

Role of Family Members in the Governance of Their Business

In a non-family business any person involved in the business can be a employee , manager , shareholder (owner) , director or a combination of these roles .However , in family business there can be one more relation and that is he/she can be a family member. This make the tings more complex as these multiple roles usually require different incentive structure.

1.Owner (Shareholders) -

Owners in a family business have many roles and motivating or demotivating factors that leads to conflicting opinions.For example the issue of distribution of the profits of the given year can have different opinions.The owners working in the business may like it to be reinvested in the business for its further expansion .However the non-working owners may like to get dividends .Such a owner would like to get high and regular dividends.

The following are some of the roles that the owner of a family business can have -

1. Owner only
2. Owner and Manager
3. Owner and family member
4. Owner and Employee
5. Owner , Employee and Family Member
6. Owner , family member and manager
7. Owner and Director
8. Owner , family member and Director
9. Owner , family member , Director and manager

2. Managers - Specifically Senior Managers

Most of the time there is always unequal treatment of family and non-family managers .Specifically the top positions are reserved only for family members.This leads to a huge HR issue of attracting and retaining the talent from outside the family.It has to noted that for being successful in business a businessman has to earn two things - 1.Man and 2. Money

The above discrimination can be the first and last mistake that can lead to closure of business in today "Knowledge Economy" setting up a clear and fair employment policy for both family and non-family members can be helpful to a great extent. Such a policy should align the rewards depending upon responsibilities and performance and on the family relations.



3.Directors (BOD)

In most of the family business board membership are reserved only for family members or sometimes to the persons who are very near and trusted by the family members as their well - wishers .Such a practice is generally followed so as to keep the family's control over the future direction of the business .Again there can be conflicting opinions .The decision on distribution of profits can be a case of conflict here also.

4.Family Members

As already discussed family members can have different roles , responsibilities , expectations and motivations for their business. Such a situation leads to conflicts such as unwanted friction in family relations and the worst case being family separation .The biggest concern is about the business information flow , its content and timing .The family members who work in the business have a ready access to all the information while the family members not working are dependent on the working members for such information. Non communication of business information is one of the most common reasons for family conflict and separation .