

DEPARTMENT OF BUSINESS ADMINISTRATION

VI-SEMESTER

ENTREPRENEURIAL DEVELOPMENT

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UNCOVERED TOPICS

Advantages and Disadvantages of Family Business

Industrial Estates

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FAMILY BUSINESS

MEANING:

A family business is a commercial organization in which decision-making is influenced by multiple generations of a family, related by blood or by marriage or by adoption who has both the ability to influence the vision of the business and the willingness to use this ability to pursue distinctive goals.

Family businesses still thrive in today's competitive economy. As most successful family businesses are not only well-founded but also well-run.

Advantages :

Knowing the following advantages of being in a family-owned and -run firm can help business owners maximise each one of their family-owned businesses:

- Commitment and unified leadership
- Stability
- Trust and authenticity
- Flexibility and versatility
- Vision and long-term goals
- Decrease costs and expenditures
- Next-generation ingenuity

1. Commitment and unified leadership:

- It is natural that all family members demonstrate and share a level of commitment to the firm since the core of any family business is a shared business vision and identity. That dedication is hard to find, much less replicate, in any other non-family business organisation. Because the family firm's vision is as consistent as it is cohesive, it opens more opportunities for business development and the business' continued success.
- It also results in a more unified leadership and promotes solidarity in and among all the family members running the firm. This can be seen as a sense

of loyalty is imbued down to the organisation's other staff members and/or employees.

- If there are disagreements between family members, a family-owned and -run by business has the unique advantage of getting things done, resolving conflict, and towards realising a common goal without the burden of office politics.

2. Stability

- Family-owned and -run businesses can achieve, maintain, and elevate a sense of business stability in its leadership and overall organisational structure and culture.
- Family positions and seniority can determine and define the organisation's leadership, making way for leadership longevity. Well-founded policies are delivered better if there is an overall stability to the organisation.

3. Trust and authenticity:

- Essential to all business organisations, trust is a unique and very evident in most successful family-owned and -run firms.
- Because trust is a given, With inherent trust among family members, the business's leadership can talk, discuss, and disagree more openly and freely.
- As the business's leadership employs a greater sense of trust, staff members/employees are allowed to enjoy a freer space for authenticity that can result in brilliant business ideas.
- When effectively harnessed, authenticity and the culture of trust can make way for professional growth and the firm's overall development

4. Flexibility and versatility:

- Most often, the firm's leadership that is comprised of members of the same family or clan are willing to take on several different roles and workloads simultaneously to make sure the company succeeds.
- Because of this flexibility and willingness to give more than what is expected, it drives continued success, enrichment and a better understanding of the industry includes the job or jobs that are to be done, the employees

under the firm, the customers targeted, as well as the present reality and future endeavours of the whole organisation.

- This understanding can help family members formulate better ideas for the creation/development of products and services that the company offers to its customers.

5. Vision and long-term goals:

- Family-owned and -run businesses place importance on hitting business goals and the overall company vision in a long-term period rather than a short-term period.
- This long-term perspective, when properly moulded and intelligently utilised, allows for creative decision-making and strategy development.
- The pressure is not to come up with reports and strategies for investors every quarter.
- Rather the focus is to utilise resources to projects that are perceived to not only benefit the family-owned and -run company in the present all the way into the future.

6. Decrease costs and expenditures:

- Family members are willing to contribute their own financial resources when starting new sub-ventures for the business organisation or when there are financial difficulties.
- This decreases costs and expenditures while strengthening financial capability for the business.
- This desire to make sure long-term success is inherent as part-owners.

7. Next-generation ingenuity:

- A family business can include the next generation of members in the business' leadership and work- and knowledge-force, increasing competitive edge over other non-family firms and gaining access to their youth.
- Family businesses have a convenient and fast transition of leadership within generations of the same family or clan.
- This convenience in transition could, in turn, maintain long-term business policies that are already in place or complete those goals successfully.

DISADVANTAGES:

1. Family Can Be Distracting:

- Petty family disagreements can pull your focus away from running your business.
- It could be harder to concentrate on the details that matter, such as what your customers want or how to improve your products or services when you run a family business.

2. Hard to Separate Work and Home

- When you work closely with your family, you may find you bring work home and then take family issues to work with you.
- If you are having any kind of disagreement with your spouse or family it can bleed over into your business and drive customers away.
- Additionally, some people need the separation of work from family.

3. Your Business Could Be More Vulnerable

- In the event of a divorce, if your spouse works in your business, you could end losing all or part of it during the divorce proceedings.
- Of course, there are ways to protect yourself and your business.
- However, you should consider carefully all of the complications that could arise from running a family business before you involve them in business dealings.

4. They May Break the Rules

- One of the risks you take in hiring family members in your business is that they may break the rules and think it is ok.
- It's possible they might not be doing it consciously.
- Or, they might do it knowing that since they are family you are less likely to fire them.
- Either way they take advantage of the fact that they aren't just employees but also family and have special rights other employees don't have.

5. It may Cause Hard Feeling with Other Staff

- There needs to be consequences when family members break the rules.
- If not, other staff members could begin to build up resentment.
- Promotions and raises should be documented and deserved.
- Infractions should be dealt with just as fairly and swiftly as with other employees.

6. Lack Skills for the Position

- You may feel you must hire family member to work in the business even if they do not have the right skill set for the job.
- In direct contract to saving your business some money by hiring family this will cost your business both time and money.
- It could even spell disaster for your family run business and run it into eventual ruin.

7. Too Many Chiefs

- If your family run business does not clearly define who is in-charge it could spell disaster.
- When everyone feels they have equal footing and you have too many bosses and opinions, how do other staff members know who to listen to? What if two different bosses give two different, directly oppositional sets of instructions to another non-family employee? These issues must be ironed out if the family business is to be run successfully.

8. Negative Feedback Not Taken Well

- If you have to give out a criticism or correction to a family member it can cause strife in the workplace of a family run business.
- Negative job performance feedback can be taken too personally.
- That could impact the entire family unit since everyone already shares such close emotional ties.
- In addition, feedback could be dishonest if the family member sharing it is trying not to hurt the receiver's feelings.

9. Promotions May Be Hard to Get

- Sometimes when you own and run a family business you tend to be harder on your family members than other staff.
- This could cause you to be less likely to give out promotions to family member and more likely to pass them over in favor of other employees.

10.Stale Ideas

- Agreeing is great, but when you really need a fresh perspective it can be harder to get when you work closely with family.
- Because you are all family, you may be more like to think alike or not speak up for fear of offending someone.
- Having some employees who are not family members and listening to their input can help.
- You can run a family owned business, but keep in mind the pros and cons of running a family business before you decide to make it a reality.

Industrial Estates

MEANING:

An industrial estate is a place where necessary infrastructural facilities are made available to entrepreneurs. Industrial parks, industrial zone, industrial area, industrial township are some of the other terms used to denote industrial estates.

- Industrial Estate is one, which consists of well-constructed factories that are offered to entrepreneur for establishing an enterprise.
- It is normally established in the industrially backward areas so as to minimize the regional imbalances.
- It provides all infrastructural facilities such as power, transport, water and lighting at a reasonable cost.
- The main objective of establishing Industrial estates is to attract industries to industrially backward areas, which will make the country a regionally well-balanced one.

DEFINITION OF P.C. ALEXANDER

According to P.C. Alexander,

an industrial estate is a group of factories constructed on an economic scale in suitable sites with facilities of water, transport, electricity, steam, banks, post office, canteen, watch and ward, first aid and provided with special arrangements for technical guidance and common service facilities.

DEFINITION OF UNITED NATIONS:

The United Nations has defined an industrial estate as

“a planned cluster of industrial enterprises offering standard factory buildings erected in advance of demand and variety of services and facilities to the occupants”.

HOW ARE INDUSTRIAL ESTATES SET UP?

- The area normally required for an industrial estate ranges from 15 to 60 acres. Industrial estates are owned, established, controlled and managed by the Government.
- The Government itself acquires the land, develops it, constructs roads and buildings of different sizes.
- It also makes arrangement for the supply of electricity and water and other facilities.
- Factory sheds are generally allotted to the small entrepreneurs on hire purchase basis.
- For items like heat treatment, electric furnaces etc., the common service workshops are set by the Government because small units cannot afford to do these types of services on their own.
- The industrial enterprises set up in these estates are also entitled to various incentives granted by the Government either directly or through some financial institutions.
- To sum, up, all these facilities provide a congenial atmosphere for quick and steady growth of Small Scale Industries.

OBJECTIVES OF INDUSTRIAL ESTATES

The principal objectives as pointed out by Prof P.C. Alexander are:

1. To minimize congestion of industries in the cities.
2. To disperse industries in different regions in order to eliminate regional imbalances.
3. To encourage small entrepreneurs to establish their industries in specified areas by offering various incentives and other facilities.
4. To create a favorable atmosphere for the healthy growth of SSI.
5. To accelerate employment opportunities.

MERITS OF INDUSTRIAL ESTATES

1. PROVISION OF PREMISES AND AMENITIES AT A REASONABLE COST:

- Industrial estate provides premises i.e. Land and Factory Shed for the establishment of a new industrial undertaking and also other amenities such as power, water, transport etc. at a reasonable, cost.
- Hence the entrepreneur is able to produce goods at cheaper costs.

2. AVAILABILITY OF SERVICE CENTERS:

- As each and every SSI unit established in an industrial estate cannot afford to have their own service centers, the industrial estate itself provides for a repair shop, a testing laboratory etc. for the common benefit of all SSI units situated there.

3. MINIMUM INITIAL CAPITAL:

- Since reasonable sheds are offered to the industrialists either on hire purchase basis or on rental basis, they need not spend a huge amount initially for the construction of the factory building etc.
- Thus the initial capital investment is less.

4. AVOIDANCE OF UNNECESSARY DELAYS:

- While starting an industrial unit an entrepreneur is required to comply with various rules and regulations regarding the location of factory sheds and obtaining infrastructural facilities.
- But if an entrepreneur obtains a ready-made premises in an industrial estate, he need not worry about all these things as they are constructed by the Government itself by taking into consideration all these formalities well in advance.
- Hence the unnecessary delay is avoided.

5. CORDIAL RELATIONSHIP BETWEEN THE INDUSTRIALISTS:

- A rapid growth of the industrial units is made possible by fostering complementary relationship among them.
- For instance, some units may obtain raw materials and semi-finished goods as inputs from other units in the same estate or offer a part of the production to the ancillary units in the same area.