what extent the family influences the performance of the company, however, is still up for debate currently.

On the other hand, family business consultants should exercise caution when advising family businesses on purported "best practice governance standards." As we have previously observed, there is little empirical support for these ideas, thus what works for huge, non-family-controlled enterprises might not have the same effect on the family-influenced business.

Family Businesses and Non-Family Businesses

Based on their organizational and strategic characteristics, as well as the family members' participation in the company's ownership, management, and governance, family firms are frequently distinguished from other organizational forms (Chua et al., 1999). Dyer (1992) used goals, relationships, regulations, strategies, evaluation, and succession to differentiate family businesses from non-family businesses. According to family business literature (Westhead and Howorth, 2007; Gersick et al., 1997), there are three main forms of family enterprises: owner-managed/founder businesses, sibling partnerships, and extended family/cousin consortiums. Where there is a split of ownership and control, agency control methods are implemented, according to Duh (2010), to harmonize managers' (agents') objectives with owners' (principals') objectives. Nevertheless, from the standpoint of a family business, the issues with an alignment between managers and owners that would typically be present with non-family enterprises should be at a little so because managers and the owners are one in the same. (Jensen and Meckling, 1976; Anderson and Reeb, 2003; Dyer, 2006; Duh, 2010). Less complexity of alignment is predicted when the owner and management are the same; however, this does not constantly enhance judgement efficacy but rather increases efficiency. The concept of agency cost theory also includes the various ways that individuals connected to a company via contracts may affect that company's behavior.

Management of Family Business Issues

From a management standpoint, tension in the company is sometimes caused by divergences between family members, and non-family members' job commitments (Arregle et al., 2007; Frank et al., 2011; Chrisman et al., 2012). According to research, the importance of governance systems is a fundamental premise that helps to clarify.

this divergence (e.g., Arregle et al., 2007; Brenes et al., 2009; Laffranchini and Braun, 2014). As a result, juggling work and family obligations necessitates the use of governance tools. According to Pierce and Moukanas (2002), the board's main function is to give leadership to the organization by setting the pace for both the organization's current operations and future growth.

Family Business Challenges

Dyer and Handler, 1994; Sharma et al., 1997; Austria, 2008 discussed about how to manage the relationship between family matters and business issues were historical sources of the difficulties and problems with family enterprises. The upbringing and support of family members, job and professional advancement within the organization, and fidelity to the family are all affected by family difficulties (Dyer, 1992). Family enterprises should do the following four forms of planning: family planning, company planning, long term planning, and wealth management (Encyclopedia of Business, 2nd ed.).

According to Sharma et al. (1997), the connection between family and business creates strategic planning a dynamic process that cannot be solved simply or uniformly. The three major processes in fixing a business challenge are recognizing the issue, weighing your options, and selecting the best course of action. From a family company standpoint, creating a culture that welcomes constant change is essential to the efficacy of different solutions. It has been acknowledged by Floyd and Wooldridge (1992, 1994) that managers play a crucial role in developing and fostering autonomous strategic behavior. The family-owned business's focus in today's cutthroat marketplace must be on guiding the company through ongoing transformation to promote understanding of the value of leadership, encourage innovation, and challenge existing goods and practices. Such an atmosphere will encourage new strategic insights from all employees through strong leadership and imaginative succession planning, where the family-owned business offers recognition and rewards for family and non-family personnel. As a result, avenues for productive communication would be established, and the team would eventually be able to recruit and keep exceptional non-family members. One of the complicate challenges for family firm owners is adjusting between the family commitments and family firm. It is significant for family business owners to establish proper balance between their family life and work life by setting proper goals, tactics, resources, and abilities.

Succession Family Business Planning

Given the difficulty of deciding whether to hand over leadership to the next generation or sell the company to outside investors, succession is a strategic issue that affects all FBs.

(Bjuggren & Sund, 2001; Ibrahim, Soufani & Lam, 2001). Cabrera-Suárez, 2005; Molly et al., 2010; Morris, Williams, Allen & Avila, 1997 briefed that Increased survival rates are necessary for these family businesses because many Family Businesses have problems and do not survive to a second or third generation. In addition, 43% of European family businesses (FBs) lack a succession plan, and just 12% of FBs reach the third generation, according to PWC's 2016 Global Survey of Family Firms. Although 70% of businesses descend to the fourth generation, according to Bjuggren & Sund (2001). The high percentage can be attributed to the succession firms' prior successes, which have been documented. According to Bjuggren and Sund (2001; Molly et al., 2010), new family members who join the succession bring fresh perspectives and ideas that benefit the company's development, expansion, and globalization.

Family-owned businesses (FB) have distinctly different traits from those of non-family businesses. They are viewed as being highly committed, complicated, dynamic, rich in intangible resources, and of primary significance for the economies of advanced nations (Cabrera-Suárez et al., 2001; Casillas & Moreno-Menéndez, 2017; Chua et al., 2012; Royer, Simons, Boyd & Alannah, 2008).

The long-term view that comes with family contribution supports the firm a benefit in improving an organization, enabling distinguishable technology capabilities (Chua et al., 2012). Family-owned businesses frequently consist of centralized executive processes that control fewer official systems, but modifications will happen amid different eras (Morris et al., 1997).

Many family businesses have gained a competitive edge through their intellectual capital, which serves as a link between a successful business, the company's continued existence, human capital, and governance mechanisms (Astrachan & Kolenko, 1994). FBs are indeed recognized to be more extremely envious of their confidentiality, be hesitant to leave the wider family and trusted consultants, and reveal an orientation based on long-term connections (Chua et al., 2012; Lichtenthaler & Muethel, 2012).

For Family Businesses, the greatest difficulty is succession for a diverse range of reasons, such as the obligation to deal with the problem of generational transfer, which is a modification of the mutual component between the founder and the next generation of family members.

A succession is a series of deeds and occurrences, resulting in the passing of a family member's authority and involves the transfer of financial ownership (Breton-Miller, Miller

& Steier, 2004; Sharma, Chrisman, Pablo & Chua, 2010). It is a multifaceted process that starts before the successor is nominated and continues through their increasing role and proper management of family dynamics, during which the predecessor may also involve other family members and reduce overall their active participation (Aronoff, 1998; Cabrera-Suárez, 2005; Cabrera-Suárez et al., 2001; Handler, 1994; Morris et al., 1996).

It is best if intergenerational succession is started, planned, and carried through during the entrepreneur's lifetime. The absence of a successor that means not showing any interest, lack of training on even the legal setup, regulations, and taxes associated with legacy might present issues (Bjuggren & Sund, 2001; De Massis, et al., 2008; Handler, 1994; Royer et al., 2008). Internal succession can streamline communication procedures and increase confidence but it's crucial that the final decision-maker be the candidate with the best chance of success from the pool of abilities of successors (Royer et al., 2008; Verbeke & Kano, 2012).

According to Sharma. et.al, (2010); and Breton-Miller.et. al., (2004), a succession is distinguished as a series of activities and events resulting in the handing over of a family member's management i.e., the transfer of business whole responsibility or action. It is a multifaceted activity starting before the heir is nominated and continues through their increasing participation and successful leadership of family dynamics, during which the predecessor may also involve other family members and simultaneously reduce their involvement (Aronoff, 1998; Cabrera-Suárez, 2005; Cabrera-Suárez et al., 2001; Handler, 1994; Morris et al., 1996).

In addition to the elements of closeness and confidence of family, that also enable the transformation planning procedures, a probable issue will involve descendant's composition and ability to obtain the forerunner's experience and abilities to enhance the performance of the firm (Morris et al., 1997, 1996; Cabrera-Suárez et al., 2001). Morris et al. (1997) emphasize that improved post-transition efficiency does not always follow from smoother transitions. The succession should not be viewed as a detrimental development in the life cycle of the company because there is no hard proof that a profitable FB is also impacted by it (Molly et al., 2010).

In general, originators attempt to prolong family business's reputation and the stability by boosting nature of business, assisting their family members in building their abilities, value systems, and confidence, and learning to take responsibility, with the hope that they could get maximum level of commanding on executive powers (Aronoff, 1998.

Dyer & Handler, 1994; Miller et al., 2003). The present generation wishes to pass on the business to the next generation, who are typically children eager to work with their parents (Constantinidis & Nelson, 2020).

References

- Allouche, J., & Amann, B. (2000). L'entreprise familiale: un état de l'art. Finance Contrôle Stratégie, 3(1), 33-79.
- Anderson, R.C. & Reeb, D.M. (2003). Founding-Family Ownership and Firm Performance: Evidence from the S&P 500. Journal of Finance, forthcoming.
- Aronoff, C. E. (1998). Megatrends in family business. Family business review, 11(3), 181-186.
- Arregle, J. L., Hitt, M. A., Sirmon, D. G., & Very, P. (2007). The development of organizational social capital: Attributes of family firms. Journal of management studies, 44(1), 73-95.
- Astrachan, J.H., & Kolenko, T.A. (1994). A Neglected factor explaining family business success: Human resource practices. Family Business Review, 7(3), 251-62
- Bjuggren, P.O., & Sund, L.G. (2001). Strategic decision making in intergenerational successions of small and medium-size family-owned businesses. Family Business Review, 14(1), 11-23.
- Brenes, E.R., Madrigal, K., and Requena, B. (2009). Corporate governance and family business performance. Journal of Business Research, Vol. 64 No. 2011, pp. 280-285.
- Breton-Miller, I., Miller, D., & Steier, L.P. (2004). Toward an integrative model of effective fob succession. Entrepreneurship Theory and Practice, 28(4), 305-328
- Cabrera-Suárez, K. (2005). Leadership transfer and the successor's development in the family firm. Leadership Quarterly, 16(1), 71-96.
- Cabrera-Suárez, K., Saá-Pérez, P.De, & García-Almeida, D. (2001). The succession process from a resource and knowledge-based view of the family firm. Family Business Review, 14(1), 37-48.
- Cascio, W.F., Young, C.E. and Morris, J.R. (1997), "Financial consequences of employment-change decisions in major US corporations", Academy of Management Journal, Vol. 40 No. 5, pp. 1175-1189.

- Casillas, J.C., & Moreno-Menéndez, A.M. (2017). International business & family business: Potential dialogue between disciplines. European Journal of Family Business, 7(1-2), 25-40.

- Casrud, A. (1994). Lessons learned in creating a family business program. Entrepreneurship Theory and Practice, Vol. 19 No. 1, pp. 39-41.

- Chrisman, J. J., Chua, J. H., Pearson, A. W., & Barnett, T. (2012). Family involvement, family influence, and family–centered non–economic goals in small firms. Entrepreneurship theory and practice, 36(2), 267-293.

- Chua, J. H., Chrisman, J. J., & Sharma, P. (1999). Defining the family business by behavior. Entrepreneurship theory and practice, 23(4), 19-39.

- Chua, J.H., Chrisman, J.J., Steier, L.P., & Rau, S.B. (2012). Sources of heterogeneity in family firms: An introduction. Entrepreneurship: Theory and Practice, 36(6), 1103-1113.

- Colli, A., and Rose, M.B. (2008). The Oxford Handbook of Business History. Oxford University Press, Oxford, ISBN: 9780199263684.

- Constantinidis, C., & Nelson, T. (2020). Integrating succession and gender issues from the perspective of the daughter of family enterprise: A cross-national investigation from the perspective of the daughter of family. International Management, 14(1), 43-54.

- De Massis, A., Chua, J.H., & Chrisman, J.J. (2008). Factors preventing intra-family succession. Family Business Review, 21(2), 183-199.

- Donnelley, R.G. (1964). The family business. Harv. Bus. Rev., 42, 93–105.

- Duh, M. (2010). Applying agency theory and the resource-based view in explaining performance differences between family and non-family businesses. NaseGospodarstvo: NG, Vol. 56 Nos 1/2, p. 45.

- Dyer, W.G. and Handler, W. (1994). Entrepreneurship and family business: exploring the connections. Entrepreneurship Theory and Practice, Vol. 19 No. 1, p. 71.

- Dyer, W.G. (1992). The Entrepreneurial Experience. Jossey-Bass, San Francisco, CA

- Dyer, W. G. (1988). Culture and continuity in family firms. Family Business Review, Vol. 1, pp. 37-50.

- Gibb Dyer Jr, W. (2006). Examining the “family effect” on firm performance. Family business review, 19(4), 253-273

- Floyd, S.W., and Wooldridge, B. (1992). Middle management involvement in strategy and its association with strategic type. Strategic Management Journal, Vol. 13 No. S1, pp. 53-168.

- Floyd, S.W., and Wooldridge, B. (1994). Dinosaurs or dynamos? Recognizing middle management’s strategic role. Academy of Management Executive, Vol. 8 No. 4, pp. 47-57.

- Frank, H., Kessler, A., Nosé, L., and Suchy, D. (2011). Conflicts in family firms: state of the art and perspectives for future research. Journal of Family Business Management, Vol. 1 No. 2, pp. 130-153.

- Gallo, M.A. & Vilaseca, A. (1998). An Empirical Examination of Ownership Structure in Family and Professionally Managed Firms. Family Business Review, 5(2): 117- 136.

- Gersick, K.E., Davis, J.A., Hampton, M.C., and Lansberg, I. (1997). Generation to Generation: The Life Cycles of The Family Business. Harvard Business School Press, Boston, MA, pp. 38-39.

- Gubitta, P. & Gianecchini, M. (2001). Corporate Governance, Organizational Flexibility and Performance in Family-Owned SMEs. In G. Corbetta & D. Montemerlo (Eds.), The Role of Family in Family Business: 245-262. F.B.N. Research Forum Proceedings, Rome, Italy.

- Handler, W.C. (1994). Succession in family business: A review of the research on behalf of family firm institute. Family Business Review, 7(2), 133-157.

- Ibrahim, A.B., Soufani, K., & Lam, J. (2001). A study of succession in a family firm. Family Business Review, 14(3), 245-258.

- Intihar, A., and Pollack, J.M. (2012). Exploring small family-owned firms’ competitive ability: differentiation through trust, value -orientation, and market specialization. Journal of Family Business Management, Vol. 2 No. 1 pp. 76-86.

- Jensen, M., and Meckling, O. (1976). Theory of the firm: managerial behavior, agency costs and ownership structure. Journal of Financial Economics, Vol. 3 No. 2, pp. 305-360.

- Kang, D.L. (2000). Family Ownership and Performance in Public Corporations: A Study of the U.S. Fortune 500, 1982-1994. Working Paper no. 00-051, Harvard Business School, Boston, MA.
- Laffranchini, G., and Braun, M. (2014). Slack in family firms: evidence from Italy (2006-2010). Journal of Family Business Management, Vol. 4 No. 2, pp. 171-193.
- Lichtenthaler, U., & Muethel, M. (2012). The Impact of family involvment on dynamic innovation capabilities: Evidence from German manufacturing firms. Entrepreneurship Theory and Practice, 36(6), 1235- 1253.
- Miller, D., Steier, L., & Le Breton-Miller, I. (2003). Lost in time: Intergenerational succession, change, and failure in family business. Journal of Business Venturing, 18(4), 513-531.
- Molly, V., Laveren, E., & Deloof, M. (2010). Family business succession and its impact on financial structure and performance. Family Business Review, 23(2), 131-147.
- Morris, M.H., Williams, R.O., Allen, J.A., & Avila, R.A. (1997). Correlates of success in family business transitions. Journal of Business Venturing, 12(5), 385-401.
- Morris, M.H., Williams, R.W., & Nel, D. (1996). Factors influencing family business succession. International Journal of Entrepreneurial Behaviour & Research, 2(3), 68-81.
- Pierce, A., & Moukanas, H. (2002). Portfolio power: harnessing a group of brands to drive profitable growth. Strategy & Leadership.
- Mustakallio, M. & Autio, E. (2001). Effects of Formal and Social Controls on Strategic Decision-Making in Family Firms. In G. Corbetta & D. Montemerlo (Eds.), The Role of Family in Family Business: 263-280. F.B.N. Research Forum Proceedings, Rome, Italy.
- Nagar, V., Petroni, K.R., & Wolfenzon, D. (2000). Ownership Structure and Firm Performance in Closely Held Corporations. Working Paper, University of Michigan, Ann Arbor, MI.
- Rosenblatt, P.C. (1985). The Family in Business. San Francisco: Jossey-Bass Publishers.
- Royer, S., Simons, R., Boyd, B., & Alannah, R. (2008). Promoting family: A contingency model of family business succession. Family Business Review, 21(1), 15-30
- Shanker, M.C., & Astrachan, J.H. (1996). Myths and Realities: Family businesses' Contribution to the U.S. Economy – a Framework for Assessing Family Business Statistics. Family Business Review, 9 (2), 107-119.

- Sharma, P., Chrisman, J.J., and Chua, J.H. (1997). Strategic management of the family business: past research and future challenges. Family Business Review, Vol. 10 No. 1, pp. 1-35.

- Sharma, P., Chrisman, J.J., Pablo, A.L., & Chua, J.H. (2010). Determinants of initial satisfaction with the succession process in family firms: A conceptual model. Entrepreneurship: Theory & Practice, 25(3), 17-36.

- Royer, S., Simons, R., Boyd, B., & Rafferty, A. (2008). Promoting family: A contingency model of family business succession. Family Business Review, 21(1), 15-30.

- Stewart, A., and Hitt, M. (2012). Why can't a family business be more like a nonfamily business? Modes of professionalization in family firms. Family Business Review, Vol. 25 No. 1, pp. 58-86.

- Tapies, J., and Fernández, M. (2010). Values and longevity in family business: evidence from a cross-cultural analysis. Working-Paper, 866. July.

- Verbeke, A., & Kano, L. (2012). The transaction cost economics theory of the family firm: Family-based human asset specificity and the bifurcation. Entrepreneurship Theory and Practice, 36(6), 1183-1205.

- Westhead, P., and Howorth, C. (2007). Types of private family firms: an exploratory conceptual and empirical analysis. Entrepreneurship and Regional Development, Vol. 19 No. 5, pp. 405-431.

Chapter 3
INTRODUCTION TO FAMILY-OWNED BUSINESS

The present chapter discusses the evolution and growth of family-owned business (FoB), its meaning and definition, its importance, and its types and challenges. The chapter further introduces the global and Indian scenario of FoBs.

Backdrop

With the advent of corporate activities across the globe because of revival of economy to overcome great recession after the Second World War and reconstructing the structure of financial stability with the Bretton Woods Conference the rise of the world corporate scenario started gaining momentum. The rise of the family-based conglomerates initiated spreading their wings to gain the benefit of the new world economy. India which gained its independence and was under the new leadership moved forward with establishments of larger public sector enterprises (PSEs) for economic development. Government has prioritized some core sectors to be under their control while private sector and family businesses entered to establish themselves in non-core sectors. The status of family business pre- and post-independence India is depicted below[1]:

Table-3.1: Status of Family Business Pre and Post-Independence India

Name of the Group	Year of Inception	Promoter Owner	Core Activity
Tata Group	1868	Jamsetji Nusserwanji Tata	Textile mill in Nagpur named The Express Mills (1874) Tata incorporated the Indian Hotels Company, Taj Mahal Palace (1903) Tata Steel was established in Jamshedpur (1907)
Britannia Industries Ltd	1892	Wadia Group	Biscuit-manufacturing 1910 and installed ovens in 1921
Godrej and Boyce Manufacturing Co Ltd	1897	Ardeshir Godrej	Manufactures electronic items and furniture and provides engineering solutions. Company manufactured the ballot boxes for the first general elections in India in 1951

Name of the Group	Year of Inception	Promoter Owner	Core Activity
Imperial Tobacco Co Ltd	1910	Kolkata	Primarily set up as a cigarette and leaf tobacco manufacturing company, 1910. Printing and packaging business, 1925
TVS	1911	TV Sundaram Iyengar	Motorcycles and other products
Vazir Sultan Tobacco Co (VST)	1916	Vazir Sultan	Cigarette maker
Birla Corp	1919	Ghanshyam Das Birla	Jute Manufacturing Co Ltd Diversified into various products
Arvind Ltd	1931	Kasturbhai, Narottambhai and Chimanbhai,	largest producer of textiles Flying Machine and Cole Ruggers Joint venture in India with brands like Tommy Hilfiger
Reliance Industries	1957	Dhirubhai Ambani	Stint with A. Besse & Co., Aden, Yemen Diversified to various products
Cipla (Chemical, Industrial and Pharmaceutical Laboratories)	1935	KA Hamied	Generic AIDS medication Diversified to various products
Mahindra and Mahindra	1945	JC Mahindra and Malik Ghulam Mohammed as Mahindra and Mohammed	Cars, tractors, two-wheelers, and Tech business

(Source: Authors compilation from various sources)

Introduction to FoB

A business which is owned, operated and managed by two or more members of the single-family or by members related by blood, marriage or adoption is known as family-owned business. In this form of business full or majority of ownership and control lies within a family. Family business plays an important role in economic development by way of employment and growth. The family business contributes more than 79 per cent of the national GDP. In India[2] around 111 publicly traded family business companies are valued at USD 839 billion. India has third- largest family business globally. These businesses also found place in fortune 500 companies. According to EY[3] the largest 500 family businesses generate US$7.28 trillion in revenue and employ 24.1 million people. This constitutes third largest economic contribution in the world by revenue.

2 https://economictimes.indiatimes.com/industry/services/education/ushering-indias-family-businesses-into-a-new-era-of-endless-possibilities/articleshow/89500732.cms?from=mdr

3 https://www.ey.com/en_gl/family-enterprise/how-the-worlds-largest-family-businesses-are-proving-their-resilience

Meaning and Definition of Family-owned Business

Family businesses constitute most businesses in India, as anywhere else. Economic liberalization and rapid expansion in the industrial base in recent years have not only created growth opportunities for many but also have tested their resource capabilities to respond to them; some have chosen to follow the role of a custodian of their existing wealth and followed the preservation route, while some others have followed more of an entrepreneurial route of exploiting opportunities with or without relevant resources, with mixed results. One of the key resources for all of them is their family, and their prime concern is wealth and welfare of their family. A major dilemma many of them have faced particularly in the last decade since economic liberalization began is to choose between combinations of risks and returns of business growth and conservation of wealth of the family. This, of course, is intertwined with the missions of their businesses and families. For historical, evolutionary reasons, most countries have family businesses constituting the largest category in terms of ownership; estimates do vary but is above 75 percent in all cases (Duman 1992, Paisner 1999; Watts and Tucker 2004). About a third of the companies listed in Fortune 500 are family businesses (Lee 2004). Since they normally do not have short term orientation but are interested in growing the family wealth with necessary precautions and have a different set of strategic goals compared to non-family-owned private companies (Ward, 1987; Sharma, Chrismanand Chua, 1997), their long term contribution to economy is significant. This is true withthe Indian economy too.

However, long term sustenance of family business depends on its smooth survival across generations as shown in Figure 1. Families that successfully survive three or four generations have a complex web of structures, agreements, councils, and formsof accountability to manage their wealth (Jaffe and Lane 2004). This seems to be much more evident in the west compared to emerging economies such as India. Reflecting the complexity of the process involved, succession planning has been an area of keen interest for researchers. This could be for a variety of reasons. One, organizational transition from an entrepreneurial stage to a system driven, professionally managed firm is not easy (Churchill, 1983), and involves evolutions, revolutions, and crisis (Greiner, 1998). Two, there is often a simultaneous process of transformation taking place in the family and business with the size of activities of both growing (Kepner 1991; Morris et al 1997; Sharma, Chrisman and Chua 2003).

Types of Family-owned Business

There are three forms of family businesses. They are business fully owned businesses owned by family and managed, and family owned and led business. The three forms are discussed below:

- Family-owned business: business which controls the size of the ownership stake is owned by the family or by the member of the family.
- Family Owned and Managed Business: businesses that control the size of ownership which lies with single-family, or by a single member of a family. This allows the family to formulate and decide the objectives, methods, and policies of the business.
- Family owned and Led Business: majority stake of ownership vests with family members or at least one member from family would represent the board.

Family-owned Business in Global Scenario

It is evident from research that America holds one-third of family businesses with 81 per cent amounting to USD 2.5 trillion employing 6.4 million people. The most famous 55 companies contribute 87% (US$835 billion) of the combined revenue in Asia-Pacific, which has 74 family businesses. The three biggest family businesses in the US which are ruling the global market include Walmart, Berkshire Hathaway, and Ford. Mainland China, Hong Kong and Taiwan account for 32 family businesses while South Korea totals 14 followed by Japan with nine. Japan's Takenaka Corporation has the oldest family business which is as old as 400 years. The 500 largest family business has 4418 board members while one-fourth are family members showing the diversity on the board. The women participation on the board is around 17 percent.

Family-owned businesses are unique in functioning and have been facing challenges both internal and external. The internal challenges including succession planning, lack of trust, conflicts among family members, financial distress, proper communication channel, power challenge, etc. Research is evident that more than 60 per cent of the businesses fail due to the internal reasons. External reasons include compliances, competitive markets, government policies, transformation to information technology, consumer behavior, etc. Companies which overcame this challenge have stabilized in the present-day business. The following table 3.1 depicts the top ten Family business companies along with the sector, inception year, ownership percentage, total directors, and family representation.

Table-3.2: Top Ten Family Business

Rank	Company	Type	Inception Year	Revenues	Employees	Jurisdiction	Industry	Family Name	Share-holding	No of Directors	Family Members on Board
1	Wal-Mart Inc.	Public	1962	559.1	2,300,000	United States	Consumer	Walton	48.9%	11	1
2	Berkshire Hathaway, Inc.	Public	1955	245.5	360,000	United States	Financial Services	Buffett	37.2%	14	2

Rank	Company	Type	Inception Year	Revenues	Employees	Jurisdiction	Industry	Family Name	Share-holding	No of Directors	Family Members on Board
3	EXOR SpA	Public	1927	145.3	343,415	Italy	Financial Services	Agnelli	53.0%	9	3
4	Schwarz Group	Private	1930	140.0	450,000	Germany	Consumer	Schwarz	100%	3	3
5	Ford Motor Company	Public	1919	127.1	186,000	United States	Advanced Manufacturing & Mobility	Ford	40.0%	16	2
6	Bayerische Motoren Werke AG (BMW)	Public	1916	122.2	120,726	Germany	Advanced Manufacturing & Mobility	Quandt	46.8%	26	2
7	Koch Industries Inc.	Private	1940	115.0	120,000	United States	Advanced Manufacturing & Mobility	Koch	84.0%	6	1
8	Cargill, Inc.	Private	1865	114.6	155,000	United States	Consumer	Cargill-Macmillan	85.0%	10	0
9	Comcast Corp.	Public	1936	103.6	168,000	United States	Telecom, Media, and Technology	Roberts	33.8%	10	1
10	Dell Technologies Inc.	Public	1984	94.2	158,000	United States	Telecom, Media, and Technology	Dell	75.0%	8	1

(Source: https://familybusinessindex.com/#dataanalytics)

Ownership Concentration

European countries are characterized by significant ownership concentration (Allen and Gale, 2000; Murphy, 2002; Frohlin, 2002; Aganin and Volpin, 2002; Högfeldt, 2003) which results in the limited number of shareholders and the dominance by powerful owner over the company. Hence, the mean of the biggest stake in terms of voice was estimated at around 40–50 per cent of their stake. Apparently, the ownershipconcentration remained lower in the case of blue chip companies.

The data reveals dispersed ownership of big stake of voice calculated at 10 per cent. Thus, the ownership structure of British companies corresponding with the features of American corporations. The data on ownership structure leads to the further conclusion that the continental European companies had predominantly to face the conflict between dominant and minority shareholders whereas the UK companies had to deal with the classic principal-agent problem between managers and dispersed owners. The aspects of ownership concentration in continental Europe and ownership dispersion in the UK are even more visible in the comparative analysis including 49 countries worldwide as presented in Table 2.2 (based on La Porta et al., 1998).

Family-owned Business in India

Family businesses in India account for a whopping 79 percent of the national GDP. With 111 publicly traded family-run companies valued at USD 839 billion, India is home to the third-largest number of family businesses globally. One might struggle to fully comprehend why family businesses need to be treated in a way different from any other corporate company, but it is essential to understand that family businesses are often built on unwavering.

The following are the oldest family businesses in India[4].

- Aditya Birla Group – Founded in 1857 by Shiv Narayan Birla
- Shapoorji Pallonji – Founded in 1865 by Pallonji Mistry
- Reliance Group – Founded in 1966 by Dhirubhai Ambani
- Tata Group – Founded in 1868 by Jamsetji Tata
- Godrej Group – Founded in 1897 by Ardeshir Godrej and Pirojsha Burjorji Godrej
- TVS Group – Founded in 1911 by T V Sundaram Iyengar
- Kiroloskar Group – Founded in 1911 by Laxmanrao Kirloskar

Companies such as Dr Reddy's Laboratories, Infosys Ltd, Tata Sons, etc. ranked among top 100 list of corporate governance index in the world. Governance research focuses on "the study of power and influence over decision making within the corporation" (Aguilera & Jackson, 2010: 487). It most notably involves practices that monitor managers, deter minority shareholder expropriation, enhance reporting disclosure, or engage employees in board decisions. In the international business (IB) field, interest for the study of corporate governance in multinational corporations (MNCs) has grown significantly in the last few decades, particularly as global expectations of MNCs' economic and social accountability are intensifying (Luo, 2005a) and new types of MNCs are challenging traditional corporate governance models and theories, such as emerging market-MNCs (Cuervo-Cazurra & Ramamurti, 2014; Jackson & Strange, 2008) and the increasingly devolved and network-like "global factories" (Buckley, 2009). In this review, we refer to the study of corporate governance of MNCs as "International Corporate Governance" (ICG)[i] (Aguilera & Jackson, 2010). ICG encompasses a wide spectrum of practices and strategies that influence the MNC's headquarters (HQ; also referred to as the "parent company"), subsidiaries and their interrelationships. For example, at the HQ level, ICG focuses on how an MNC might select, compensate,

4 https://taxguru.in/finance/family-owned-business-india.html

and monitor the CEO so that her interests are aligned with those of shareholders and non-shareholder stakeholders. At the subsidiary level, ICG might involve governance practices to effectively allocate respective property rights on value created.

Some scholars have used the term "International Corporate Governance" to compare national systems of corporate governance (i.e., Denis & McConnell, 2003; Mallin, 2006).We think this should better be labeled as "Comparative Corporate Governance."

The following are the various parties involved in developing excellent corporate governance:

- Chairman: The board of directors may also remove the chairman, who is chosen by the directors to serve in that capacity. Depending on the company, the chairman's function can change. The chairman may be "some type of an overload" in some organizations, while serving as "merely an ornamental figurehead" in others. The chairman is supposed to serve as a liaison between the company's management and its shareholders. In the event of a tie vote, he or she has a casting vote.
- Chief Executive Officer: A full-time employee of the business who works under the general supervision, guidance, and control of the Board of Directors is commonly referred to as the "CEO" or the "Managing Director." The CEO serves as the team's leader and is given significant authority over the management.
- Board of Directors: The people involved in an organization's governance are typically referred to as directors. They work as a group to create the governing board. Every public business in India is required to have three directors (in some cases four). It is required by law that private companies have a minimum of two directors. The board generally exercises its collective authority to carry out its duties under the restrictions outlined in the company's articles of incorporation. However, the board may assign any of its authority to a committee of directors.
- Company Secretary: A company secretary is a close ally of the Board and holds the most significant legal position within the organization. Every Indian business must appoint a full-time company secretary who is a member of the Institute of Company Secretaries of India in accordance with section 203(1) of the Companies Act 2013 (the ceiling was raised from Rs. 5 crores to Rs. 10 crores in the new Act) (ICSI). Additionally, he or she must carry out a variety of duties that are listed in the 2013 Companies Act.
- Executive Management: A company's executive management is made up of the functional heads of its internal divisions. Based on their long-term affiliation with the company and exemplary service, some of them might be given directorships in the corporation.

- Stakeholders: Board's performance in carrying out its duty to oversee management is under the shareholders' scrutiny. In terms of inside management, the stakeholders have the authority to establish the company's bylaws, specify internal policies, and cast votes on matters pertaining to share capital and structuring adjustments.

Non-Executive Directors

Non-Executive Directors (NEDs) are external directors who are unrelated to the operation of the company. Since they are not involved in the daily operations of the company, they serve as a watchdog for the current management and Executive Directors. They are essential to upholding sound governance standards and offer an unbiased viewpoint because they are not involved in the company's management.

Analysis of CG practices in selected Family business in India

The following session analysis the various governance parameters in selected family business. These include in terms of Board size, meeting held, number of executives, number of women directors, number of women and separation of the role of Chairman and CEO of family enterprise.

Board size – The below mentioned Figure 3.1 shows the board size of different companies. The board size represents the no. of directors existing in each company. It is clearly shown in the Figure-3.1 that TVS Group has the highest no. of directors as 15 members and all the other companies such as Reliance, Wipro, TATA Group etc. has numbers of directors ranging between 4 to 14. The average size of the directors on board is ten.

Figure-3.1: Board Size

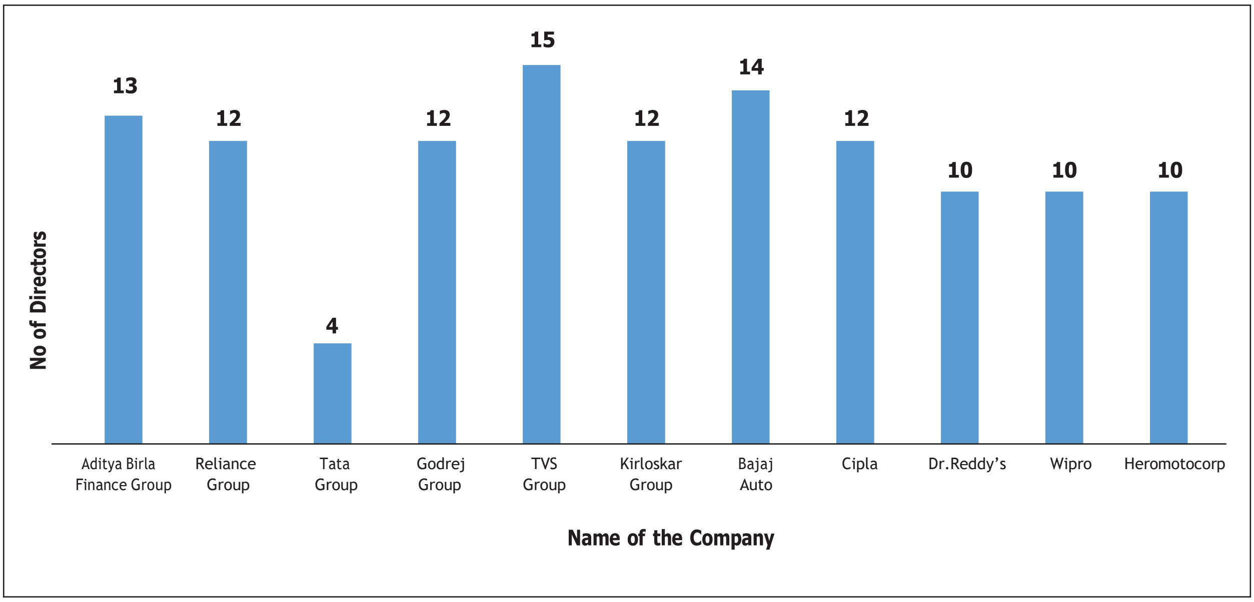
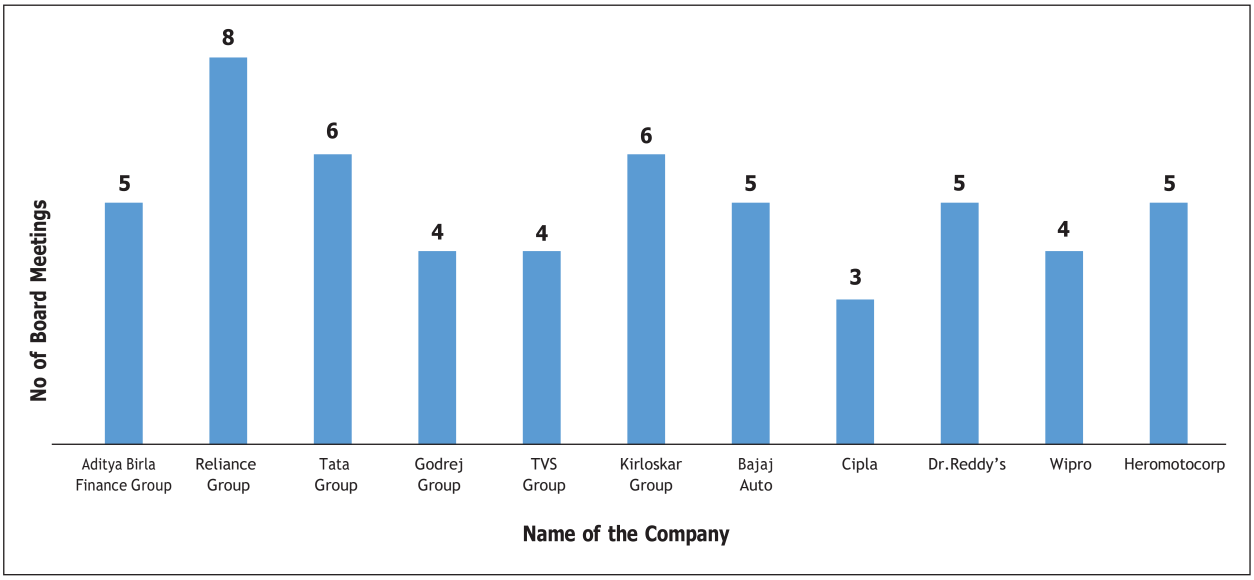


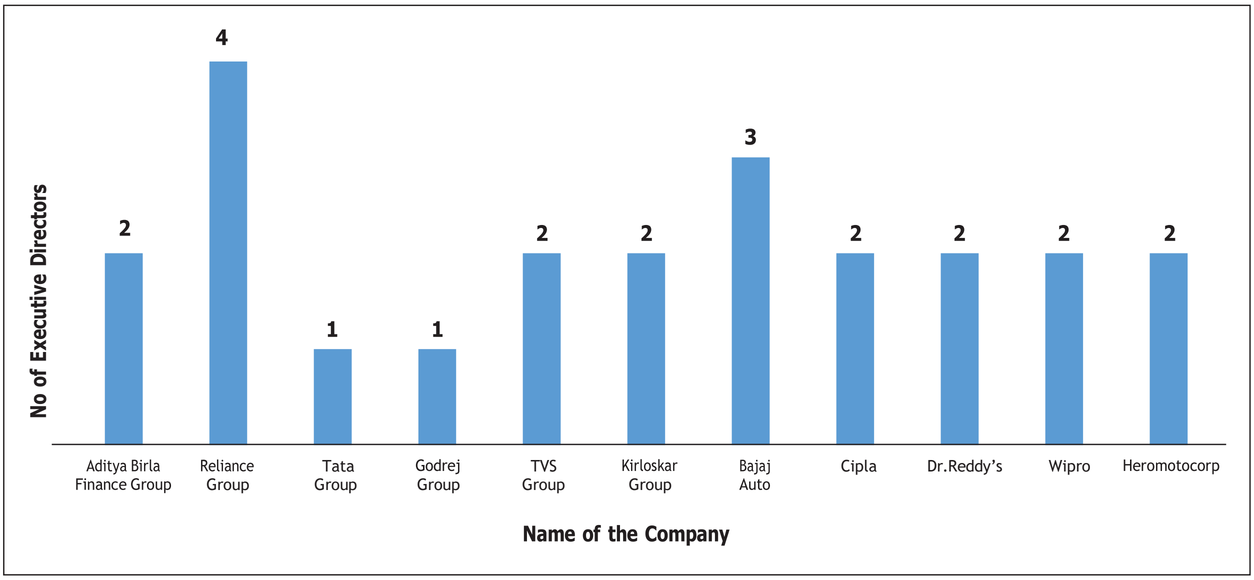
Figure-3.2: Board Meetings Held



Board Meetings: Figure 3.2 depicts the no. of board meetings held by different companies in a year. The no. of board meetings held by different companies ranges between 3-8 in a year. It is clearly shown in the figure that Reliance Group has the highest no. of board meetings held in the year which is 8. The Companies Act 2013 also mandates four meetings in a year. It is observed most of the companies are conducting these meetings regularly.

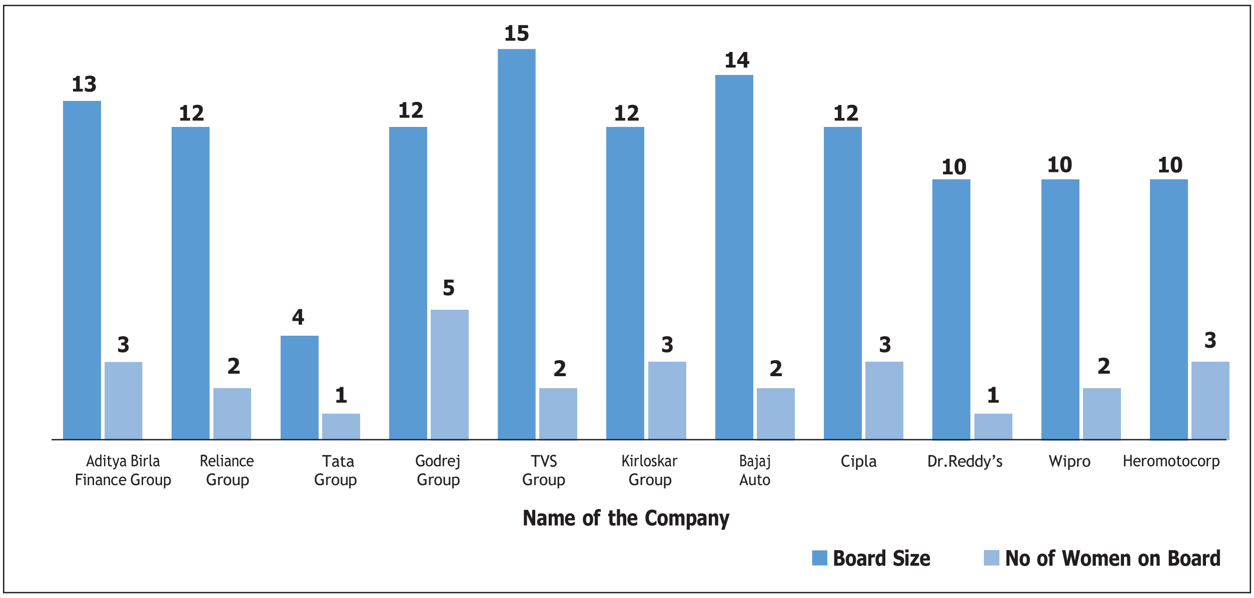
No. of Executive Directors: Figure 3.3 shows that Reliance Group has the highest no. of executive directors which is 4. All the other companies like TVS Group, Godrej, Cipla etc. have the numbers ranging between 1 to 3. Tata Group and Godrej Group has the lowest numbers.

Figure-3.3: Number of Executive Directors



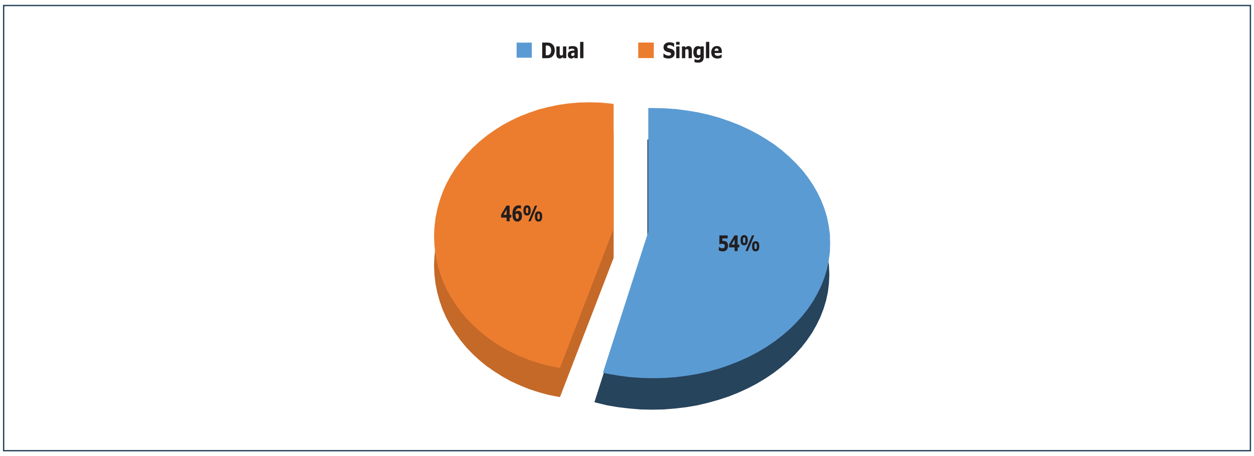
No. of Women Directors: The Companies Act and SEBI LoDR mandates one women director on board bringing diversity most of the listed companies have fulfilled the compliance. Figure 3.4 shows the board size, i.e., the total no. of directors existing in a company and the no. of women director on the board. And it is clearly shown in the figure that Godrej Group has the highest no. of women directors as 5 comprising the board while companies like Reliance Group, Wipro, Aditya Birla Finance etc. has 2 to 3 women on board.

Figure-3.4: No. of Women Directors



Separation of the Role of Chairman and CEO of Family Enterprise: Figure 3.5 shows the comparison or separation of the role of Chairman and CEO of family enterprise. The figure shows that most of the family enterprise has their CEO as their Chairman. In the below mentioned figure, 54% of the family enterprise has no separation of the role of Chairman and CEO only 46% has separation of the role of Chairman and CEO in a family enterprise.

Figure-3.5: Separation of the Role of Chairman and CEO of Family Enterprise



References

- Aganin A., Volpin P. (2002), The history of corporate ownership in Italy, in: Morck R., A history of corporate governance around the world, The University of Chicago Press, pp. 325-361
- Aguilera, R. V., & Jackson, G. (2010). Comparative and international corporate governance. Academy of Management annals, 4(1), 485-556.
- Allen, F., & Gale, D. (2000). Corporate governance and competition. Corporate governance: Theoretical and empirical perspectives, 23.
- Buckley, P. J. (2009). From the multinational enterprise to the global factory. International Business Review, 18(3), 224-235.
- Churchill, N. (1983) Entrepreneurs and Their Enterprises – a stage model, Frontiers of entrepreneurship Research, Ed: Hornady, J.A. et al. Babson Park, MA: Babson College: 1-22
- Cuervo-Cazurra, A., & Ramamurti, R. (Eds.). (2014). Understanding multinationals from emerging markets. Cambridge University Press.
- Denis, D. K., & McConnell, J. J. (2003). International corporate governance. Journal of financial and quantitative analysis, 38(1), 1-36.
- Duman, R. (1992). Family firms are different. Entrepreneurship Theory and Practice, 17, 13-21.
- Frohlin C. (2002), The history of corporate ownership and control in Germany, in: Morck R., A history of corporate governance around the world, The University of Chicago Press, pp. 223–277.
- Greiner, L. E. (1998). Evolution and revolution as organizations grow. Harvard business review, 76(3), 55-64.
- Hogfeldt, P. (2003). The history and politics of corporate ownership in Sweden. In A history of corporate governance around the world: Family business groups to professional managers (pp. 517-580). University of Chicago Press.
- Jackson, G., & Strange, R. (2008). Why does corporate governance matter for international business? In Corporate Governance and International Business (pp. 1-14). Palgrave Macmillan, London.
- Jaffe, D. T., & Lane, S. H. (2004). Sustaining a family dynasty: Key issues facing complex multigenerational business-and investment-owning families. Family Business Review, 17(1), 81-98.
- Kepner, E. (1991). The family and the firm: A coevolutionary perspective. Family Business Review, 4(4), 445-461.

- La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. W. (1998). Law and finance. Journal of Political Economy, 106(6), 1113-1155.
- Lee, J. (2004). The effects of family ownership and management on firm performance. SAM Advanced Management Journal, 69, 46-52.
- Luo, Y. (2005). Corporate governance and accountability in multinational enterprises: Concepts and agenda. Journal of international management, 11(1), 1-18.
- Mallin, C. A. (Ed.). (2006). International corporate governance: A case study approach. Edward Elgar Publishing.
- Morris, M. H., Williams, R. O., Allen, J. A., & Avila, R. A. (1997). Correlates of success in family business transitions. Journal of business venturing, 12(5), 385-401.
- Murphy, K. J. (2002). Explaining executive compensation: Managerial power versus the perceived cost of stock options. The University of Chicago Law Review, 847-869.
- Paisner, M.B. (1999) Sustaining the Family Business – and insider's guide to managing across generations, New York. Persens Books.
- Chua, J. H., Chrisman, J. J., & Sharma, P. (2003). Succession and non-succession concerns of family firms and agency relationship with non-family managers. Family business review, 16(2), 89-107.
- Sharma, P., Chrisman, J. J., & Chua, J. H. (1997). Strategic management of the family business: Past research and future challenges. Family business review, 10(1), 1-35.
- Ward, J. L. (1997). Growing the family business: Special challenges and best practices. Family business review, 10(4), 323-337.
- Watts, G., & Tucker, J. (2004). A systernic view of the succession process. Families in Business. May-June, (14), 16-17.

Chapter 4
CG PRACTICES IN FAMILY-OWNED BUSINESS – A CASE STUDY

The present chapter discusses two case studies of successful FoBs in Indian context. The chapter would exhaustively discuss on the practices of corporate governance of these selected corporates and would draw conclusions.

Case Study 4A: 'Western India Vegetable Products Limited (Wipro Ltd)

Evolution and History

'Western India Vegetable Products Limited (Wipro Ltd), the third-largest manufacturing and Services Company in India based in Bangalore. The company is an ever-growing and diversifying global company that manufactures and sells products and services ranging from cooking oil, soaps to healthcare instruments and information technology (IT) consulting. The Chairman and Managing Director is Azim Hasham Premji is committed to the diversification of the business. The company has made its global presence by providing software and information technology services to its clients. These services include global IT consulting, e-business integration, and legacy systems maintenance to clients such as Cisco Systems, Thomas Cooke, and NEC. Wipro's IT efforts are so reliable that in 1998 the company became the first in the world to have been awarded the Software Engineering Institute's (SEI) coveted Level 5 Certification for quality. After an impressive debut on the New York Stock Exchange in 2000, Premji, who owns 75 percent of Wipro, became one of the top billionaires in the world.

Wipro Limited (Western India Vegetable Products Ltd) was founded in 1945 by M.H. Premji. Initially, the company sold Vanaspati solidified sunflower oil to retailers. In 1947 the same year that India gained independence from British rule, 32-year-old Premji laid the foundations for a vegetable oil mill at Amalner in Maharashtra. Many of their family members were involved in managing the business.

Mr. Premji was active in politics since pre-dependence and had his political career after setting up the mill. Post-independence, he became the first Indian Chairman of Bombay

Electricity Board, board member, Reserve Bank of India, State Bank of India and Life Insurance Corporation of India. Due to a heart attack in the year 1966, Mr. Premji's passed away. His son Mr. Azim Premji took over the business at a young age of 21 leaving his studies in the United States. He worked with only highly skilled professionals from family keeping others far from the business.

Expansion (Phase 1)

The first phase of expansion to diversify the family business started in the year 1966. The company was valued at about $ 3 million. The company started delivering the packed oil to local markets both in urban and rural areas. This marketing and distribution network expanded very fast, making the business to double the profit and increased the market value of the company.

Rapid Growth and Expansion (Phase 2)

The new industrial policy resulted in Liberalization, Privatization and Globalization process in the country (LPG). Mr. Premji knew that technology will lead the world and ventured into software development. This resulted in an annual compounded growth rate of 60 per cent for the company. India has become the third-largest supplier of IT manpower, communications infrastructure, etc. The Indian IT companies could provide manpower which was less costly by around 40-60 per cent than that of the workforces in the US. As a result, Wipro typically contracted out teams to work in the US based companies.

Due to the growing competitive environment in the IT sector and the huge cost burden the company has slowly moved to offshore operations in the home country. To help keep its competitive edge, the company replicated the development labs of some of its major clients, including AT&T, IBM, and Intel Corporation. The company has continued to offer various hardware designs, networking and communication support systems, and started to diversity. During 1992, Wipro has diversified into many businesses such as lighting solutions domestic, commercial, industrial, and pharmaceutical lab environments. In 1995, the company entered a joint venture with Acer, a Taiwan-based computer and peripherals manufacturer and distributor.

ITES Revolution (Phase 3)

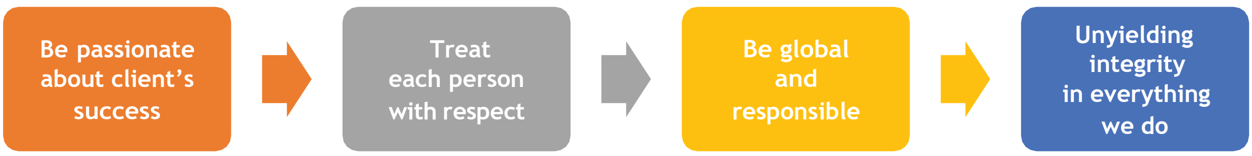
By 1998, Bangalore became one of the many IT centers in India, with about 250 high-tech firms, plus about 100 just outside the city's limits. And Wipro became the center of this Indian "Silicon Valley," as India's second-biggest software exporter. Both software and hardware businesses generated 57 percent of the company's sales, and 75 percent of its profits, with software employees numbering over 5,600 of the company's 9,000 total. Premji saw continued value in keeping Wipro's non-IT businesses, which he was always quick to point out were the best in their niche markets. The company invested about 25 percent of its advertising budget into branding for its consumer care and lighting division. Wipro's power cylinder business grew at a similar rate as its hardware business, and kept the company well poised to benefit from any boom in future infrastructure expenditures. In 1998 Wipro started exporting hydraulic cylinders throughout Southeast Asia. Also, a lot of synergies existed between the medical systems and IT businesses within Wipro. Wipro GE emerged as the largest healthcare systems company in South Asia in 1998.

Wipro proved to be a nimble and formidable competitor throughout the nineties. From 1991 to 1997, for example, Wipro went through six corporate restructurings, keeping the company ready to adapt to the constantly changing technological landscape. By September of 2000 Wipro's technologies division completed what may have been the most significant restructuring effort, re-engineering the division's operations toward four major market sectors: content housing platforms (computers and Web servers), content transportation (networking media), content access devices (mobile phones, PCs, etc.), and service providers. And even its Six Sigma quality initiative, which aimed to reduce the defect rate to virtually nothing, already led to an eightfold gain over the investments in its first 20 months, which began in 1997. Wipro projected that it would apply the Six Sigma concept, allowing a maximum of 3.4 mistakes for every one million opportunities for error, to every key process by 2002.

Corporate Governance Practices in Wipro

Efficient corporate governance requires a clear understanding of the respective roles of the Board and of senior management and their relationships with others in the corporate structure. The relationships of the Board and management shall be characterized by sincerity; their relationships with employees shall be characterized by fairness; their relationships with the communities in which they operate shall be characterized by good citizenship; and their relationships with government shall be characterized by a commitment to compliance.

Figure-4.1: Corporate Governance Practices in Wipro



Corporate Governance Practices

Wipro's governance objective is to enhance long-term stakeholder value without compromising on ethical standards and corporate social responsibilities. The company believed in five essential habits to drive growth. These include – being respectful, responsive, communicative, demonstrative stewardship and building trust. The corporate governance practices are described in four layers:

- Governance by Board
- Governance by Shareholders
- Governance by Sub-Committees of Board
- Governance through management process

Governance by Board

Chairman and the other directors are responsible for running the day-to-day operations of the company. The team is involved in delivering various responsibilities of strategic nature including planning future business needs, risk mitigation practices, financial reporting mechanisms and mandatory compliances from time to time. Board from time to time developed corporate strategies to enable the directors to efficiently discharge their responsibilities to the shareholders. These include the following:

- Fiduciary duties
- Oversight of the Management
- Evaluation of the Management performance
- Support and guidance in shaping company policies and business strategies

The corporate governance guidelines capture the corporate governance practices at Wipro. These governance frameworks provided guidelines and a systematic flow to evaluate the corporate performance in an independent manner.

The board is led by Rishab A Premji. Rishab A Premji is the executive Director and the Chairman of the company while, Azim H Premji is promoter and presently the non-executive and non-independent director at the company. Azim H Premji holds a majority share of 24 crore shares. Rishab A Premji has initially appointed as Executive Director and the Chairman in the year 2015. Rishab A Premji hold 17 lakh shares in the company as on March, 2021. The company has corporate governance policies and guidelines as a part of the compliance from SEBI and the Companies Act 2013. The company clearly states these in various documents such as:

- Corporate governance guidelines
- Disclosure policy and members of disclosure committees

- Familiarization programs for directors
- Global policy on inclusion and diversity
- Gender-pay reporting
- Remuneration policy
- Retention policy

The CG guidelines directives are dynamic in nature. As and when there is a regulation/rule that is been provided by the regulator, the company imbibes it in its governanceframework. The company complies with all the regulation of SEBI – LODR.

Policy Relating to Good Governance

The company has clear policies and guidelines for the board and its employees. The policies are placed on the website making them available for the stakeholders. The following are the major policies reflecting the good governance framework at Wipro:

- Corporate Governance Guidelines
- Code for Independent Directors as per Companies Act 2013
- Policy on CSR
- Code of ethics for principal and finance officers
- Code of business conduct and ethics
- Appointment of directors
- Remuneration Policy
- Global Policy on inclusion and diversity
- Document retention policy
- Policy on RPTs

Board Composition

The decisions taken by the board from time to time have always supported the company to growth to the next level. These decisions of the board are believed to communicate to stakeholders. The Board makes appropriate determination and considers succession planning at the appropriate time. As on March 2021, the board had two executive directors and six non-executive IDs and non-executive non-Independent Director. The Non-executive non-Independent Directors is also the promoter Director on the board. The board has a woman independent director and three directors who are foreign nationals. The board composition for the last three years is depicted below in Table-4.1.

Table-4.1: Board Composition at Wipro

Year	2021-22	2020-21	2019-20
Total Directors	9	9	9
Executive Directors	2	2	2
Non-executive Independent Directors	6	6	6
Non-executive non-Independent Director (s)	1	1	1
Women Directors	2 members (22%)	1 member (11%)	2 members (22%)
Board Meetings	6	6	5
Total number of Board committees	3	4	4

(Source: Annual reports of Wipro for the last three years)

Appointment of Directors

The board is empowered to appoint independent directors and fix the tenure. Independent director's tenure is not extendable beyond two terms and the term of appointment is five years. The IDs are paid fixed sitting fees. The appointment letter issued by the company complies with the Schedule IV Para IV (4) of the Companies Act and SEBI – LoD regulation. The independent directors are appointed on the recommendation of the Nomination and Compensation Committee. This Nomination and Compensation Committee is a board level committee responsible for identifying, screening, recruiting, and recommending as per the mandate of the Companies Act. The required qualifications along with the desired skillset, relevantmanagerial experience, etc. are evaluated.

It is evident that Wipro board is a combination of experienced and high skill in the relevant field of the company. Table 4.2 provides the details of the educational qualification of the board members:

Table-4.2: Qualification of Board as of March 2022

S. No.	Name of the Director	Qualification
1	Mr Rishad A Premji	MBA, Harvard University
2	Mr Ajim H Premji	Studied at Stanford
3	Mr Thierry Delaporte	Masters in law
4	Mr William Arthur Owens	MBA (Honors), George Washington University
5	Ms Ireena Vittal	MBA, IIM Calcutta.
6	Dr Patrick J. Ennis	PhD and M.S. in Physics, Yale University and MBA, Wharton School
7	Mr Patrick Dupuis	École de Management de Lyon in France
8	Mr Deepak M. Satwalekar	BTech Mechanical Engineering, IIT Bombay and MBA, American University, Washington
9	Ms Tulsi Naidu	PGDM, IIM Ahmedabad
10	Mr M. K. Sharma	PhD and M.S. in Physics, Yale University, MBA, Warton School

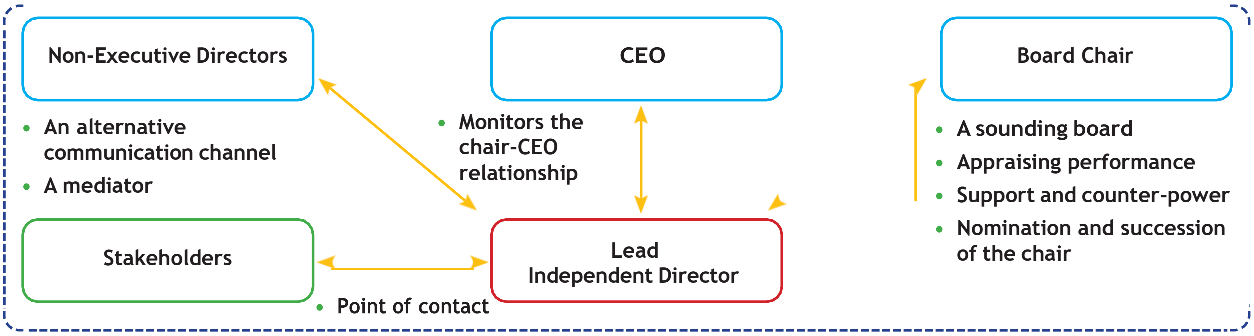
Appointment of Key Managerial Personnel (KMP) and Senior Management

The appointment of Key Managerial Personnel and Senior Management is based on the outcome of Strategic Talent Review Planning. The Board Governance, Nomination and Compensation Committee appoint the personnel based on integrity, qualification, expertise, and experience. A person to be appointed as KMP or at Senior Management level should possess adequate qualification, expertise, and experience for the position that he/she is considered for. The Committee has discretion to decide whether qualification, expertise and experience possessed bya person is sufficient / satisfactory for the position.

Lead Independent Director (LID)

"Lead Independent Director" (LID) or "senior independent director" or sometimes "independent deputy chair", the LID plays an essential and indispensable role on the board[1]. Wipro has appointed a Lead Director. A Lead Independent director is an independent director who coordinates and is responsible for the activities to be performed by independent directors, board chair, non-executive directors, stakeholder, etc. Figure 4.2 depicts the enhanced role of a LID:

Figure-4.2: Role of IDs



(Source:https://corpgov.law.harvard.edu/2018/11/25/the-role-of-the-lead-independent-director)

Wipro has also appointed a LID. Mr. M K Sharma has been appointed in the year 2011 as an independent director. He also holds directorship in nine companies, to name a few Asian Paints, United Spirits, Vedanta Ltd and Ambuja Cements.

Appointment Order

The order provides brief about the appointment along with some important information such as time commitment, details of the duties and responsibilities of director, sitting fees, conflict of interest, confidentiality, rules on insider trading, insurance, premature contract closure, etc. The company complies with the Section 166 of the Companies Act in providing exhaustive information relating to duties, rights, and safeguards for the

1 https://corpgov.law.harvard.edu/2018/11/25/the-role-of-the-lead-independent-director/

directors. The highlights of the general duties of the director include the following:

1. The basic responsibility of the directors is to exercise their business judgment to act in reasonable and best interests of the company and its shareholders.
2. The director should exercise his or her duties with due and reasonable care, skill and diligence.
3. The director should involve and handle situations in direct or indirect conflict of interest in the company.
4. The director should not attempt to achieve any undue gain or advantage.
5. The director should maintain professional code of conduct and act with ethics, integrity and objectivity.
6. The director should attend board meetings (minimum), participate in the strategy performance, risk management, review processes, etc.

The few important duties of directors include the following:

1. The board acts on a fully informed basis, in good faith, with due diligence and care, with high ethical standards, and in the best interest of the company and the shareholders.
2. Appointment and oversight of independent auditors, oversight of financial statements as per the Charter of the Audit/Risk and Compliance Committee
3. Advising Management on significant issues
4. Review and approval of significant Company actions
5. Evaluating and nominating directors and members of Board committees, overseeing the structure and practices of the Board and the committees, and encourage continuous training of Directors.
6. Overseeing the process of disclosure and communications.
7. Monitoring and reviewing Board Evaluation framework.

The rights of director provide them to express their concerns in the meetings, ensuring that related party transactions are adequately debated before seeking approvals, maintain confidentiality on sensitive information of the company.

The Board delegates the screening and selection process to recruit the new directors. The Board Governance, Nomination and Compensation Committee direct input from the Chairman of the Board and Chief Executive Officer. The invitation to join the Board is extended on behalf of the Board by the Chairman of the Board. The Board ensures that the qualification of an individual to serve on the Audit /Risk and Compliance Committee as a designated "Audit Committee Financial Expert" as required by applicable SEC rules. In light of this responsibility of the Board, the Board Governance, Nomination and Compensation Committee coordinates closely in conducting screening and in evaluating of members.

Size of the Board

According to Companies Act 2013, Section 149(1) the minimum number of directorsin a private limited company is two while in the case of public company it is three. The maximum number of directors in a company is 15[2]. If the company intends to increase the number of directors beyond 15, the board can pass a special resolution in the general meeting and seek approval. Further to Companies Act, SEBI – LODR Regulation 17 provides the composition of Board for listed company. Among other things, if the chairperson of the board of directors is a non-executive director, then at least one-third of the board of directors shall constitute of independent directorsand if the listed entity has an executive chairperson, then at least half of the boardof directors shall comprise of independent directors.

It is observed that the Board of the company has an optimum combination of executive and non- executive directors. The board also had one woman director. The board size as of March 2022 is nine. This has been constant for the last three years. It is observed that the internal composition of the board in terms of executive and non-executive and independent directors remained at six forming not less than 50 per cent as per the Act. The composition of women directors was 11 per cent in 2020-21 while it is 22 per cent in other two years.

Tenure

According to Companies Act 2013, the director's appointment should not exceed a period of five years while independent directors can be reappointed by passing a special resolution. The maximum tenure of Independent Directors shall be in accordance with the Companies Act, 2013 and clarifications / circulars issued by the Ministry of Corporate Affairs, Government of India, in this regard, from time to time. The age limit for retirement of the Executive and Non-Executive

2 https://taxguru.in/company-law/composition-board-directors-listed-company.html

Independent Directors should be decided by the Board Governance, Nomination and Compensation Committee.

Directorship on Boards

According to Section 165 and Regulation 26, LODR, the number of directorships of the members on the board shall be maximum 20. It has come with a rider that number of directorships in public companies / private companies that is either holding or subsidiary company of a public company shall be limited to 10. Further the members of a company may restrict above mentioned limit by passing a special resolution.

At Wipro, the company does not believe in prohibiting its members serving boards / committees in other companies. The company only ensures that the members comply with LODR while they serve their duties as directors / members on the board without any conflict of interest.

Remuneration

The company has a remuneration policy. The board of governance and the nomination and remuneration committee recommends the remuneration for the Chairman, CEO and Managing Director and other Key managerial personnel. The nomination and remuneration committee are responsible for fixing the remuneration and conduct selection procedure of the members on board. The committee appoints the independent directors basing on the skill / qualification / expertise. The company looks for strong management and leadership experience in the area of strategy, planning, finances, etc. diversity in terms of experience, qualification, culture, gender has also been given priority. As there is growing demand in global technology interventions, the boards understanding on the digital technological domain, cyber security, etc. are also considered. Knowledge on good governance is essential. As per the SEBI LODR all the information is made transparent in the annual report.

The Executive Directors are paid remuneration within the limits envisaged under the Companies Act, 2013 and other regulations that may be applicable from time to time. The remuneration payable is recommended by the Board Governance, Nomination and Compensation Committee to the Board and approved by the Board. The Non-Executive Independent Directors are paid a professional fee or sitting fee.

The following skill matrix depicts the details of board members and the skills that they possess as of March 2022. The directors at Wipro possess wide management and leadership experience along with the knowledge on information technology. All the directors have acquainted with the best governance practices and understanding about the SEBI – LoDR and Companies Act 2013.

Table-4.3: Skill Matrix

S. No.	Name of the Director	Wide Management and Leadership Experience	Information Technology	Diversity	Functional and Managerial Experience	Personal Values	Corporate Governance
1	Mr Rishad A Premji	Yes	Yes	Yes	Yes	Yes	Yes
2	Mr Ajim H Premji	Yes	Yes	Yes	Yes	Yes	Yes
3	Mr Thierry Delaporte	Yes	Yes	Yes	Yes	Yes	Yes
4	Mr William Arthur Owens	Yes	Yes	Yes	Yes	Yes	Yes
5	Ms Ireena Vittal	Yes	Yes	Yes	Yes	Yes	Yes
6	Dr Patrick J. Ennis	Yes	Yes	Yes	Yes	Yes	Yes
7	Mr Patrick Dupuis	Yes	Yes	Yes	Yes	Yes	Yes
8	Mr Deepak M. Satwalekar	Yes	Yes	Yes	Yes	Yes	Yes
9	Ms Tulsi Naidu#	Yes	Yes	Yes	Yes	Yes	Yes
10	Mr M. K. Sharma	Yes	Yes	Yes	Yes	Yes	Yes

Remuneration of the Directors

The table 4.3 depicts the details of remuneration paid to directors for the services rendered along with the stock options granted during the financial year 2020-21:

Table-4.4: Remuneration of Wipro Directors

Name of the Director	Salary	Allowance	Variable Pay	Others / Sitting Fees	Total
Mr Rishad A Premji	14.30	43.99	55.60	0.17	117.94
Mr Thierry Delaporte	68.63	27.40	112.70	370.17	643.50
Mr Ajim H Premji	-	-	7.15	0.60	7.75
Mr William Arthur Owens	-	-	29.21	-	29.81
Mr M. K. Sharma	-	-	11.60	-	12.20
Ms Ireena Vittal	-	-	10.24	0.60	10.84
Dr Patrick J. Ennis	-	-	20.73	0.60	21.33
Mr Patrick Dupuis	-	-	20.73	0.60	21.33
Mr Deepak M. Satwalekar	-	-	6.65	0.40	21.33
Ms Tulsi Naidu#	-	-	-	-	-

Board Level Committees

The company has four board level committees. These include:

1. Audit, Risk and Compliance Committee
2. Board Governance, Nomination and Compensation Committee (acts as CSR Committee)
3. Administrative and Shareholders/Investors Grievance Committee
4. Strategy Committee

Audit, Risk and Compliance Committee

Audit, Risk and Compliance Committee plays an important role in various compliance related activities and oversees the audit mechanism in the company. All members of Audit, Risk and Compliance Committee are Independent Directors and financially literate. The committee is headed by a Chairman who is an Independent Director and has two more members. The committee comprises of the following members:

Table-4.5: Audit, Risk, and Compliance Committee Details

Name of the Board Member	Responsibility
Mr. M. K. Sharma, Independent Director	Chairman
Mrs. Ireena Vittal	Member
Mr. Deepak M. Satwalekar	Member

The major responsibilities of the members on the committee are as follows:

- The committee is responsible for legal compliance and attending regular auditing and accounting matters.
- The committee looks after the integrity of the Company's financial statements, internal control and process, discussions with the independent auditors regarding the scope of the annual audits, fees to be paid to the independent auditors, etc
- The committee conducts review of related party transactions and functioning of whistle blower mechanism.
- Evaluation of internal financial controls, risk management systems and policies including review of cyber security.
- Audit committee also acts as Risk and Compliance Committee. The extended role of audit committee as risk compliance committee deals with risk management policy, identification of internal and external risks, risk mitigation mechanism, etc.

Table-4.6: Details of the Meetings Conducted Vs Meetings Attended by Wipro-Audit, Risk, and Compliance Committee Members During 2020-21

Name of the Director	Conducted	Attended	Percentage of Attendance
Mr. M. K. Sharma, Independent Director	5	5	100
Mrs. Ireena Vittal	5	5	100
Mr. Deepak M. Satwalekar	5	3	70

Board Governance, Nomination and Compensation Committee (acts as CSR Committee)

The board governance, nomination and compensation committee review the various governance and compensation issues. The primary responsibility of the committee is to develop the board governance guidelines and policies to the company. The committee also conducts the board evaluation. The committee is a combined committee which plays the role of nomination and compensation committee and CSR committee to administer, approve and evaluate the compensation plans, policies and programs. The committee also is a combined committee and is responsible for the various CSR related compliance. The committee is responsible for the formulating CSR policy, project identification, budget allocation, expenditure, etc. The composition of the committee is as follows:

Table-4.7: Board Governance, Nomination and Compensation Committee Details

Name of the Director	Responsibility on Committee
Mr William Arthur Owens, Independent Director	Chairman
Mr M. K. Sharma, Independent Director	Member
Ms Ireena Vittal, Independent Director	Member

Table-4.8: Details of the Meetings Conducted Vs Meetings Attended by Board Governance, Nomination and Compensation Committee Members During 2020-21

Name of the Director	Total Meetings Conducted	Meetings Attended	Percentage of Attendance
Mr William Arthur Owens	5	5	100 %
Mr M. K. Sharma	5	5	100 %
Ms Ireena Vittal	5	5	100 %

Administrative and Shareholders / Investors Grievance Committee

As per the SEBI LODR and Section 178 of Companies Act 2013, Wipro constituted the Shareholders / Investors Grievance Committee. This committee reviews, acts and reports queries / clarifications / issues relating to stakeholders. The committee is responsible to resolve the grievances of shareholders relating to transfer of shares, non-receipt of dividends, split, share certificates, etc. The detailed charter is made available for the shareholders in the website of the company. This will help them to file complaints / raise queries. The table comprises of the members of the committee:

Table-4.9: Administrative and Shareholders / Investors Grievance Committee

Name of the Director	Responsibility
Mr. M. K. Sharma, Independent Director	Chairman
Mr. Deepak M. Satwalekar	Member
Mr. Rishad A. Premji	Member

Table-4.10: Number of Meetings Held and Attended by the Members of the Administrative and Shareholders / Investors Grievance Committee

Date of Meetings	Number of Meeting Held	Meetings Attended
Mr Rishad A Premji	4	4
Mr M. K. Sharma	4	3
Mr Deepak M. Satwalekar	4	3

Strategy Committee

The Strategy Committee reviews the mission, vision, and strategic objectives of the company. The major responsibility of the committee is to make recommendations to the Board relating to the Company's mission, vision, strategic initiatives, major programs and services, ensuring effective strategic planning process, conduct annually reviews and monitoring the performance against measurable targets. Mr. William Arthur Owens, Independent Director, is the Chairman of the Strategy Committee. The other members on the committee include Mr. Azim H. Premji, Mrs. Ireena Vittal, Dr. Patrick J. Ennis, Mr. Patrick Dupuis, Mr. Thierry Delaporte and Mr. Rishad A. Premji. The following table details the attendance of the members during 2020-21. There were two meeting that were held, and all the members attended the meeting.

Disclosure of Information

- Disclosing direct or indirect material interest in any transaction or matter directly affecting the company.
- Meeting expectations of operational transparency to stakeholders while at the same time maintaining confidentiality of information to foster a culture of good decision-making.

Where decisions of the Board may affect different shareholder groups differently, the Board shall treat all shareholders fairly.

Re-election

Re-election of the members on the board would be considered basing on the various recommendations of the Nomination and remuneration committee. The Board's recommendation must be approved by a majority of the Independent Directors.

Orientation and Training

Companies facilitate regular meetings with senior management to familiarize the Directors with the Company's strategic and operating plans, key issues, corporate governance, Code of Business Conduct, its principal officers, risk management issues, compliance programs and its internal and independent auditors, etc., through various programs. The Companies Act also mandates training of directors.

Table-4.11: Orientation and Training of Board of Directors

Name of the Director	Number of Training Programs	No. of Approx. Hours Spent in Such Programs
Mr M K Sharma	5	6
Mrs Ireena Vittal	5	6
Mr Deepak M Satwalekar	4	11
Mr William A Owens	5	10
Mr Patrick Dupuis	5	15
Mr Patrick Ennis	5	7

Performance Evaluation

The annual performance evaluation of the Board to determine whether it is functioning effectively is conducted by the nomination and remuneration committee. The annual performance evaluation of each director, with consideration being given to skills and expertise, group dynamics, core competencies, personal characteristics, accomplishment of specific responsibilities, attendance, and participation. This evaluation focuses on the performance of the Board as a whole, concentrating on areas where performance might be improved. The Board shall administer an annual self-evaluation of the performance of the full Board and the Committees.

Case Study 4B: Hero MotoCorp Limited

Introduction

Hero MotoCorp Limited, formerly known as Hero Honda, is a multinational producer of motorcycles and scooters. The business has a market share of roughly 37.1% in the two-wheeler industry in India and is one of the biggest two-wheeler producers in the world. The company had a market value of 59,600 crore (US$7.5 billion) as of May 27, 2021.

History

In 1984, Hero Cycles of India and Honda of Japan formed a joint venture to launch Hero Honda. The automaker’s parent company Hero Investment Pvt. Ltd.’s investment division was proposed to be merged with Hero MotoCorp, and the plan was approved in June 2012. The Munjal brothers’ major business, Hero Cycles Ltd., is known by the brand name “Hero.” In 1984, the Hero Honda Motors Limited was founded in Dharuhera, India, as a joint venture between the Hero Group and Honda Motor Company. Each owned 26% of the business, including the Honda group and the Munjal family.

The business introduced motorcycles in the 1980s that were well-liked in India because of how inexpensive and fuel-efficient they were. The company has had double-digit growth since its founding because to a well-known marketing campaign with the catchphrase “Fill it - Shut it - Forget it.” that highlighted the motorcycle’s fuel efficiency. The business grew to be the biggest two-wheeler manufacturer in both India and the world in 2001. It continues to hold the top spot in the sector globally. For nearly 26 years (1984–2010), Honda, a Japanese competitor, provided the technology in the motorcycles produced by Hero MotoCorp (formerly Hero Honda). The joint venture between Hero Group of India and Honda of Japan had been terminated gradually by the board of directors of the Hero Honda Group by December 2010. The Hero Group acquired Honda’s 26% ownership stake in the JV Hero Honda. Since the joint venture has been terminated, Hero Group is now free to export to foreign markets (except for Nepal, Bangladesh, and Sri Lanka). The Hero Group has always relied on its Japanese partner Honda for technology.

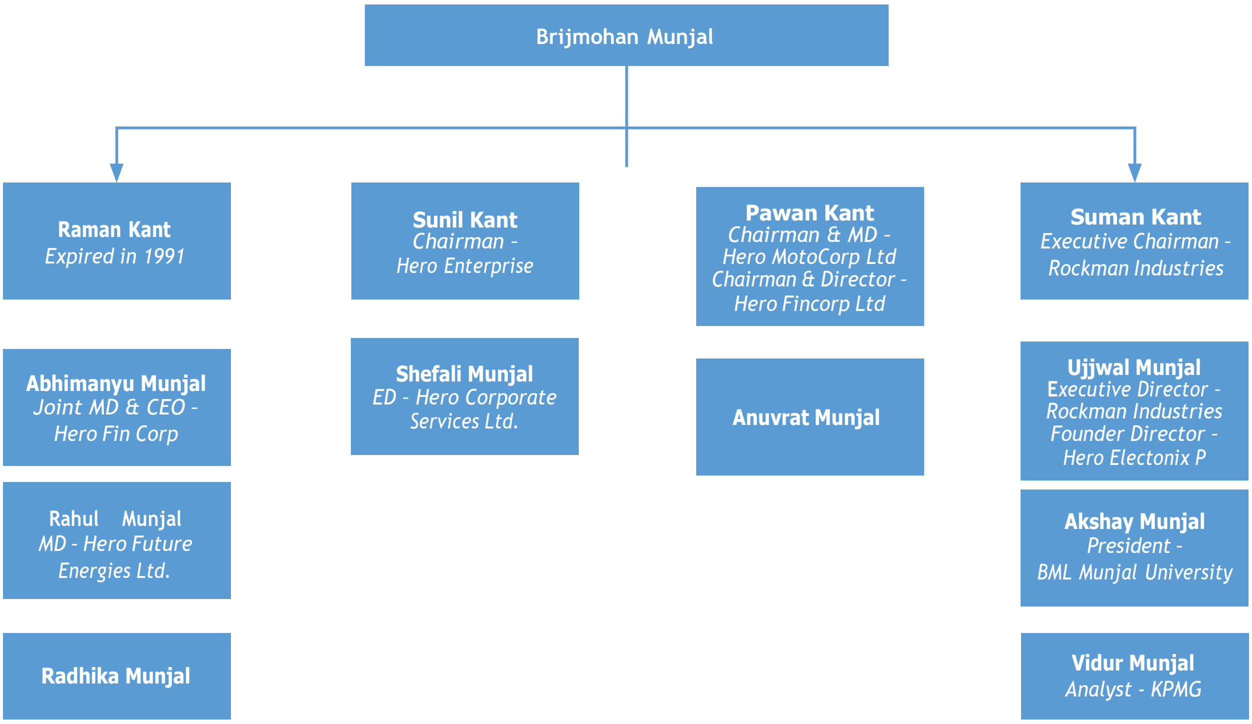
Honda gave the Munjal family, which owned a 26% stake in the business, their share of the joint venture in a series of off-market transactions. Honda quit Hero Honda at a discount and received about 6,400 crore (equivalent to 120 billion or US$1.5 billion in 2020) for its stake to concentrate only on its independently owned two-wheeler subsidiary, Honda Motorcycle and Scooter India (HMSI).

The growing disparities between the two partners progressively become an annoyance. Before the breakup, disagreements had been simmering for a few years over several issues, including Honda’s reluctance to share technology fully and freely with Hero (despite a 10-year technology agreement that expired in 2014) and the Indian partner’s unease over high royalty payments to the Japanese company. Honda was also greatly irritated by Hero Honda’s refusal to integrate its spare parts division with Honda’s newly formed, fully owned subsidiary, HMSI. Hero Honda is primarily run by the Munjal family.

According to the agreement, the transaction consisted of two parts: in the first, the Munjal family, headed by the Brijmohan Lal Munjal group, established an overseas-incorporated special purpose vehicle (SPV) to purchase Honda's whole interest, which was supported by bridging loans. Private equity firms including Warburg Pincus, Kohlberg Kravis Roberts (KKR), TPG, Bain Capital, and Carlyle Group were among those who were eventually allowed to participate in this SPV. Figure 4B.1 depicts the family structure of Munjal's.

On July 29, 2011, the organization's name was changed from Hero Honda Motors Limited to Hero MotoCorp Limited. Wolff Olins, a British company, created Hero MotoCorp's new corporate design and logo. On August 9, 2011, in London, the logo was unveiled to coincide with the third test match between England and India. Latin America, Africa, and West Asia are now available for export by Hero MotoCorp. Instead, than only using Honda-approved vendors, Hero is allowed to utilize any vendor for its components. The establishment of a manufacturing facility in Bangladesh will cost Hero MotoCorp 254 crore (equivalent to 345 crore or US$43 million in 2020) in a joint venture with Bangladesh's Nitol-Niloy Group. This announcement was made on April 21, 2014. Under the name "HMCL Niloy Bangladesh Limited," the facility began producing goods in 2017. The manufacturing business is 55% owned by Hero MotoCorp and the remaining 45% by Niloy Motors (A subsidiary of Nitol-Niloy Group). In 2014, Hero revised its 100cc engine lineup for 110cc bikes, excluding Hero Dawn.

Figure-4.3: Family Structure



Corporate Governance Philosophy

Understanding the distinct responsibilities of the Board, senior management, and their connections with other members of the corporate hierarchy is essential for effective corporate governance. Sincerity in the Board and Management's interactions, fairness in dealing with employees, good citizenship in dealing with the communities in which they operate, and a dedication to compliance in dealing with the government are to be the defining characteristics of these relationships.

Corporate Governance Practices

The Key attributes that focused by the Hero MotoCorp on a transparent and effective governance framework is as follows:

1) Transparency: It entails notifying individuals for whom the Company is responsible of its policies and actions. This also entails transparency without impairing the interests and privacy of the Company and those of its stakeholders.
2) Fairness: working to achieve the objective and increase shareholder value without any bias or conflicts of interest.
3) Integrity: This is done to make sure that the Company's financial situation is accurately presented and independently verified.
4) Equity: It entails treating all parties fairly and offering effective channels for appeal.
5) Accountability: the duty and responsibility to provide an explanation or justification for the company's behavior and activities.

Hero MotoCorp's corporate governance deals to increase long-term stakeholder value while maintaining high moral and social standards. The four guiding principles of Corporate Governance for the Hero MotoCorp includes consciousness, openness, fairness, and professionalism are the foundational values, which created a strong basis of market trust and confidence. The corporation has board of directors at the highest levels of corporate governance compliance who are supported by various board level committees in the second level. The board level committees also have formed various board sub-committees to make the governance mechanism more transparent and easierto implement. To fulfil its fiduciary duties while keeping in mind the interests of all itsstakeholders and corporate governance philosophy.

Corporate Governance Guidelines

The Corporate Governance standards are dynamic in their nature. The corporation incorporates new regulations and rules into its governance system as per the SEBI, LODR regulation and the Companies Act 2013 from time to time.

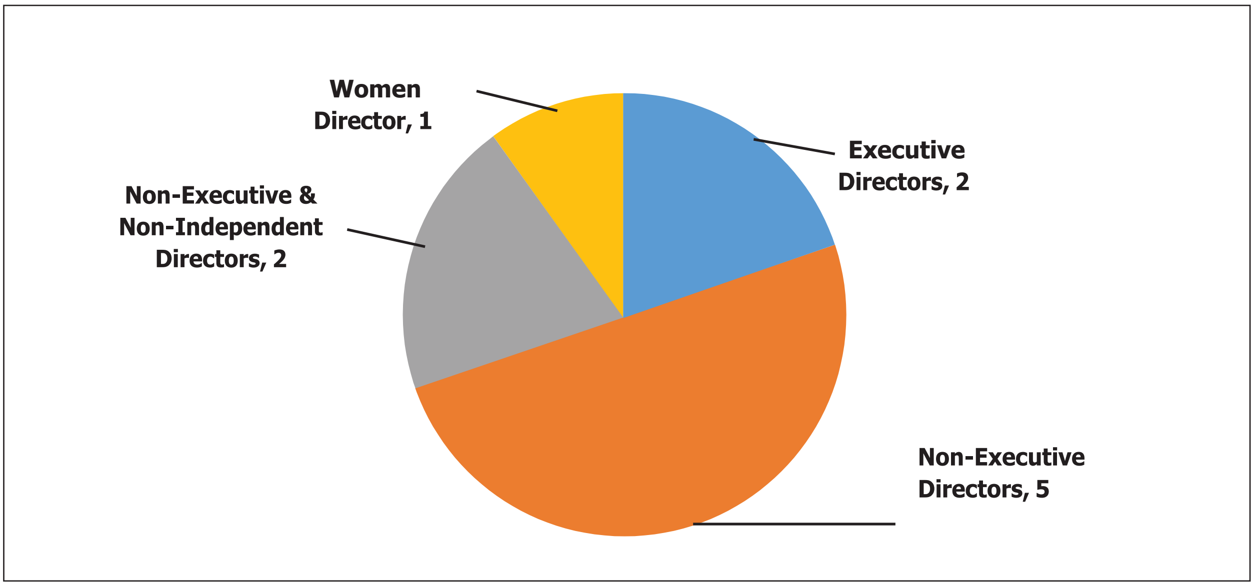
Composition of Board of Directors

The board structure and composition are the foundation for an effective board focusing on the affiliations and positions of the board members. The main responsibility of the board is to govern the company, while the managers' task is to run its business. The work of the board is corporate governance and that of the executive organization is management. The composition of the board comprises of board size, board composition, board diversity, skill matrix, board leadership, etc. The next session details about these aspects of the board.

Board of Directors

The board of directors makes sure the business adheres to the highest levels of Corporate Governance compliance. They have fiduciary duties while keeping in mind the interests of all its stakeholders and the company's corporate governance philosophy. The Board is presented with all statutory and other significant material and information. HMCL has total nine directors comprising executive and non-executive cadre. The composition of board of directors for the year 2021-22 is depicted in the figure 4.4 below:

Figure-4.4: Board Composition



The figure shows that nearly 78% of the Board of Directors is non-executive with only 22% being executive Directors. The ideal mix of executive and non-executive directors on the board reflects a balance of professionalism, expertise, and experience. The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations") are met in terms of the size and makeup of the Board. Figure 4B.2 and Table below depicts the composition of Board as on 2021-22.

Figure-4.5: Composition of Board

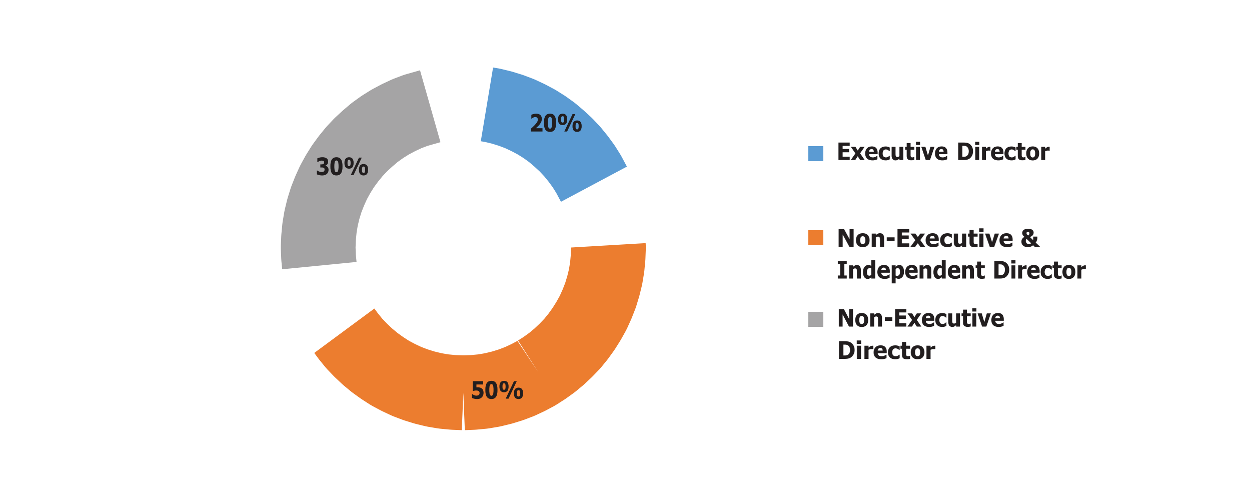


Table-4.12: Board Members Details of Hero MotoCorp Limited for the Year 2021-22

Name	Category
Dr. Pawan Munjal	Chairman & CEO
Air Chief Marshal B.S Danoa	Non-Executive & Independent Director
Mr. Vikram S Kasbaker	Executive Director
Ms. Camille Tang	Non-Executive & Independent Director
Ms. Vasudha Dinodia	Non-Executive Director
Mr. Pradeep Dinodia	Non-Executive Director
Ms. Tina Trikha	Non-Executive & Independent Director
Prof. Jagmohan Singh Raju	Non-Executive & Independent Director
Mr. Suman Kant Munjal	Non-Executive Director
Mr Rajnish Kumar	Non-Executive & Independent Director
Birender Singh Dhanoa*	Non-Executive & Independent Director

* Tenure ended on 30.09.2022

The table details the total number of board members in the last three years. In 2021-22 there were 10 directors on the boards. They comprise of two executive directors including a Chairman and an executive director while the company has three non-executive directors comprising of one women director. The company also have five non-executive independent directors in which they are two directors. The company has 50 % of their directors as independent directors while they have 30 % non-executive directors. The meets the compliance of SEBI-LODR regulation. The company has Mr. Suman Kant Munjal as the board member who represents the family nomination apart from the Chairman.

Members of Board: Composition

Table-4.13: Total Number of Board Members, Women Directors, Board Meetings and Board Committees of Hero MotoCorp Limited in the Last Three Years

Year	2021-22	2020-21	2019-20
Total Directors	10*	09	08
Executive Directors	02	02	02
Non-executive Directors	03	05	04
Non-executive non-Independent Directors	05	02	02
Women Directors	03	01	01
Board Meetings	09	05	05
Total number of Board committees	07 committees	07 committees	07 committees

(Source : https://www.heromotocorp.com/en-in/uploads/Corporate_Governance/pdf/20221019124358small70.pdf)*

The chairman examines annual the board composition and its effectiveness. This is a valuable exercise that gives the good feedback on how the boards can operate efficiently and add greater value to the organization.

Skill Matrix

To bring diversity on the board with respect to qualification, the board members must be highly qualified. The boards should have the best variety of skill, experience, and background. The board looks into the future as part of strategic review of the organization and delivers by meeting the objectives of the company. AT HMCL, the Board comprises qualified members who are skilled, competent, and carry expertise that allow them to make effective contribution to the Board and various board level committees. In this context HMCL's board members have the appropriate experience and skills/area of expertise/competencies. The following table details the skills of the board members in functional management, leadership roles, information technology diversity, ethics and values and corporate governance. The members of board have vast experience and are on the boards of the various public and private sector companies.

Table-4.14: Skill Matrix of Hero MotoCorp Limited

S. No.	Name of the Director	Wide Management and Leadership Experience	Information Technology	Diversity	Functional and Managerial Experience	Personal Values	Corporate Governance
1	Dr. Pawan Munjal, CEO & MD	Yes	Yes	Yes	Yes	Yes	Yes
2	Mr. Vikram S. Kasbekar, Executive Director	Yes	Yes	Yes	Yes	Yes	Yes

S. No.	Name of the Director	Wide Management and Leadership Experience	Information Technology	Diversity	Functional and Managerial Experience	Personal Values	Corporate Governance
3	Mr. Suman Kant Munjal, Non-Executive Director	Yes	Yes	Yes	Yes	Yes	Yes
4	Mr. Pradeep Dinodia	Yes	Yes	Yes	Yes	Yes	Yes
5	Mr. M. Damodaran, Independent Director	Yes	Yes	Yes	Yes	Yes	Yes
6	Mr. Paul B. Edgerley, Independent director	Yes	Yes	Yes	Yes	Yes	Yes
7	Prof. Jagmohan Singh Raju, Independent Director	Yes	Yes	Yes	Yes	Yes	Yes
8	Ms. Tina Trikha, Independent Director	Yes	Yes	Yes	Yes	Yes	Yes
9	Air Chief Marshal BS Dhanoa (Retd.), Independent Director from 01.10.2020	Yes	Yes	Yes	Yes	Yes	Yes
10	Mr Rajnish Kumar	Yes	Yes	Yes	Yes	Yes	Yes

Independent Directors (IDs)

The independent director's role, responsibilities and implications of outside / independent directors are at the top of any discussion on corporate governance today. Independent directors play an important role in key decisions of the company. At HMCL, the appointment Independent Directors is done through Nomination and Remuneration Committee. The Nomination and Remuneration Committee identifies eminent individuals with independent standing in their respective fields or professions and the ability to successfully contribute to the business and policy choices are taken into consideration. The committee follows established procedures for choosing Independent Directors and considers a variety of criteria. When appointing independent directors, the Board takes the NRC's proposal into consideration and makes the judgments. No Independent Director currently holds more directorships than what is permitted by theCompanies Act of 2013 and the Listing Regulations. The roles of independent directorsat HMCL includes regularly update and refresh their skills, knowledge, and familiarity withthe company; seek appropriate clarification or strive to attend all meetings; participate constructively and actively in the committees of the Board; where they have concerns about the running the company or a proposed action, ensure that these are addressed by the Board and, to the extent that they are not resolved, insist that their concerns are recorded in the minutes of the Board meeting; well informed about the company and the external environment in which it operates; pay sufficient attention and ensure that adequate deliberations are held before approving related party transactions; adequate and functional vigil mechanism and to ensure that the interests; report concerns about unethical behavior; Independent Directors shall have duties as Director as specified u/s 164 of the Companies Act, 2013; etc.

The following table details the number of meetings held in 2021-22 and the attendance of the board members. It is evident from the table that all the members have attended all the meeting and the attendance is 100 per cent.

Board Meetings

Table-4.15: Number of Meetings Held by Hero MotoCorp Limited In 2021-22 and the Attendance of the Board Members

S. No.	Name of the Director	Designation	Board Meetings in His/Her Tenure	Attended Meetings
1	Dr. Pawan Munjal	CEO & MD	9	9
2	Mr. Vikram S. Kasbekar	Executive Director	9	9
3	Mr. Suman Kant Munjal	Non-Executive Director	9	8
4	Mr. Pradeep Dinodia	Non-Executive Director	9	9
5	Ms. Vasudha Dinodia$, from November 25, 2021	Non-Executive Director	4	4
6	Air Chief Marshal BS Dhanoa (Retd.)	Independent Director	9	8
7	Ms. Camille Tang# from Nov. 19, 2021	Independent Director	5	5
8	Prof. Jagmohan Singh Raju	Independent Director	9	9
9	Mr. M. Damodaran	Independent Director	9	9
10	Mr. Rajnish Kumar$, $ from November 25, 2021	Independent director	4	4
11	Ms. Tina Trikha	Independent Director	9	9
12	Mr. Paul B. Edgerley* upto May 4, 2021	Independent Director	1	1

Role of Board of Directors

As per the Companies Act 2013 and SEBI LoDR, the company board has to fulfil fiduciary duties to safeguard and improve shareholder value. The Board handles its responsibilities with caution, expertise, and diligence. The board ensures that the directors spend enough time on issues regarding governance and issues of strategic relevance. As per the responsibility statement of the board, directors has to provide the management practices, strategic direction, and effectiveness towards companies functioning, their operating plans, capital allocation, budgets, etc.

The Board meets regularly to discuss business reports from various top management teams, financial reports from the Chief Financial Officer, compliance reports from the Company Secretary, and potential hazards and risk management strategies. The agenda and strategic roadmap for the company are established during these in-depth discussions and one-on-one conversations. To carry out its duties effectively and efficiently, the Board has also created several Committees. The leadership group supports the Chairman, Managing Director, and CEO in providing overall direction and guidance to the business.

Board Committees

The Companies Act 2013 mandates five committees. HMCL has all the five committees mandated along with another two major committees. There committees oversee the company performance. These committees are:

1) Audit Committee
2) Nomination and Remuneration Committee
3) Stakeholders' Relationship Committee
4) Risk Management committee
5) Sustainability & Corporate Social Responsibility Committee
6) Share Transfer Committee
7) Committee of Directors

In this session we will discuss about each and every committee in detail including the number of members, role of IDs, meetings held, etc.

1. Audit Committee: HMCL has an Audit Committee that adheres to the Act. Air Chief Marshal B.S. Danoa, Mr. Pradeep Dinodia, and Ms. Tina Trikha, are members of the committee. Ms Tina Trikha serves as the Committee's chairperson is also a non-executive independent director. HMCL has shared the roles and responsibilities of the committee termed as terms of reference.

2. Nomination and Remuneration Committee: HMCL constituted a Nomination and Remuneration Committee that, among other things, identifies and recommends candidates for appointment as senior management or as directors, reviews and recommends the payment of the annual salaries. NRC also helps the board to appoint KMPs. The role of NRC does not restrict to appointment but also to frame policy for remuneration to the board level executives, conduct board evaluation, fix pay and perks, etc. As on March 31, 2020, the NRC comprised of three Independent Directors

viz. Prof. Jagmohan Singh Raju, Mr. Pradeep Dinodia and Air Chief Marshal B.S. Danoa as members. Prof. Jagmohan Singh Raju is the Chairman of the Nomination and Remuneration Committee. The company Secretary acts as the Secretary of the Nomination & Remuneration Committee.

3. Stakeholders' Relationship Committee ('SRC')

   This Committee investigates investor complaints related to share transfers, dividends, dematerialization, and other concerns, while assessing the performance and customer service standards of the Registrar and Share Transfer Agent, and then takes the necessary action(s) to address the issue(s). The Stakeholders' Relationship Committee's secretary is the company secretary. Prof. Jagmohan Singh Raju, Mr. Vikram S. Kasbekar, and Mr. Pradeep Dinodia have all been appointed as members of the Stakeholders' Relationship Committee as of April 26, 2019.

4. Risk Management committee: It's one of the mandatory committees for listed companies as per SEBI LODR. HMCL's Risk Management Committee is responsible for policies and procedures that monitor and integrate risks within the broader business risk management framework. The committee consists of Mr. Pradeep Dinodia as Chairman Air Chief Marshal BS Dhanoa (Retd.) and Mr. Vikram S. Kasbekar as members of the committee.

5. Sustainability and Corporate Social Responsibility Committee: The CSR Committee creates the CSR policy and is responsible for budget allocation, project identification, evaluation and impact of the projects towards society. The committee is chaired by Dr. Pawan Munjal, Mr. Pradeep Dinodia, Prof. Jagmohan Singh Raju & Ms.Tina Trikha as members of the committee.

6. Share Transfer Committee and the Committee of Directors are non-mandatory committees and are not covered in corporate governance reporting.

Apart from various committees, HMCL also have various policies that help to maintain good corporate governance. These includes Related Party Transactions Policy, Remuneration and Board Diversity Policy, Whistleblower Policy, CSR Policy, etc.

The Whistle blower Policy believes in promoting a fair, transparent, ethical, and professional work environment. HMCL has laid down the Code of Conduct (hereinafter referred to as "Code"), including principles and standards that govern its stakeholders and its employees. The Companies Act, 2013 and SEBI (Listing Obligations and

Disclosure Requirements) Regulations, 2015 mandate listed companies to constitute a Vigil Mechanism/Whistle Blower Policy. Accordingly, this Whistleblower Policy ("the Policy") has been formulated with a view to provide a mechanism for a Whistle Blower to approach the Ethics Committee/ Chairperson of the Audit Committee of the Company.

HMCL also has formulated code of practices and procedures of fair disclosure of unpublished price sensitive information based on the Regulation 8(1) of the SEBI (Prohibition of Insider Trading) Regulations, 2015 ("Regulations"). HMCL's norms of business conduct helps to check the efficiency, responsiveness, and consistency in behavior and decision-making. All Directors and Employees of the company are subject to the Code.

Chapter 5
OBSERVATIONS AND CHALLENGES

The chapter deals with the observations and the challenges that are faced by family-owned companies in general and the case studied referred in particular.

Challenges of Family-Owned Business

Family businesses are constantly changing and evolving around the world rapidly around the key areas that impacts particularly severely on multi-generational family enterprises - the way that ownership dynamics tend to develop over time. A few issues in this regard are as follows:

Dominance: As the family governed companies develop management locus of the business generally shifts from single-branch management process to multi-branch founding family. It may be difficult to manage the wealth and commercial prestige of the family. It is also evident if most cases the skill shortages of the branch, willingness to take over the family business by branches; exercise authority generates anxiety among stakeholders.

Historical Baggage: The earlier generation who leads the business sometimes goes to extraordinary lengths of running the business due to lack of trust and confidence in succeeding generations. In some family governed companies, however, the passing of time has no such soothing effect on the cousin generation, and old grievances loom long which are difficult to resolve.

Setbacks: In majority family governed companies, relationships such as father-son, sibling, and cousin rivalries cause serious problems in the management and governance of these enterprises.

Retention: In some cases, if the companies are to be led by the non-family, the retention of locus of control of firm within family arises. When the family governed company takes a drastic measure for inculcating the professionalization in management affairs ofthese firms by allowing to lot of governance and ownership issues

Differing Interests among family members: In most of the families governed companies the expectations and ambitions of owners running the business differ from non-family members running the business. This would give less room for the owners to have control on issues such as compensation, dividends declaration, strategic plans, etc.

In case of Wipro, some of the potential challenges include:

Family control: As a family-controlled business, Wipro may face challenges in balancing the interests of the family with those of outside shareholders. This could lead to potential conflicts of interest and could limit the ability of outside shareholders.

Board independence: Wipro has a majority of independent directors on its board, it is important to ensure that these directors are truly independent and not beholden to the interests of the family.

Transparency: As a publicly traded company, Wipro has a responsibility to disclose accurate and complete financial information to shareholders. The company must ensure that it is transparent in its financial reporting and that its practices are in compliance with regulatory requirements.

Ethical practices: Wipro must ensure that its operations are conducted in an ethical manner and must have a robust system in place to detect and prevent any unethical or illegal activities.

Shareholder activism: With the rise of shareholder activism globally, Wipro may face increased pressure from shareholders to make changes to its corporate governance practices and to improve performance.

The company must be vigilant in addressing these challenges and work constantly to improve its corporate governance practices to ensure the long-term success of the company and to protect the interests of all stakeholders.

Similarly, Hero MotoCorp also has challenges as of Wipro but Succession planning. Succession planning is an important aspect of corporate governance and can be a significant challenge for Hero MotoCorp Limited. Some potential challenges include:

Family control: Hero MotoCorp is a family-controlled business, with the Munjal family holding a significant stake in the company. Ensuring a smooth and effective succession process within the family can be a difficult task, and could lead to potential conflicts of interest and limit the ability of outside shareholders to hold the company's management accountable.

Lack of a clear succession plan: Without a clear succession plan in place, it can be difficult for the company to ensure a smooth transition of leadership and for shareholders to have confidence in the future of the company.

Board independence: The board of directors play an important role in the succession planning process, it is important to ensure that the board is truly independent and not beholden to the interests of the family or management.

Identifying the right candidate: Identifying the right candidate to take over leadership of the company can be a difficult task and it is important to ensure that the chosen candidate has the necessary skills and experience to lead the company in the right direction.

Ensuring continuity: Succession planning should ensure continuity of strategy, culture and values to ensure that the company continues to grow and succeed in the long term

Observations

The IFC handbook1, aimed to guide family governed business that intend to promote best governance practices and suggests them to gather under one or more organized structures strengthening the networks and communicating the business with family members from time to time. Table highlights the types of governance structures families might establish, depending on the stages of the family company's development including creating a family office, family assemblies, family council, educating, succession planning, career planning for gen next leaders, etc.

Table-5.1: Family Governance Institutions

	Family Meeting	Family Assembly	Family Council
Stages	Founder	Sibling partnership/ cousin confederation	Sibling partnership/ cousin confederation
Status	Usually, informal	Formal	Formal

1 https://www.ifc.org/wps/wcm/connect/topics_ext_content/ifc_external_corporate_site/ifc+cg/resources/guidelines_reviews+and+case+studies/ifc+family+business+governance+handbook

	Family Meeting	Family Assembly	Family Council
Membership	Usually open to all family members. Additional membership criteria might be setby the founder	Usually open to all family members. Additional membership criteria might be set by the family.	Family members elected by the family assembly. Selection criteria defined by the family.
Size	Small size since family still at founder stage. Usually 6-12 family members.	Depends on the size of the family and membership criteria	Depends on criteria set up for the membership. Ideally 6-12 members.
Number of meetings	Depends on the stages of the business' development. When business is growing rapidly, can be as frequent as once a week.	1-2 times a year.	2-6 times a year.
Main Activities	Communication of family values and vision Discussion and generation of new business ideas Preparation of the next generation of business leaders	Discussion and communication of ideas, disagreements, and vision Approval of major family-related policies and procedures Education of family members on business issues Election of family council and other committees' members	Conflict resolution Development of the major family-related policies and procedures Planning Education Coordination of the work with management and the board and balancing the business and the family

(Source: IFC Family Business Governance Handbook)

The above figure shows that once the "cousins' confederation" stage is reached and the company opts for renewal and recycling, the company adopts good governance practices for the company and the family with the creation of the family office and the family council.

- Constructing the Family Council: The family council is the main forum through which the distinctive interests and concerns of family members and shareholders can be articulated. At its best, a family council in a multi-generational business probably has up to 10 elected members representing all family members, generations, and branches. It is a working group serving as an executive committee of the family assembly. The family council operates as a bridge between the board of directors and the family shareholders.
- Family assembly: This is an open forum for all family shareholders or all family members from the different Branches of the family to meet and discuss family issues and concerns relating to the business, and to learn and ask questions about its activities. Assembly meetings should be scheduled to maximize to reduce the complexities. These assembles are organized to bring accountability and alignment among the different interests of the owners, the family members, and the business. Businesses in India generally have a visionary leader or guru who works to foster

harmony by working with the family to help resolve their disagreements and conflicts. The guru - chosen for his wisdom and shrewdness - will often attend family council meetings and, if he foresees potential problems that may lead to family divisions, follow-up the situation outside the meeting to ensure that friction and arguments are minimized or avoided.

- Family Council: A family councils and assemblies are formed to have strong governance architecture. Many Middle Eastern family businesses include an extra body - *a council of elders or seniors b*ecause of deep-seated respect for the senior generation. This family council acts as executive committee too.
- Family office: The role of the family office is to centralize functions for family members and, by acting as an investment, liquidity management and administrative center, it helps underpin the family governance structure. It can also oversee family estate and tax planning, and coordinate insurance, banking, and accounting. It helps to foster strong family identity, clarifies family values, preserves traditions, and trains young people to responsibly manage the money they will one day inherit. The family office is a separate operation from the family business, although some of the same individuals may participate in both.
- Family social committee: This body organizes regular events that are designed to support and strengthen family Governance by fostering family relationships. Special efforts are often needed for distant Cousins to get to know each other, helping to build a stronger and more cohesive family unit. Staffing options include open election, volunteers only, outgoing seniors picking their replacements, family branches choosing personnel and nominating committees making selections.

The present globalization has given five business reactions to perceive the present and future of globalization, with five key perspectives evolving: They would not only help the companies in general but family-owned businesses in particular:

- Geographic spread: Despite the economic slump, fast growing markets, globalization, government and regulatory interference, businesses are still seeking geographic spread. The global institutions such as World Economic Forum, OECD, etc. are promoting institutes to make space in the global hemisphere.
- Competing in a different environment: The emergence of firms from developing economies has altered the rules of the game and the prospects for business as innovation and information technology is playing a dominant role by bringing the economies close.

- Concerns of policy: Business must interact with legislatures, regulators, policy makers and researchers on international issues like protectionism, regulation, trade concerns, global partnerships, alignment with ESG, etc.
- Management diversification: As businesses expand and deepen their presence in foreign markets, the demand for management teams that represent a variety of cultures grows ever more urgent.

To conclude, Wipro has a strong corporate governance structure in place to ensure that the company is run in a fair and transparent manner. The company has an independent board of directors, a majority of which are independent directors, to oversee the management of the company and to protect the interests of shareholders. The board has several committees, including an audit committee and a nomination and remuneration committee, to assist it in its responsibilities. Wipro is a family-controlled business, with the Premji family holding a significant stake in the company. Azim Premji, the founder, has served as the Chairman of the company since its inception and his son Rishad Premji currently serves as the Chairman. However, the company has ensured that the family's influence over the company's management is limited by having a majority of independent directors on the board. Wipro also has a code of conduct and ethics in place to ensure that the company's operations are conducted in a legal and ethical manner. The company also has a whistle-blower policy to encourage employees to report any unethical or illegal activities. Wipro has implemented strong corporate governance practices to ensure the fair and transparent running of the company, despite it being a family-controlled business.

Hero MotoCorp Limited (formerly Hero Honda Motors Limited) is a publicly traded company based in India that is one of the world's largest manufacturers of motorcycles and scooters. The company has a strong corporate governance structure in place to ensure that the company is run in a fair and transparent manner. It has an independent board of directors, a majority of which are independent directors, to oversee the management of the company and to protect the interests of shareholders. The board has several committees, including an audit committee, a nomination and remuneration committee and a shareholders/investors grievance committee, to assist it in its responsibilities. The company also has a code of conduct and ethics in place to ensure that the company's operations are conducted in a legal and ethical manner. The company also has a whistle-blower policy to encourage employees to report any unethical or illegal activities. Hero MotoCorp has implemented a number of measures to ensure that the company's operations are sustainable, including commitment to environmental protection, health and safety, and the well-being of its employees and communities. Hero MotoCorp has implemented strong corporate governance practices to ensure the fair and transparent running of the company and responsible corporate behavior.

The following are few of the observation drawn from the case studies on best governance practices:

1. Despite having enough number of board members at WIPRO, the company has created combined committees. This would restrict the directors to dedicate time on all the aspects of decisions.

2. The challenge of succession planning remains in both the institutions. The next generation has already selected their own career paths. Families have had two influences—one is as the next generation comes in their experiences, exposure and education is quite different.

3. It is very challenging to bring younger individuals who have new ideas in the main fold of family business. If they are brought out of forces, they could be completely disruptive creating tension and conflict at a workplace.

4. Young people joining the family business at senior positions would demotivate the existing senior executive cadre. It's important to win the trust of employees and hence the young generation has to undergo intense training before they are introduced in the organizational setup.

Family-owned businesses are businesses in which one or more members of a family are involved in the ownership or management of the company. However, it is important for a family-owned business to have a clear set of corporate governance practices in place to ensure that the company is run in a fair and transparent manner, and to avoid conflicts of interest between family members. While these businesses have started purely as a form of survival for the family but, fortunately for all of us, it kind of grew into the size it has and now we are trying to make it a more organized process of looking at businesses in one manner and looking at the family in another manner. Different families have different ways of doing it. Some will do it informally and some will create a process and a system to manage them, and some do a combination of both depending on whatever works for the family.

References

- World Bank: The State in a Changing World, the World Development Report, 1997. Washington D.C., 1997.
- Herman E Daily in 'Sustainable Growth? No thank you' in The Case of the Global Economy, (Eds.) Jerry Mander, Edward Goldsmith; Sierra Book Club, 1996
- Anita Roddick, KLM Herald magazine, August 1999
- Harish Srivastava and Shankar Venkateswaran, The Business of SocialResponsibility, Books for Change, Bangalore; 2000
- www.globalcompact.org).
- http://www.humanresourcesmagazine.com.au/articles/22/0c01d922.asp
- Anil Saari Arora, Centre for Communication and Development Studies, Pune
- http://www.infochangeindia.org/CorporatesrIbp.jsp
- Business World, 1998A:80
- https://www.livemint.com/Companies/3kzBIZ8qxWFBVfUBl4evyL/Transformation-to-a-completely-open-system-is-a-major-challe.html

BIBLIOGRAPHY

- Anderson, R.C. & Reeb, D.M. 2003. Founding-Family Ownership and Firm Performance: Evidence from the S&P 500. *Journal of Finance*, forthcoming.
- Aronoff, C.E. & Ward, J.L. 1996. Family Business Governance: Maximizing Family and Business Potential. *Family Business Leadership Series (8)*, Business Owner Resources, Marietta, GA.
- Astrachan, J.H., Klein, S.B., & Smyrnios, K.X. (2002). The F-PEC Scale of Family Influence: A Proposal for Solving the Family Business Definition Problem. *Family Business Review*, 15(1): 45-58.
- Austria, K.F. (2008). Overview of Family Business Relevant Issues. Final Report Contract No. 30-CE-0164021/00-51, Austrian Institute for SME Research, Vienna Austria.
- Bain, N. & Band, D. 1996. *Winning Ways through Corporate Governance*. New York: Macmillan Press.
- Baldridge, D.C. & Schulze, W.S. 1999. *Fairness in Family Firms: An Organizational Justice Perspective on Agency Problems*. Academy of Management Conference Proceedings.
- Barca, F. & Becht, M. (Eds.). 1999. *Ownership and Control: A European Perspective*. Manuscript, Free University of Brussels, Belgium.
- Berenbeim, R.E. 1990. How Business Families Manage the Transition from Owner to Professional Management. *Family Business Review*, 3(1): 69-110.
- Berglöf, E. & von Thadden, E.-L. 1999. *The Changing Corporate Governance Paradigm: Implications for Transition and Developing Countries*. ECGI Conference Presentation.
- Berle, A.A. & Means, G.C. 1932. *The Modern Corporation and Private Property*. New York: Macmillan Press.
- Berlin Initiative Group. 2000. The German Code of Corporate Governance.http://www.ecgi.org/codes/all_codes.htm November 2002.
- Blair, M. 1995. *Ownership and Control: Rethinking Corporate Governance for the Twenty-First Century*. Washington, DC: Brookings Institution.

- Blondel, C. & Van der Heyden, L. 1999a. *The Wendel Family: Affectio Societatis (A) The Story of a French Industrial Dynasty (1704-1976)*. Research Case no. 09/1999-4784, INSEAD, Fontainebleau, France.
- Blondel, C. & Van der Heyden, L. 1999b. *The Wendel Family: Affectio Societatis (B) CGIP: The Family as Shareholder Entrepreneur (1977-1996)*. Research Case no. 09/1999-4784, INSEAD, Fontainebleau, France.
- Blondel, C., Carlock, R.S., & Van der Heyden, L. 2001. *Fair Process: Striving for Justice in Family Firms*. Working Paper no. 2001/54/ENT, INSEAD, Fontainebleau, France.
- Blondel, C., Rowell, N., & Van der Heyden, L. 2002. *Prevalence of Patrimonial Firms on Paris Stock Exchange: Analysis of the Top 250 Companies from 1993 to 1998*. Working Paper no. 2002/83/TM, INSEAD, Fontainebleau, France.
- Borch, O.J. & Huse, M. 1993. Informal Strategic Networks and the Board of Directors. *Entrepreneurship Theory and Practice*, 18(1): 23-36.
- Bowen, M. G., & Power, F. C. (1993). The Moral Manager: Communicative Ethics and the" Exxon Valdez" Disaster. *Business Ethics Quarterly*, 97-115.
- Bowen, Z. (1953). Bowen. *HR, (1953), Social Responsibilities of the Businessman: NewYork: Harper & Row*.
- Cadbury, A. (1992). Cadbury report: The financial aspects of corporate governance. *Tech reprt, HMG, London*.
- Cadbury, S. A. (1997). *Board focus: the governance debate: a current view of international corporate governance and the responsibilities of directors and boards*. Egon Zehnder International.
- Cadbury, A. (1999). What are the trends in corporate governance? How will they impact your company?. *Long Range Planning*, *32*, 12-19.
- Cadbury, S. A. (2000). *Family firms and their governance: Creating tomorrow's company from today's* (p. 5). London: Egon Zehnder International.
- Carlock, R.S. & Florent-Treacy, E. (2002). *The HP-Compaq Merger: A Battle for the Heart and Soul of a Company*. Research Case no.10/2002-5064 and Teaching Note, INSEAD, Fontainebleau, France.
- Carlock, R. S., & Ward, J. L. (2001). *Strategic planning for the family business: Parallel planning to unify the family and business* (p. 192). New York: Palgrave.
- Carver, J. (2002). *Corporate boards that create value: Governing company performance from the boardroom*. John Wiley & Sons.

- Chua, J.H., Chrisman, J.J., and Bergiel, E.B. (2009). An agency theoretic analysis of the professionalized family firm. Entrepreneurship Theory and Practice, Vol. 33 No. 2, pp. 355-372.
- Committee on the Financial Aspects of Corporate Governance, The & Gee and Co. Ltd. 1992. *Final Report (Cadbury Report)*. http://www.worldbank.org October 2002.
- Corbetta, G., & Tomaselli, S. (1996). Boards of directors in Italian family businesses. *Family Business Review*, *9*(4), 403-421.
- Corbetta, G., & Montemerlo, D. (1999). Ownership, governance, and management issues in small and medium-size family businesses: A comparison of Italy and the United States. *Family Business Review*, *12*(4), 361-374.
- Corbetta, G., Gnan, L., & Montemerlo, D. (2002). Governance system and company performance in Italian SMEs. *Milano: Università Bocconi, Working Paper Isea*.
- Cornell, B., & Shapiro, A. C. (1987). Corporate stakeholders and corporate finance. *Financial management*, 5-14.
- Daily, C. M., & Dollinger, M. J. (1992). An empirical examination of ownership structure in family and professionally managed firms. *Family business review*, *5*(2), 117-136.
- Dallago, B. (2002, January). Corporate governance, governance paradigms, and economic transformation. In *Proceedings of the institutional and organizational dynamics in the post-socialist transformation conference, Amiens* (pp. 25-26).
- Davis, J.A. (1999). *Boards of Directors of the Family Firm*. Research Note, Harvard Business School, Boston, MA.
- Demb, A. & Neubauer, F.F. (1992). *The Corporate Board: Confronting the Paradoxes*. Oxford, UK: Oxford University Press.
- Donnelley, R.G. (1964). The family business. Harv. Bus. Rev. 1964, 42, 93–105.
- Dyer, W.G. Jr. & Sánchez, M. (1998). Current State of Family Business Theory and Practice as Reflected in Family Business Review 1988-1997. *Family Business Review*, 11(4): 287-295.
- Dyer, W.G. Jr. (1986). *Cultural Change in Family Firms: Understanding and Managing Business and Family Transition*. San Francisco: Jossey-Bass.
- Dyer, W.G. Jr. (1989). Integrating Professional Management into a Family-Owned Business. *Family Business Review*, 2(3): 221-235.
- Encyclopedia of Business (1999). Family-owned businesses. available at: www.

referenceforbusiness.com/small/Eq-Inc/Family-Owned-Businesses.html (accessed February 12, 2015).

- Ford, R.H. (1988). Outside Directors and the Privately-Owned Firm: Are they Necessary? *Entrepreneurship Theory and Practice*, Fall 1988: 49-56.
- Ford, R.H. (1989). Establishing and Managing Boards of Directors: The Other View. *Family Business Review*, 2(2): 142-146.
- Freeman, R. E. (2010). *Strategic management: A stakeholder approach*. Cambridge university press.
- Freeman, R.E. & Reed, D.L. (1983). Stockholders and Stakeholders: A New Perspective on Corporate Governance. *California Management Review*, 25(3): 88-106.
- Gallo, M.A. & Vilaseca, A. (1998). An Empirical Examination of Ownership Structure inFamily and Professionally Managed Firms. *Family Business Review*, 5(2): 117- 136.
- Gersick, K.E., Davis, J.A., McCollom Hampton, M., & Lansberg, I. (1997). *Generation to Generation - Life cycles of the Family Business*. Boston, MA: Harvard Business School Press.
- Gnan, L. & Montemerlo, D. (2001). Structure and Dynamics of Ownership, Governance and Strategy: Role of Family and Impact on Performance in Italian SMEs. In G. Corbetta & D. Montemerlo (Eds.), *The Role of Family in Family Business*: 224-244. F.B.N. Research Forum Proceedings, Rome, Italy.
- Goffee, R. & Scase, R. (1991). Proprietorial Control in Family Firms: Some Functions of “Quasi-Organic” Management Systems. *Family Business Review*, 4(3): 337- 352.
- Gubitta, P. & Gianecchini, M. (2001). Corporate Governance, Organizational Flexibility and Performance in Family-Owned SMEs. In G. Corbetta & D. Montemerlo (Eds.), *The Role of Family in Family Business*: 245-262. F.B.N. Research Forum Proceedings, Rome, Italy.
- Gubitta, P., and Gianecchini, M. (2002). Governance and flexibility in family-owned SMEs. Family Business Review, Vol. 15 No. 4, pp. 277-297.
- Harrison, J.S. & Freeman, R.E. (1999). Stakeholders, Social Responsibility, and Performance: Empirical and Theoretical Perspectives. *Academy of Management Journal*, 42(5): 479-485.
- Hitt, M.A., Ireland, R.D., & Hoskisson, R.E. (1999). *Strategic Management - Competitiveness and Globalization: Concepts and Cases*. Cincinnati: South- Western College Publishing.

- Hughes, J.E. Jr. (1997). *Family Wealth: Keeping it in the Family*. Princeton Junction: NetWrx Inc.
- Huse, M. & Landström, H. (2002). *Teaching Corporate Governance: Challenges for Research and Practice*. Conference Presentation, EURAM Meeting.
- Huse, M. (1990). Board Composition in Small Enterprises. *Entrepreneurship and Regional Development*, 2: 363-373.
- Huse, M. (1993). Relational Norms as a Supplement to Neo-Classical Understanding of Directorates: An Empirical Study of Boards of Directors. *Journal of Socio-Economics*, 22 (3): 219-240.
- Huse, M. (1998). Researching the dynamics of board—stakeholder relations. *Long Range Planning*, *31*(2), 218-226.
- Huse, M. (2000). Boards of directors in SMEs: A review and research agenda. *Entrepreneurship & Regional Development*, *12*(4), 271-290.
- Huse, M. 2002a. *Presentation at the 2nd International Doctoral Course on Governance in SMEs*. Bocconi University, Milan, Italy.
- Huse, M. (2002). Corporate governance and corporate entrepreneurship: revisiting the governance performance links. In *Corporate Governance Conference 'Corporate Governance and Firm's Organizations: Nexus and Frontiers', Bocconi University*.
- Institute of Directors in Southern Africa. 2001. *King Report on Corporate Governance for South Africa*. http://www.ecgi.org/codes/all_codes.htm April 2003.
- Investor Relations Business. 2003. *Private Companies adopt Public Governance Best Practice*. March 24: 3.
- Meckling, W. H., & Jensen, M. C. (1976). Theory of the firm: Managerial behavior, agency costs and ownership structure. *Journal of financial economics*, *3*(4), 305-360.
- Kang, D.L. (2000). Family Ownership and Performance in Public Corporations: A Study of the U.S. Fortune 500, 1982-1994. Working Paper no. 00-051, Harvard Business School, Boston, MA.
- Karataş-Özkan, M., Nicolopoulou, K., İnal, G., and Özbilgin, M. (2011). Cross-cultural perspectives of diversity within family businesses. International Journal of Cross-Cultural Management, Vol. 11 No. 2, pp. 107-111.
- Karlsson Stider, A. (2001). The home–a disregarded managerial arena. *Invisible Management: The Social Construction of Leadership*, 83-104.

- Klein, S. B., & Blondel, C. (2002). Ownership structure of the 250 largest listed companies in Germany. *INSEAD work paper..*
- LaPorta, R., Lopez-de-Silanes, F., & Shleifer, A. (1999a). Corporate Ownership Around the World. *Journal of Finance,* 54(2): 471-517.
- LaPorta, R., Lopez-de-Silanes, F., & Shleifer, A. (1999b). Agency Problems and Dividend Policies Around the World. *Journal of Finance*, 55(1): 1-34.
- Lau, R. S. M., & Ragothaman, S. (1997). Strategic issues of environmental management. *South Dakota Business Review*, *56*(2), 1-7.
- Machold, S., & Vasudevan, A. K. (2004). Corporate governance models in emerging markets: the case of India. *International Journal of Business Governance and Ethics*, *1*(1), 56-77.
- Maher, M. & Andersson, T. (1999). *Corporate Governance: Effects on Firm Performance and Economic Growth*. OECD Research Paper, http://www.ecgi.org/ December 2002
- Mani, M., Pargal, S., & Huq, M. (1996). Does environmental regulation matter? Determinants of the location of new manufacturing plants in India in 1994 (World Bank Policy Research Working Paper # 1718). Retrieved from the World Wide Web: http://www.worldbank.org/nipr/work_paper/index.htm
- McKinsey & Company. (2002). *Global Investor Opinion Survey*.http://www.mckinsey.com/governance July 2002
- MEDEF (Mouvement des Entreprises de France). (1999). *Recommendations of the Committee on Corporate Governance (Viénot II Report)*. http://www.worldbank.org April 2003
- Melin, L. & Nordqvist, M. (2000). *Corporate Governance Processes in Family Firms - The Role of Influential Actors and the Strategic Arena*. Paper presented at the ICSB World Conference.
- Melin, L. & Nordqvist, M. (2002). The Role of Cultural and Institutional Processes in Shaping Corporate Governance Systems in Family Firms. In M. Koiranen & N. Karlsson (Eds.), *The Future of Family Business – Values and Social Responsibilities*: 349-351. F.B.N. Research Forum Proceedings, Helsinki, Finland.
- Monet, K. & Newby, A. (2001). *Corporate Governance: New Rules of Good Behaviour*. Euromoney, Issue 389, September.

- Mustakallio, M. & Autio, E. (2001). Effects of Formal and Social Controls on Strategic Decision-Making in Family Firms. In G. Corbetta & D. Montemerlo (Eds.), *The Role of Family in Family Business*: 263-280. F.B.N. Research Forum Proceedings, Rome, Italy.
- Mustakallio, M. & Autio, E. (2002). *Governance, Entrepreneurial Orientation, and Growth in Family Firms*. F.B.N. Annual World Conference Research ForumProceedings, Helsinki, Finland: 219-238.
- Nagar, V., Petroni, K.R., & Wolfenzon, D. (2000). *Ownership Structure and Firm Performance in Closely Held Corporations*. Working Paper, University of Michigan, Ann Arbor, MI.
- Neubauer, F.F. & Lank, A.G. (Eds.). (1998). *The Family Business – Its Governancefor Sustainability*. New York: Routledge.
- Nordqvist, M.& Melin, L. (2002). An Institutional Perspective on Corporate Governance and Strategic Change. In D. Fletcher (Ed.), *Understanding the Small Family Business*: 94-110. New York: Routledge.
- Nordqvist, M. (2001). No Family is an Island: A Social Network Approach to Corporate Governance and the Strategy Process in Family Firms. In G. Corbetta & D. Montemerlo (Eds.), *The Role of Family in Family Business*: 81-102. F.B.N. Research Forum Proceedings, Rome, Italy.
- O'Sullivan, M.A. (1999). *Corporate Governance and Globalization*. Working Paper no. 99/71/SM, INSEAD, Fontainebleau, France.
- O'Sullivan, M.A. (2000). *Contests for Corporate Control: Corporate Governance and Economic Performance in the United States and Germany*. Oxford, UK: Oxford University Press.
- OECD. (1999). *Principles of Corporate Governance*. http://www.oecd.org August 2002.
- Pettigrew, A. (1992). On Studying Managerial Elites. *Strategic Management Journal*, 13: 163-182.
- Pettigrew, A., Brignall, T.J.S., Harvey, J., & Webb, D. (1999). *The Determinants of Organizational Performance: A Review of Literature*. Final Research Report,Warwick Business School, Coventry, UK.
- Phani, B. V., Reddy, V. N., Ramachandran, N., & Bhattacharyya, A. K. (2005). *Insider ownership, corporate governance and corporate performance*. SSRN.

- Salvato, C. (2002). Towards a Stewardship Theory of the Family Firm. In M. Koiranen& N. Karlsson (Eds.), *The Future of Family Business – Values and Social Responsibilities*: 23-36. F.B.N. Research Forum Proceedings, Helsinki, Finland.
- Shleifer, A. & Vishny, R.W. (1997). A Survey of Corporate Governance. *Journal of Finance*, 52 (2): 737-784.
- Steier, L. (2001). Family Firms, Plural Forms of Governance, and the Evolving Role of Trust. *Family Business Review*, 14(4): 353-367.
- Tagiuri, R., & Davis J.A., (1982). Bivalent attributes of the family firm. Working paper, Harvard Business School, Cambridge, Mass. Reprinted 1996, *Family Business Review* IX (2):199-208.
- Tirole, J. (2001). Corporate Governance. *Econometrica*, 69(1): 1-35.
- United States-Asia Environmental Partnership. (1996). Industry & environment in Asia: US-Asia Environmental Partnership. Retrieved from the World Wide Web: http://www.usaep.org
- Vives, X. (Ed.). (2000). *Corporate Governance – Theoretical and Empirical Perspectives*. Cambridge, UK: Cambridge University Press.
- Ward, J.L. & Handy, J.L. 1988. A Survey of Board Practices. *Family Business Review*, 1(3): 289-308.
- Ward, J. L. (1988). The active board with outside directors and the family firm. *Family Business Review*, *1*(3), 223-229.
- Ward, J. L. (1989). Defining and researching inside versus outside directors: a rebuttal to the rebuttal. *Family Business Review*, 2(2), 147-150.
- Ward, J. (1991). *Creating effective boards for private enterprises: Meeting the challenges of continuity and competition*. Jossey-Bass.
- Ward, J. L. (2001). *The Role of Owners, Directors and Managers in Family Business Governance*. Research Note 10/05.
- Ward, J.L. (2003a). Good Governance is Different for Family Firms. *Families in Business*, 2(1): 84-85.
- Ward, J.L. (2003b). *Governance and Leadership in Family Business*. Presentation at IFERA Annual Researchers' Meeting, Bocconi University, Milan, Italy.
- Witt, P. (2002). Corporate governance in family-owned businesses. Presentation at IFERA Annual Researchers' Meeting, Trier University, Germany.

INSTITUTE OF PUBLIC ENTERPRISE

(Under the aegis of ICSSR, MoE, GoI)

City Office

Osmania University Campus, Hyderabad - 500 007

Phone: +91-040-27098145 | Fax: +91-040-27095183

Campus

Survey Nos. 1266 and 1266/94, Shamirpet (V&M), Medchal, Hyderabad, Telangana - 500101

Phone: +91-40-23490900 | Fax: +91-040-23490999

www.ipeindia.org