

## **Stages In Family Business**

### **Stage 1 : The Entrepreneur(s)**

In this stage the ownership and management of the business is in the hands of the entrepreneur(s) himself .He takes advice from a number outside advisors but still major decisions are taken by himself .There are limited corporate governance issues .The biggest challenge of the entrepreneur(s) is to plan for succession if they want the venture to continue.

### **Stage 2: The Second Generation - Sibling Partnership**

This is a stage where the children of the entrepreneur(s) might have joined the business and the entrepreneur(s) will also be there in in business. In this stage the corporate governance issue becomes more complex. The most important issues to be taken care are -

1. Harmony between the family members
2. Smart and Timely Communication between the family members
3. Standardising the business process etc by having good SOP's
4. Listing down the criteria for key management positions

### **Stage 3: The Third Generation - Family Dynasty**

This is a complex web of family including in-laws , siblings , cousins etc. There will be differences in ideas about what should the business do , how should it do it etc due to difference in generations and difference in family branches. The biggest risk is that the conflicts existing in the Stage 2 might not only continue but might also be more difficult to be solved. This is stage where not only corporate governance issue will be complex but also family governance issue would be complex. The most important issues to be taken care are -

1. Ownership structure
2. Family Member Employment
3. Shareholding liquidity
4. Dividend Policy
5. Family Conflict Solving Policy etc