

What Is Family Business , its Strength and Weakness

Family Business refers to a business entity (Partnership , Corporate Entity etc) where the majority of the voting rights are in the hands of the controlling Family ; including the founder(s) who intend to pass the business to their next generation

There are several studies like that of Denis Leach and John Leahy's article titled "Ownership Structures and Performance of Large British Companies" published in the Economic Journal in 1991 , which shows that family-owned companies outperform the counterparts in terms of sales , profit & other growth measures.

Family Business has the following strengths -

1. Commitment - The family who is the owner of the business shows highest amount of commitment and dedication in seeing that business prospers and gets passed in a good and strong shape to its next generations.
2. Patient Capital - Since the family owners identify themselves with their business hence they are always willing to wait for a long term to get the returns of their efforts. They do not think on a short term profit making lines like those of the investors at the Dalal Street .
3. Knowledge Continuity - Many family business members get involved in their business at a very young age , sometimes even on the dinning table .The elders see it as their responsibility that the knowledge , experience and skill pass on to their next generations.
4. Reliability and Pride -Since the family name is attached with the business hence each member tries to increase the quality of their output and maintain good relations with all the stake holder (customers , suppliers , employees etc)