Togetherness in Indian Family Businesses

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White Paper
February 2014
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Togetherness in Indian Family Businesses

Introduction

Family businesses are known to have unique competitive advantage over professionally managed firms. Habbershon and Williams (1999) suggest that this competitive advantage is derived from the ‘familiness’ of the business – i.e. a bundle of resources that are distinctive to the firm as a result of the owning family’s involvement. The controlling family’s shared beliefs, practices, policies, philosophies and doctrines are crucial family inputs that shape this ‘familiness’ of the firm. It is the higher degree of convergence on these counts, which enhances goal-congruence and trust among family members. Being ‘together’ is thus conventionally considered a tremendous source of strength for the family and the business. However, all across the world, societies have been undergoing changes. For instance, economic liberalization followed by rapid expansion of the middle class and further integration with the global economy have been instrumental to a number of changes in India.

Indian business families have also been influenced by these changes. It is in this context that we started exploring the meaning of family togetherness in the Indian context. Some of the questions we attempted to find answers are the following. What does togetherness actually mean to family business managers? Are there some underlying patterns or constructs of togetherness? Why do business families that claim to be “together” break up easily? Are family members increasingly asserting themselves even at the cost of “togetherness”? Do they mean different things when they say “we are together”? On which issues do they stand apart? How strongly are they together to take the family and the business forward?

In order to seek answers to these pertinent questions on ‘Togetherness’ in family business, the Thomas Schmidheiny Chair of Family Business and Wealth Management at the Indian School of Business has undertaken a two-staged comprehensive research study among family business owners. This paper reports the key findings from this ongoing study.

Transformation of Family Togetherness in India

The concept of family togetherness has changed considerably in the Indian context in the past few decades. India was a largely holistic society in which people lived in large joint families. They shared their roof, wealth, occupation and emotions with all other members of the family. The family was always held together by its trusted stewards who had shared vision, values and traditions. More importantly, individual members subjugated to the larger interests of the family, community and the society. The decision-making power was
generally concentrated in the ‘Kartha’ - the family patriarch. The matriarch/mother operated as the family’s ‘CEO,’ i.e., the chief emotional officer - who ensured emotional bonding among family members. The family unit was primarily jointly held and its wealth, agrarian or other, was considered indivisible. To a great extent, it was a mix of survival and insecurity concerns along with the members’ need for affiliation that led to “togetherness.”

Changes in inheritance laws gave daughters also equal rights to family wealth. Simultaneously, the concept of Hindu Undivided Family (HUF) slowly disappeared. Parents started providing formal and professional education to their daughters. Attractive entrepreneurship/job opportunities made individuals economically self-reliant and socio-economically more mobile. Material aspirations of individual family members grew with strong urge to decide own life style. They sought to be the stewards of the family but wanted to limit that role to their immediate family unit. As a result of this gradual shift, the power and dominance of the ‘kartha’ kept falling.

At the same time, the emotional glue provided by the mother also started losing its influence. The pace of these socio-economic changes increased even further since 1991, when India adopted economic reforms to integrate with global economy. In essence, post-independence India witnessed a gradual shift from ‘collectivism’ to ‘individualism’ in families, business or not. As shown in Figure 1, this change was manifested in a number of ways.

Figure 1. Factors leading to greater individual choice and affecting family togetherness
(Upward arrows denote rising trends and downward arrows denote receding trends)
Importance of Togetherness in Family Business

The term ‘togetherness’ has been used quite often in discussions on family business. Togetherness enables families to pool all their material, emotional and intellectual resources for common cause. It brings unity in the family and helps its members develop shared beliefs and vision. Though togetherness is a family phenomenon, it greatly influences the family business as well. Citing several benefits that strong ties among family members bring to the business, Stewart (2003) stated that these ties are of considerable value to the family firm. Dunn (1995) found that good family relationships, which implied better cohesion among family members, played important role in the success of a family business. Later, Danes et. al. (2002) established through their study that mutual involvement of family members in financial decisions of the business led to more collaborative handling of disagreements too.

Family business researchers lay great importance on the synergies and benefits derived from family members staying and working together. Family ties generate unusual motivation, cement loyalties, and increase trust (Tagiuri & Davis, 1996). Habbershon and Pearson et. al. (2008), mentioned strengths of family ties as an important constituent of ‘familiness.’ Family firms draw strength from mutual trust, intra-familial concern, devotion to others and clan-based collegiality (Eddleston and Kellermanns, 2007), all of which are rooted in family togetherness. Researchers note that togetherness among family managers leads to higher cohesion and shared strategic consensus (Nordqvist, 2005; Zellweger et. al., 2010). Thus, togetherness among family members is not only positive for the family system but also brings tangible and intangible benefits to the business and contributes to its sustainability.

Data and Methodology

This research was conducted to understand various aspects of family togetherness among Indian family businesses. The objective was to know the extent to which familial ties existed in business families and the underlying constructs and patterns that defined them. The research also aimed at studying the issues on which family members stood united or differed.

The research was conducted in two stages. At the initial stage, in-depth discussions on ‘meaning of family togetherness’ were held with 21 participants of an executive education programme on family business. An inventory of insights gained from these discussions was developed.

Based on these insights, at the next stage, a questionnaire was developed to solicit responses to 33 statements related to togetherness. Respondents were asked to rate whether they agreed or disagreed with the given statements on a six-point scale that ranged from
strongly disagree to strongly agree with the sixth point being an abstain option of ‘don't know/not applicable.’ The respondents were also asked to denote the generation that they belonged to and their age.

**Sample Characteristics**

The questionnaire was administered on 300 family business members who were participants of either a family business conference or a family business management programme. We received 276 completed responses which form the basis for this study. The sample was skewed towards youth with 40% respondents under 30 age group (see Figure 2). Another 26% belonged to the 31 – 40 age group. In general, the study reflects the thinking of the relatively younger generation of family businesses of modern India.

![Figure 2. Sample Characteristics – Respondents by Age](image)

More than half of the respondents belonged to the second generation with another 25% belonging to the third generation (see Figure 3). This random sample is reflective of the fact that in India, very few family businesses are old enough to have evolved into fourth or more generations.

![Figure 3. Sample Characteristics – Respondents by Generation](image)
The responses were broadly classified into two categories – i.e., agree (comprising those who responded ‘agree’ or ‘strongly agree’ to a statement) and disagree (comprising those who responded ‘disagree’ or ‘strongly disagree’). Respondents who were not sure whether they agree or disagree with the statement were discarded for the purpose of this analysis.

Three Dimensions of Togetherness

The statistical analysis of survey data revealed three distinct dimensions of togetherness (see Figure 4). Each of these dimensions represented an important facet of togetherness in the context of family business. We found that there are strong familial aspects of togetherness. First, is the emotional bond among family members and respect for family’s culture and tradition. We label this dimension as ‘Familial Togetherness.’ At the next level, there are issues that relate to coming together of family members with regard to business operations. This is where family togetherness pervades into the business domain. Family members come together to make crucial business decisions on strategy and operations. They commonly arrive at mutually accepted norms on sharing responsibilities and rewards.

![Figure 4. Three Dimensions of Togetherness](image)

We term this dimension as ‘Economic and Operational Togetherness.’ The third level of togetherness entails unison among family members on matters of succession, inheritance of family wealth, establishment of new ventures and inducting next generation members in business among other long-term strategic issues. We label this dimension as ‘Trans-Generational Togetherness.’ Family members within this core group can be said
to be together in the truest sense of the word. Each of these dimensions of togetherness is discussed in detail in the following section.

The reducing areas of the concentric circles indicate the relative extent of togetherness we have noticed in the study. While most respondents agree on togetherness related to familial aspects, not so many feel together when it comes to business level togetherness (or economic and operational togetherness). Only a still smaller percentage of them felt together in any significant way when we explored the extent of the same on trans-generational dimensions.

### i. Familial Togetherness

We used the following aspects to study the extent of familial togetherness that existed.

- **Family’s clear and shared beliefs with regard to**
  - i. Commitment to well-being of all family members
  - ii. Supporting other family members in difficulties/crises
  - iii. Ethical standards
  - iv. Guiding youngsters on the right path and right values
  - v. Celebrating festivals/joyous occasions together
  - vi. Maintaining cordial relations among family members
  - vii. Honouring commitments made to each other
  - viii. Norms of mutual respect

- **Efforts to build emotional family bonds right from young days**

- **Clearly articulated and shared family values**

- **Clearly articulated and shared family vision**

The study found that on most of the above counts, family members had a high degree of agreement (see Table 1 in Annexure). Indian business families were found to be strongly together on commitment to well-being of all family members, supporting each other in difficulties or times of crises and had clear ethical standards (Figure 5). These factors are deeply rooted in the Indian culture and were therefore, notably reflected within the family members as well.
Yet another aspect on which family members were found strongly together was the belief in guiding youngsters on the right path and right values. Indian culture has had a tradition of treating one's work as one's duty - for instance, ‘work is worship’ is a common adage. Similarly, family members are taught that they have a responsibility to take care of others in the family and its wealth. Presence of such beliefs is visible in the responses received.

Similarly, Indian families love to come together to celebrate their festivals and joyous occasions like marriages. Sharing of joy is an integral part of Indian tradition, which is rooted in the families and is reflected in this study. Most family members were also found together when it came to maintaining cordial relations among each other (Figure 6).

Family members were found to be in agreement on honouring commitments made to each other and having mutual respect. Specifically, ‘respect towards elders’ and ‘honouring commitments’ are values that are deeply ingrained in Indian culture. In this study, most of the respondents agreed that their families had clear and shared beliefs regarding all of
these. Thus, except a few disagreements, most of the family members were found to be together on these counts.

However, crucial factors like existence of clearly articulated and shared family values and family vision were found to be missing by a significant number of respondents (Figure 7).

![Figure 7. Togetherness on Family Values and Vision](image)

This is surprising, because vision and values are the fundamental building blocks of the family, which are crucial in providing direction to its members. In the absence of shared vision and values, the business families are susceptible to deviations from their objectives.

**Areas of Improvement:**

Based on the findings of this study, family businesses are advised to make the following improvements with regard to familial togetherness –

- Developing and communicating clear and shared family vision emerged as an important gap that families need to work on. A shared vision addresses the aspirations of the family members, provides them motivation to achieve superior goals, keeps them united in purpose and thus, strengthens family togetherness.

- Families also need to evolve a shared set of values that guide the conduct of its members. These values must not only be relevant to the times, but must incorporate all that the business stands for. Values must not only remain on paper but must be communicated to all the family members with actionable examples. Specially, the leaders have to ‘live’ those values, for the younger generation to adopt the same.

- Another area for improvement that came to light was the need for making efforts to build strong emotional bonds among its members right from their young days. Business families are growing apart due to several factors. Yet, families must find ways to strengthen the emotional bonding among siblings and cousins by enhancing psychological proximity. This can be attempted through maintaining and ensuring
regular contacts (for instance, creating a peer-to-peer intra-family telephone network or a social media group that is shared among all siblings and cousins) and family reunions. Conscious efforts like these will help strengthen familial ties among younger members of the business family.

**ii. Economic and Operational Togetherness**

We wanted to find out the extent to which family members actively involved in business experienced several other dimensions of togetherness. The study found that in terms of financial and operational aspects of the business, family members have divergent views.

The 'Economic and Operational Togetherness' dimension is further sub-categorized into two components - (a) B+F zone - comprising issues related to the overlap of business and family domains, and (b) B zone - comprising business issues.

**a. B+F zone is composed of the following aspects that pertain to the overlap of business and family domains -**

i. Clear policies of family business with regard to declaration of income from new sources.

ii. Clear policies of family business with regard to allocation of roles and responsibilities for positions occupied by family members.

iii. Family’s clear and shared beliefs with regard to growing aspirations.

iv. Family’s clear and shared beliefs with regard to frank and open sharing of information, opinions and preferences.

v. Family members have trust in each other’s intentions and integrity.

vi. There are fair arrangements in the family for spending or sharing wealth.

vii. Relations among family members have been cordial and constructive.

viii. Clear policies of family business with regard to determining and rewarding family member’s contribution to business.

ix. Family members don’t feel constrained in their area of responsibility by the undue interference of others in the family.

**b. B-zone is composed of the following business aspects -**

i. Clear policies of family business with regard to running business operations

ii. Clear policies of family business with regard to developing business direction/ strategy
iii. Norms of togetherness adversely affected by increasing geographical spread in business locations

iv. Norms of togetherness adversely affected by increasing business and competitive pressures

v. The family business has been successful in utilizing the opportunities for growth.

vi. The performance of the family business has been good.

Two areas where we found synergy among family members are mutual trust and clarity on operational roles. A large number of family members were found to have trust in the intentions and integrity of other family members (see Table 2 in Annexure); this is indeed essential for smooth business operations. Similarly, a majority of respondents agreed that their business had clear operational policies, perhaps a reflection of realization of the criticality of such policies.

However, lack of clarity on certain key areas was evident from the study. For instance, lack of policies with regard to developing business direction/strategy indicated a critical policy gap. As shown in Figure 8, only 58% of respondents have clear policies for allocation of roles and responsibilities. Reading this with the finding that only 59% of the respondents have clear thoughts on addressing growth aspirations, we can sense some major sources of conflicts in family business. Besides, there is no policy on disclosure of income from other sources.

![Figure 8. Lack of clarity on crucial policies](image-url)
Families do not seem to spend much time discussing and developing clear policies on a number of fronts, as shown in Figure 9. Only a little over half of them agreed that there are clear policies with respect to some of the crucial areas of significance. Lack of clear policies on spending or sharing of wealth and strategy of the business, coupled with lack of open communication, and less than cordial relationship, and the impression (and reality) that the business performance has not been good, provide the fuel for family conflicts.

![Figure 9. Critical gaps in togetherness](image)

Norms of togetherness appeared to be adversely affected by the increasing geographical spread of the business (Figure 10). This may be occurring because the family is often required to be split across geographies in order to maintain tighter operational control over business. Physical distances may also widen the gap in family relationships. Going by the responses received in the study, increasing business and competitive pressures appear to be taking a heavy toll on norms of togetherness in family businesses. This happens essentially for want of policies and processes to take decisions in a systematic manner involving all key stakeholders in appropriate ways.

![Figure 10. Norms of Togetherness Adversely Affected](image)
Many respondents thought that the family business had not been successful enough in utilizing growth opportunities. Many family members were aggrieved about the interference in their work by other family members. Yet another cause of disagreement was the lack of a systematic reward structure for family members’ contribution to business. Traditionally, some family businesses reward seniors or elder siblings higher than other members while some other businesses believe in providing equal reward to all. In one way or the other disagreements creep in, if age or equality and not effort or productivity is made as the criterion for rewards. All of these point towards the non-professional ways in which many family businesses have been generally managed.

In sum, contrasting with familial togetherness, wider disagreements were noted among family members on several aspects of economic and operational togetherness.

**Areas of Improvement:**
Family businesses appear to be faltering at the very fundamentals of managing a business, when a large number of respondents say that their businesses do not have clear policies for business operations. The following improvements are suggested to strengthen their economic and operational togetherness.

- Family firms need to develop and implement the basic policies that ensure smooth business operations. Family firms need to establish a mechanism for developing sound business strategies that ensure long-term sustainability of the business.

- Trust and integrity need to be further nurtured among family members. Instead of leaving this to individuals, family businesses will be better served if they establish appropriate systems and policies. Adherence to these will cultivate trust among family members.

- Indian family businesses need to formulate, communicate and ensure adherence to clearly defined policies with regard to allocation of roles and responsibilities of all executives, including family members. Role clarity will improve focus and productivity on one hand and reduce frictions and conflicts on the other. While defining these roles and responsibilities, family businesses should also consider and address the growth aspirations of family members.

- Family businesses also need to improve transparency on financial matters, such as, disclosure of incomes from new sources and arrangements for spending and sharing wealth among family members. This will bring clarity on the magnitude of cash inflows and outflows in both the business and the family. This will also help in prioritizing and adequately addressing the financial needs of individual family members and collective expenditures such as creation of fixed assets or funding a major occasion that demands large amount of money. Clear set of policies in this
domain will ensure transparency and fair treatment with all family members, thereby minimizing conflicts.

- Family firms need to shift towards an open atmosphere of exchange of information, ideas and sharing of opinions and preferences among family members. Instead of following the traditional ways of sweeping conflicts and difficult issues under the rug, it would be better to evolve into an organization with a culture of openness.

- Growing aspirations of family members, especially the next generation members must be tracked and they must be groomed for suitable positions in business. They must be properly guided and mentored by senior family members or experts.

- Family businesses must develop a clear and fair reward structure for all family members occupying positions in the business. This must be based on the principle of equity and fairness rather than being driven by age or family hierarchy.

- Despite increasing geographical spread and pressures of business and competition, family leaders must ensure that opportunities or events are created to increase interaction among family members that will strengthen family ties. When developing business teams, next generation members who bring complementarity, must be brought together to work in unison.

- Family businesses would immensely benefit if they adopt the principle of 'loose-coupling' in managing family and business. Individual family members must be given ample individual space and freedom to take operational or tactical decisions while at the same time ensuring that these decisions are in sync with the policy-defined larger strategic objectives. This will ensure that even if minor shocks occur, the 'train' remains on the 'track'.

### iii. Trans-Generational Togetherness

Degree of togetherness further weakens when it comes to matters of succession, wealth distribution and retirement and estate planning (see Table 3 in Annexure). As these issues transcend to the issues that affect the next generations and the future of the family business, we call this level of togetherness as 'trans-generational togetherness.' This is the core of togetherness that decides the future continuity of family business. We explored ‘Trans-Generational Togetherness’ on the following aspects.

#### a. Clear policies of family business with regard to –

1. Entry of family members into business.
2. Ownership and transfer issues
iii. Starting new ventures  
iv. Retirement of family members  

b. **Norms of togetherness NOT adversely affected by** –  

i. Induction of newer members into the business  
ii. Movement to nuclear families  
iii. Increasing aspirations and availability of business opportunities  

There were disagreements among family members on whether the family businesses had clear policies for entry of family members in business. Traditionally, families have treated their businesses as the ‘parking place for the careers of their members; as a consequence, most of them do not have clearly defined policies in this regard.  

Less than half of the respondents agreed that there were shared family beliefs with regard to ownership and transfer issues (Figure 11). This does not bode well for the future of the family business. Family members also lacked wide agreement on whether the family business had clear policies on starting new ventures. This would imply that there are no systematic policies or process of how to identify, select and fund the venture. The same is reflected in the findings of the study.

![Figure 11. Togetherness on issues of Ownership and New ventures](image)

A large number of respondents opine that entry of newer family members in business does affect the norms of togetherness (Figure 12). Movement towards nuclear families, mostly for want of individual space for family members, also appears to have adversely affected the norms of family togetherness. Increasing aspirations of family members and availability of business opportunities make venturing out on their own an attractive alternative career option for family members. This is also taking families further apart as members no longer have to be dependent on ancestral family resources.
The senior generation appears to have a major problem with ‘let-go’ of control over business. The next generation that wishes to operate business in their own ways, often dislikes ‘interference’ of a ‘never retiring’ family business leader. More so, the family members further down the hierarchy are confused about the direction that the business may take in future, and whose word should they follow. This sort of situation thus adversely affects family togetherness.

**Areas of Improvement:**
Family businesses will help themselves in strengthening family togetherness if they adopt a planned shift from ad-hoc to policy-driven decision-making for long-term strategy in both business and family domains. The following improvements are suggested to family businesses to strengthen the trans-generational togetherness.

- Family businesses must formulate policies regarding the entry of family members in business. Such policies must clearly spell out the eligibility criteria, their terms of engagement and roles and responsibilities. Clarity on these matters will make the process transparent and fair, which will minimize internal struggles in the family.

- New ventures must be planned for eligible next generation members by the time they are ready to take plunge. The ventures must be aligned to their interests and aspirations. A process-driven mentoring system must be established to guide them in setting up and growing those ventures.

- Family business leaders need to realize the right time to step aside for the next generation members to take over the business. Family business may formulate a formal policy for retirement, line of succession and transfer of ownership. This will ensure that next generation members have a clear understanding of who will step aside.
and who will take charge, when would the leadership change take place and how will that affect ownership. This will do away with ambiguities, minimize fissures between family members and bring them together.

**Conclusion: Togetherness - A Phenomenon in Transition**

**From a Thick Periphery to a Leaner Core**

The study found that the concept of togetherness in Indian family businesses is in a state of flux. Togetherness is not a monolithic concept, but an intricate mix comprised of several layers and dimensions. On the surface, togetherness might appear to be all pervasive and uniformly shared by all family members but when probed deeper down, there are clear signs of fissures. Most family members mutually and zestfully share the harmony in celebrations, bonhomie and empathy towards each other. The familial togetherness is thus, most commonly and widely shared among family members.

Coming to the financial and business operations aspects, togetherness is mainly shared among those family members who are actively involved in business. Also, when transcending to the business domain, the degree of togetherness does not remain that strong as lesser number of family members found themselves together on business issues. More interestingly, even within the economic and operational togetherness, family members are closer on operational issues compared to more strategic or financial matters where signs of friction are evident. Much of it has to do with the lack of policies, systems and processes that allow ambiguities to creep in, which then lead to confusion, deviations and conflicts. Lack of role clarity, undefined boundaries of family and business activities, indeterminate ways for sharing of rewards and wealth and absence of open channels of communication and transparency are all factors that adversely affect togetherness in Indian family businesses.

At the next level of ‘trans-generational togetherness’ - comprising issues such as sharing wealth, succession, inheritance and new ventures, we found strong divergence of views among family members. There appears a wide gap between their opinions, which are often left un-reconciled. In matters of succession, inclusion of newer family members in business or retirement of older members, family members are often seen without any clarity or consensus. These issues highlight the weakness of Indian family businesses in evolving a shared future vision and strategy to take the business forward.

Thus, traversing from the outermost circle of togetherness in the above figure to the inner core, we found that less and less family members remain together in the manner in which they perceive and pursue the respective issues of both the family and the business.
The initial step towards a corrective measure is to recognize these problem areas and then proactively deal with them. Establishing platforms for an open dialogue among family members on these contentious issues will bring different perspectives on the table. The family can then work on to develop policy frameworks to deal with such matters in a systematic manner. The family can then take an informed decision and choose the best alternative that ensures fairness and welfare.
References


### Annexure

#### Table 1. Familial Togetherness

<table>
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<tr>
<th>Item</th>
<th>Agree</th>
<th>Disagree</th>
</tr>
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<tr>
<td>Commitment to well-being of all family members</td>
<td>91%</td>
<td>3%</td>
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<tr>
<td>Supporting other family members in difficulties/ crises</td>
<td>86%</td>
<td>1%</td>
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<td>Clear Ethical standards</td>
<td>83%</td>
<td>3%</td>
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<tr>
<td>Guiding youngsters on the right path and right values</td>
<td>83%</td>
<td>3%</td>
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<tr>
<td>Celebrating festivals/joyous occasions together</td>
<td>80%</td>
<td>3%</td>
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<td>Maintaining cordial relations among family members</td>
<td>80%</td>
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<td>Honouring commitments made to each other</td>
<td>78%</td>
<td>3%</td>
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<td>Norms of mutual respect</td>
<td>76%</td>
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<td>Efforts to build emotional family bonds right from young days</td>
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<td>Clearly articulated and shared family values</td>
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#### Table 2. Economic & Operational Togetherness

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<td>Family members trust each other’s intentions and integrity</td>
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<td>Family Business has clear policies for business operations</td>
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<td>There are fair arrangements in the family for spending or sharing wealth.</td>
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<td>Family Business has clear policies for developing business direction/ strategy</td>
<td>56%</td>
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<td>The performance of the family business has been good</td>
<td>54%</td>
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<td>Frank and open sharing of information, opinions and preferences</td>
<td>53%</td>
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<td>Relations among family members have been cordial and constructive.</td>
<td>53%</td>
<td>16%</td>
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<td>The family business has been successful in utilizing the opportunities for growth.</td>
<td>48%</td>
<td>21%</td>
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<td>Family members don’t feel constrained by undue interference of others in the family.</td>
<td>46%</td>
<td>15%</td>
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<td>Family Business has clear policies for determining and rewarding family member’s contribution to business</td>
<td>45%</td>
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<td>Norms of togetherness adversely affected by increasing business and competitive pressures</td>
<td>43%</td>
<td>31%</td>
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<td>Norms of togetherness adversely affected by increasing geographical spread in business locations</td>
<td>41%</td>
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#### Table 3. Trans-Generational Togetherness

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<td>Family has clear and shared beliefs with regard to ownership and transfer issues</td>
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<td>Norms of togetherness adversely affected by increasing aspirations and availability of business opportunities</td>
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<td>28%</td>
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<td>24%</td>
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<tr>
<td>Norms of togetherness adversely affected by induction of new members into business</td>
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<td>39%</td>
</tr>
<tr>
<td>Family Business has clear policies for retirement of family members</td>
<td>27%</td>
<td>38%</td>
</tr>
</tbody>
</table>