2

Shifting Ties of Family Businesses: The Surgical Instrument Cluster of Sialkot, Pakistan

Khalid Nadvi

This paper draws on the case of the export-oriented surgical instrument cluster of Sialkot in Pakistan. It shows how social networks, particularly family ties and local identities, influence production relations, and how the impact of these social networks change over time. The economic and social reputation that comes from being local is central to vertical and horizontal inter-firm relations within the cluster. Building social and economic ties with external agents is, however, also important, especially to acquire the technical know-how necessary to remain competitive in global markets.

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3

Communal Business Families in India, 1850-1947: Three Patterns in the Emergence of Indigenous Industrialists

Gijsbert Oonk

This paper describes three different patterns in the emergence of Indian business families in large-scale industries in India in the period 1850-1947[1]. These families invested in new industrial ventures and they were largely responsible for the day-to-day management of their factories. In the first pattern, from the 1930s in Calcutta, the Marwaris successfully entered the jute industry , despite the hostile attitudes of the British who originally dominated it. In the second pattern, initially encouraged by the British, Parsis started the Bombay cotton textile industry and became major competitors for the industry in the UK. In the third pattern, a Hindu from a non-business family was the first to set up a cotton textile plant in Ahmedabad.

These patterns differ in the importance attributed to different factors: (1) the colonial attitude towards indigenous business, especially the transformation towards large-scale industrialisation; (2) the religious, occupational and regional background of industrialists-to-be; and (3) whether or not they belonged to a 'minority' group.

4

Diversification Model of Family Business Group Growth in Bangladesh

Mahfuzul Haque and M Kabir Hassan

This study focuses on a family controlled firm "Beximco Group", which has grown to become the leading business organization in Bangladesh. In this study, we look at the gains obtained via diversification in a setting that is completely different from the Western world. Devoid of all the institutional facilities and features that the West offers in the corporate world, we find that diversification leads towards growth and value creation in Bangladesh. Using accounting and market information from Audited Financial Statements from 1983-1995 and the IFC's EMDB data, we document that Beximco Group has made significant progress towards the path of growth and value creation. The findings support the hypothesis of growth through diversification. This result is consistent with that of Khanna and Palepu (1997) who observe similar findings for emerging market economies such as Chile and India. Diversification played a leading role for the rise in prominence for the group in Bangladesh.

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5

Family Business in Indonesia – Competitive Advantage in *Merantau*

Brian L Connelly

A broad variety of "family" business models have surfaced around the world, some more successful than others (Sharma, 2004). The focus of this research is upon one such model,* merantau*, which is one of the most dominant modes in Indonesia whereby firms come into existence.* Merantau, *roughly translated as "going abroad in search of wealth," is a system of traditions whereby young people leave their ancestral homeland to seek new business opportunities. It is particular to the Minangkabau of West Sumatra, which constitutes the fourth largest ethnic group in Indonesia and the largest matrilineal society in the world. I first consider how "family" is understood in the context of* merantau *and then examine the elements of* merantau *that are pertinent to gaining and sustaining competitive advantage. This analysis allows for the development of specific postulates about how family businesses founded under* merantau *are likely to fare in the face of a rapidly changing environment.

6

Family Business in Thailand: Ownership Structure and Stock Market

Natenapha Wailerdsak

This article examines the dynamics of business groups in Thailand, where nearly all are engaged in family businesses. The analysis focuses on the development of ownership structure and relationship with Thai stock market. The findings indicate that major family businesses have already listed their core firms on the Stock Exchange of Thailand for fund-raising. Although they became public companies, owner families are still able to have control over these companies and business groups by means of stock pyramids and cross-shareholding. They have strongly sustained the "kongsii" management system, which is the source of wealth sharing among family members in Chinese-Thai culture. The concentrated ownership and the underdevelopment of capital markets remain key issues undermining the future development of Thai family business.

7

Sahaf Model of Family Business – Sohaff Shawls (Pakistan)

Arif Iqbal Rana

The family traditions in the Sahaf heritage in Pakistan resulted in a system of fixing the percentage of equity and profits for each family partner in the business. As all family members worked together, some went an extra mile and reinvested most of their profits in the company. Others had a different priority, so put a more limited effort, extracted a greater share of the profits from the company, and reinvested those profits into their own independent businesses. Inadvertently, there were conflicts among the family members on issues related to the family business, resulting in a break up of the family business in each successive generation. More problematically, the relations among the members became sour for good. Some family members tried to be as accommodative as possible, and were concerned if they are not being respectful to the family traditions. Are there any alternatives available for resolving this predicament, that appeared to recur with each generation.

8

Trust Model of Family Business Professionalization and Growth in Pakistan

Wasif M Khan

This longitudinal study examined the role of trust in the growth of three family firms in a low trust society, where such firms find it difficult to grow into the corporate form. The study viewed trust as a dynamic factor as it formed, strengthened, declined, and dissolved. Theoretical foundations were based on the literature of trust and social capital and work on professionalization of family firms. It used an integrative model to study how trust is generated and where it is targeted. A dominant role was found for relational trust in dyadic risky exchanges between family top management and professional managers. This trust was critical for the firms to launch innovative growth strategies. Sustaining trust amid growing complexity can be a formidable challenge as competence is tested, and the mechanisms that were important in initial trust formation became impractical.

9

Kartha-Based Undivided Family Model – The Murugappa Group, India

John L Ward and Carol Zsolnay

For at least five generations, members of the extended Murugappa family were successful in developing and leading important businesses in India. In 1990, with the opening up of the Indian economy, the family felt it advantageous to become a group in a more formal way, and officially constituted a Murugappa Corporate Board (MCB), composed of family members.

In September 1999 ownership and operational management of the companies were separated for the very first time. CEO leadership of the seven individual companies switched from family members to professional nonfamily managers, all promoted from within. Each full-time MCB family board member was assigned three broad strategic tasks for the Group: a functional responsibility across all business units, a mentoring role to the CEO and board of one or more companies he had not led before, and a role as adviser/guide to younger family members working for the Murugappa Group.

10

Successor's Dilemma in an Indian Family Firm

Christine Blondel, Ludo Van der Heyden,
Niraj and Thomas

This is a story of two cousins who were successors to a South Asian family business. Shravan was 38 and had spent all his professional life with the company, managing operations. He had wished to pursue a PhD in mechanical engineering in the UK but had been asked to join the family firm.

Niraj was 24 and had little business experience – one year in a chip design company in the US after his Master's degree in electrical engineering from the University of Maryland and an MBA at INSEAD in France.

Niraj sought to apply the principles learnt during the MBA education into the family business, but Shravan was bitter because he felt Niraj knew little about the business. Would they be able to work together as a team in the interest of the family and of the family business?

11

Immigrant Dilemma for Family Business Succession: Gujarati Community in the UK

Mike Wright, Darshan Bachkaniwala and Monder Ram

This paper investigates the succession process through a qualitative study of five ethnic minority firms owned by South Asian families in the UK. The focus is on illuminating the manner in which succession is handled and assessing the options available to firms undergoing such a transition. Importantly, the paper provides evidence from the perspective of both business founders and their offspring. The research develops existing models to identify the issues relevant to succession in these businesses, in terms of internal and external factors and the relative importance of different succession options such as trade sale and management buy-out/buy-in within or outside the co-ethnic network that have previously been neglected. We begin by developing a framework to analyse the succession process in ethnic minority family businesses.