(Un)Settling into Family Owned Businesses in India:

Finding the Cultural Equilibrium

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INTRODUCTION

Family owned businesses (FOBs) constitute the overwhelming majority of business organisations, not only in a country like India but also worldwide. FOBs represent the predominant form of business organisation in the world (Lopez-de-Silanes, LaPorta, & Shleifer, 1999). As Gurumurthy (2010) has noted, FOBs comprise a very large and significant portion of the Indian economy. According to him, 'approximately 95 per cent of all registered firms and 100 per cent of some 42 million unregistered business units in India are family-owned businesses. They generate over 70 per cent of the market capitalization, 75 per cent of the GDP and 57 per cent employment in the country.' This phenomenon of the primacy of families in business is not limited to India. Family businesses generate more than 70 per cent of the world's GDP and employment.

These heterogeneous and complex enterprises offer a challenging array of issues to study and are beginning to receive substantial scholarly attention. As Indian FOBs move beyond first generation entrepreneurship, the original creator of the business has to face multiple and myriad new challenges, like those related to managing growth and tackling intense competition. Only those FOBs that are suitably organised can survive such challenges. To counter these challenges and professionalise its operations, it often becomes imperative for the FOB to hire external talent (Penrose, 1959). Such an infusion of managerial talent, especially at senior levels, though necessary, is also fraught with risks because of the different worlds of family business management and standard management practices in manager-oriented organisations. This paradox provides me with a research agenda that I pursue in this study, particularly in the context of large Indian family businesses with professional managers to provide leadership.

With the above conundrum in mind, a family business can be defined as 'a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families' (Chua, Chrisman & Sharma, 1999: 25). This definition is relevant to the given purpose, since it allows me to take a longitudinal perspective and to include as family businesses both those businesses that are managed by a family member and those managed by an outsider, as long as ownership rights reside with the family concerned. In the Indian context, FOBs are run almost as fiefdoms whose underlying responsibility is to take care of the owner's interests and his family's needs for generations. It's strange that in the USA today the ethnic community of Indians is the wealthiest; a primary reason is our adaptability and savings orientation.

Through a series of in-depth interviews with various stakeholders involved in hiring and the subsequent acculturation process in an FOB, keeping individual hiring cases as the unit of analysis, I aim to unravel the factors and mechanisms that explain the success or otherwise of the senior management hired externally in an FOB. The focus of the paper will be to explore the factors that explain the 'cultural fit' of senior external talent hired in an Indian FOB. Culture is commonly described as 'the way we do things around here' and in an FOB, a family's unique way of interacting within the family and with the larger world shapes the culture of the business for generations to come. This culture is like an unknown, pre-formatted response mechanism always ready to spring up in situations of love or war: unwritten and invisible at a tangible level yet always present at an experiential level. In fact, the culture of almost any organisation can be traced back to the founder's values, which are generally handed down through the generations in a way that ensures continued success. This is especially true in an FOB where the culture is the primary unseen driver of the success of the business and ultimately even of the family. Given the primacy of culture in an FOB, I would like to enquire into the underlying processes that aid in understanding the culture from the perspective of various stakeholders involved in external recruitment at senior levels. I contend that the better the understanding of culture, the better the hiring process that selects a culturally-fit person for the organisation.

PERSONAL REFLECTIONS

I would first start with an analogy to which I was exposed when I was a child. One of my cousins who wanted to get married was searching for his bride by meeting prospective partners. He had just returned from abroad with an MBA degree and had joined an MNC that paid him well. He was on what is proverbially called his 'high horse' and his wish list with respect to the qualities of his prospective bride was rather exhaustive and practically impossible to satisfy. He continued his meetings perched atop his high horse, but even after substantial search, he remained undecided – and so my maternal grandfather advised him to go to a place in Calcutta, West Bengal called Kumartuli where clay idols are made for worship. He said that he should go to the idol maker and ask him to make a bride who fits his specifications. Seeing the shocked and embarrassed face of the young lad, our grandfather smiled and said that in this real world, there in no one who is perfect – so either one has to accept a partner who is the 'best fit' or marry a clay idol and continue inhabiting a fantasy world. I would further elaborate that most such best-fit marriages were between families of the same caste or with a similar cultural background and generally their success rate was much higher than the average in terms of longevity. The relative happiness of the couples is something that can be researched, but cultural compatibility ensured almost no divorce and permanent partners for life in earlier generations. Here for the sake of better understanding a professional CEO/SBU head could consider the relationship similar to 'a father handing over his daughter to a son-in-law chosen by him'. In the Indian context, the son-in-law will be treated with a lot of respect, love and care in the hope that he will act with all those virtues towards the daughter. That the five fingers of a hand can never be the same and each one is unique has been quite well ingrained in most Indians. *Ahimsa*, or non-violence, was a virtue that Mahatma Gandhi displayed in his struggle against the British Raj in India. His famous three monkeys that 'see no evil, hear no evil and speak no evil' so aptly fits into the Indian way of life. *Ahimsa* is an essential part of Indian religions like Jainism, Buddhism and Hindusim.

We also have the concept of the Hindu Undivided Family (HUF) with a *karta* running it. An HUF consists of the common ancestor and all his lineal male descendants, together with the wife/wives (or widows) and unmarried daughters of thecommon ancestor and of the lineal male descendants. This still is a fundamental aspect of the life of Hindus. A coparcenary is a narrow body of persons within a joint family. It exclusively consists of male members. A Hindu coparcenary is a corporate entity, though not incorporated. A coparcenary consists of four successive generations including the last male holder of the property. The last male holder of the property is the most senior member of the family. In the entire HUF, the *karta* or manager (the English word manager is wholly inadequate in understanding his unique position) occupies a very important position. The *karta* is the eldest male member of the family. He is the Hindu patriarch. Only a coparcener can become a *karta*. So unique is his position that there is no office or institution in any other system of the world that can be compared with it. His position is *sui generis*, i.e. of his own making or peculiar to himself. Peculiarity lies in the fact that in terms of his share/interest, the *karta* is not superior and has no superior interests in the coparcenary. If partition takes place he is entitled to take his share. He is a person with limited but vast powers. His position is recognised/conferred by law. No stranger can ever become a *karta*, but an adopted son who is the eldest in the family can become qualified.

The Marwari community from Rajasthan is the business clan that is most dispersed across India. They have a unique entrepreneurial spirit that allows them to sniff out opportunity, fight adversity, stay focused on business profits and survive in the most unthinkable situations. These seths or banias exist all over the country and have a background in money-lending, as one of their primary businesses. A strong trading orientation and community support system integrates friends and relatives, making them part of the larger business cycle. Many Marwari businessmen have become educated and forward-looking, running large industries globally.

The concept of the HUF signifies 'the strong we and us together' from a family standpoint. Families have trusts and other resources that support members during bad times. These change the focus to a more self-oriented approach: 'what's in it for me?' As this is contrary to the joint family ethos, a divide is widening.

Cousins no longer grow up together, being taught the importance of money, control and smartness. The ‘care and share’ approach is expected from them by their parents and immediate family, yet it is not a priority. Earlier, there was social pressure – the environment would force you adopt some part of this approach with or without a desire to do so. Now people think, ‘I am my own boss and will do what suits me’. Historically, it’s known that wealth and power cause the strongest to fall, but wisdom can lead to good overall health: a balance of wealth, power and knowledge and the ability to enjoy them.

In some situations, the concept of the *karta* has been used to describe people who are local bosses in a store, region, factory or overseas territories. Here the basic understanding is based on mutual trust and fairness. This has led to growth and cost-effective business models. Even in a fundamental, traditional trade like money-lending, this existed and exists all across India in some form. It’s a concept that offers both operational freedom and common values. The slogan ‘think local act global’ is illustrated when a store manager decides to keep special fruit and vegetables for his local community clientele, ensuring a loyal customer following, or a money lender ensures the transfer or delivery of cash within 24 hrs as a standard practice in all branches.

These people also developed a system of business called *parta*, a very prominent feature in Indian businesses. The late Ghanashyam Das Birla is credited with this. *Parta* means net return, and is a system of establishing return on investment based on cost management. Since the Birla Group had diversified in different businesses based on availability of licenses, technology and raw materials, they needed a system to monitor profits consistently. *Parta* is a system of accountability; each company in the group draws up a series of estimates for any new investment, detailing how much it should cost to manufacture a particular volume of product, to sell it and to make a profit. The Project Department will provide capital for different capacity levels, processes or raw materials. These tools are used to analyse new businesses and assess the viability of new and old businesses. They give factual information for investment to stakeholders including bankers, and help later on for review and monitoring based on norms and commitments given while taking authorizing the capital purchase. As a result, businesses can maintain very good control over pre-operative costs, keeping a healthy cash flow.

Since I have been involved with leadership search for many years, experience in dealing with leadership recruitment has given me insights into what I call the 'talent equilibrium test' (in no way to be taken as objectively true or false). After shortlisting the best candidates, from the perspective of skills and the overall broad needs of the role, we come to the final make-or-break stage. An informal process of unstructured observation in different social settings and daily life behaviours are very useful inputs for deciding if the best-fit candidate is also culturally fit. A person who is generally ethical and value-driven, and who treats others with respect and care while complying with the law, will usually serve as a positive disruptor. Assuming that all the candidates have similar skills I would choose someone high on these values. Hiring for the right values and attitudes, and adding any small functional skills that are missing through training is most acceptable in my view, unless the position is highly technical (R&D head for example).

As a search partner or a trusted advisor, I believe that I need to be careful of my blind spots and prejudices. It's important to have a 'do no harm perspective' and to be an active listener. Talented advisors need to move into the trusted advisor role, thus making the maximum impact.

Active listening and meeting the client at their location and context is important.

Counter-transference of one's positive or negative emotions needs to be controlled. Ego and defence mechanisms need to be suppressed.

It is important not to be drawn into the client's system dynamics, which may need change. It's useful for the trusted advisor to have someone to advise him on how not to shift his stance of objectivity. At times we want to lead all problems to an area where we have great insights and strength. This gives us comfort and a position of power even though, at times, the solution may not be appropriate (one of my TAs made me aware that I was using coaching as a solution when the need was for performance management of operational day-to-day issues).

Leadership hiring and its long-term success has a very strong bearing on culture fit in an organisation. There are three important stakeholders in the search process who have to be aligned in order to ensure that the best fit person also has culture fit.

The first stakeholder(s) is the leader or set of people responsible for the hiring, i.e. the direct boss of the candidate (normally a SBU head, COO/CEO or board member), the head of Human Resources and the talent acquisition head. Each one must understand the culture and be able to make an appreciative enquiry into things that are positive and negative. They should be transparent, making the candidate and search partner aware of issues that need attention and awareness.

The second stakeholder is the candidate, who should be able to identify orientations that he/she will need to adapt and change in order to settle down with positive disruption into a new organisation or team.

The third stakeholder is the search partner, who should have a sense of what exists by virtue of meetings and observations at the the client office. He/she should observe and record some of the important red or green flags that exist on both sides. His/her ability to dig deeper and make both sides aware can be very useful in the settling down process.

I will now delve into concrete examples from my experience to illustrate the above points.

A few years ago I handled a search for a CEO for an IT services company that had international clients, where the board wanted a very discreet search done. I tried to get a sense of the culture and found that contrary to my perception of IT services (as very informal, fun-loving organisations) this company had an air of formality. I was unable to meet the top leaders and had to rely on my understanding of the stakeholder to initiate the process. He came across as person who had been very influenced by the British raj. He was formally dressed and believed in discipline and punctuality. He seemed to disregard youngsters who did their work but behaved casually (for example, addressing people by their first names). I did an extensive search and we shortlisted three candidates. Two of these candidates were part of the new IT world and had been successful in start-ups. They meant business and worked very informally. They came from an American culture orientation and focused on work and deliverables. They were casually dressed and addressed the stakeholder with an informal 'Hi'. The third candidate was formally dressed and began with 'Good afternoon, sir.' He showed grace and respect towards the stakeholder. He had an understanding of technology but was not really a techie himself. Despite this, the stakeholder found comfort in handing over the reins to someone he could align with culturally. The third candidate got the job.

It is important for a search partner to walk through the organisation and understand its business model, strengths and weaknesses. A cross-sectional study of people in the organisation should also be done. The search partner should also be aware of the market position the company aspires to, the legends, stories of legacy, historical wins and losses, the smell of the place and signs on the wall.

I handled a CHRO (Chief of Human Resources) search for a very large manufacturing company. I had to work my way through very carefully as multiple search partners had worked in parallel and had presented their top findings to the board. As luck would have it, one of my short-listed candidates was selected. Although I was delighted with my ability to pip other search partners in placing my candidate in the organisation, very soon, the seams started to come apart. This super-intelligent and smart candidate habitually adopted a superior attitude towards his peers and subordinates. In such a large company he made a positive impact and expected to be admired for his handling of processes. I tried to warn him that he should be sensitive towards his peer group and subordinates, but was told that he disliked being 'spoon fed' by me. He told his colleagues how badly they needed a leader like him and how inadequate they were. He rubbished most things that had been going on in the organisation and started showing signs of a 'bull in the china shop' personality. As soon as his boss, with whom he had a strong chemistry, changed, this person came under severe pressure. The team under him rebelled and the old guard started setting him up for failure. He was jolted, and his well-meaning proposals were rejected because he had failed to conduct an appreciative enquiry into the legacy and culture of the company. I felt that there was a flaw in my own understanding of this individual, that I should have delved deeper into his core below the surface-level indicators. As I look back, I feel that I did not understand his need to be in control of everything. His way of surviving was to divide and rule, favouring loyal but less competent team members. He has stayed in the post and achieved stability, yet I am not sure how long he will the last or whether he will make a meaningful difference. In this case, a better understanding of the unstated but real culture would have really helped the search process

There was a COO search in an industry where the company was in deep trouble from a market share/profitability perspective. I felt we needed a person who could operate like a one-man army. A COO was selected with awareness that he would change things fast and drastically to ensure survival. There was a need to fight in the market; people needed new energy and hope that something better was coming. He was very energetic and was given free rein to carry out the changes he wanted. He simply ignored process and systems and started moving fast, creating a wonderful brand and rebound energy in the market. However, high overheads and a lack of systems and process ensured that he lost control of his back end. Being a control freak, he pursued success in the field and made serious mistakes due to his over-confidence. Very soon, the initial successes gave way to a collapse in the market. A hugely charged initial success turned into an unforgiveable failure because too many loose threads were left in an organisation that had a culture of joining the dots of its past.

I was called by a CHRO because I had a very strong reference from the group HQ. He initially allowed me to handle some mid-senior positions and tested my ability with the search process. The company's situation was quite bad; there had been a change of leadership twice and the board was not happy with the proceedings. I could sense a spirit of inevitable failure. Although the internal leader came from a B2B background with a proven track record, this was a B2C business and I was sure he was struggling, surrounded by a demotivated team. In the external market place, the competition was making a killing. They ensured a cartel-like environment and succeeded at this company's expense. The company clearly needed someone who understood the business and had the confidence to fight. I met and interviewed a lot of candidates. Most had good track records but were not sure they could succeed. They wanted to use role this as an entry point into the group and then move into other successful businesses. One day I was referred by someone to a new candidate. He was a very charming person who seemed to have taken action in previous roles, where his successors enjoyed the benefits of his hard work. I did some background enquiries and was told he had the strengths of a start-up leader. He had the charisma to energise and make all the right noises. I spent some time and found additional details through references. I could see that he had a polarising personality, generating both love and hate. I took a chance and asked the organisation stakeholders to meet him. He was found suitable and bought on board. He joined and in the first six months created a very positive impact. He pushed back forcefully at the competition and his approach in the market became a game-changer. However, he moved recklessly and delivered numbers without profits. In the process he hired yes-men and people aligned only with him. He was rewarded and his responsibilities increased. He grew the business but was never aligned to the group's culture, continuing to be a showman who was regularly featured in the popular press. As soon as the group imposed checks and balances on this particular business, it was observed that success had been built on a weak base of poor process compliance. Many team members voiced dissent but this manager stopped listening and became completely blind to his faults. Suddenly, the group announced a new MD. The message was clear: for the top leadership position, one needed more than just energy and results. Had the person with so much energy and capability been aligned to the organisation's culture, I feel he would have grown to become the MD of the organisation. In contrast, his earlier boss who did not understand the business silenced all his critics by fighting the competition and becoming a game changer in the market. This person aligned and dug deeper, using cultural insight to his advantage. He has already been rewarded with a plum position and continues to grow in the group.

When I started conducting searches, I struggled to gain respect and acceptance as a consultant. After a few years, I realised that I had never bothered to understand the cultural alignment expected from consultants. You need to be formally dressed, to have a reasonable degree of knowledge about instruments like MBTI and best fit vs. perfect fit, and to meet people in person before you suggest their candidature. All these changes slowly helped me build my reputation. However, this happened largely due to my association with the right kind of people and an awareness of the need to maintain my learning curve. I always sought and took feedback in the right spirit. I came from a business background and was largely comfortable in known environments. I had the courage and conviction to be able to work hard, deliver the best and enjoy challenging the status quo. I prepared myself well beforehand and was able to create differentiate myself; unfortunately, I also became too full of myself. This gradually had to be dealt with as the search business was something in which I did not have any formal training. I struggled and gradually became disillusioned. People treated me with disdain. I remember an HR head from business asking why he should trust my judgement as I did not have an HR background. I retorted by telling him that he did not have an HR background either; he was quite stunned and I lost the job. Slowly, I learned to make the best use of my first two minutes with leaders and I did this with the CEO of a company to get an important break. He gave me an opportunity, but for years I was kept away from mainline searches and used mostly when there was no other choice available. What I did well was to keep my cool and the same set of good clients and good companies. Somehow, through being always in the same place and in good companies, I managed to succeed. One cultural insight that helped was the saying, ‘in the desert, do not dig in ten different places but dig ten times longer in the same place and you will surely be blessed with water.’ As time passed, I polished a lot of my cultural rough edges but always retained my core values. This helped me get into executive coaching. Here I encountered Marshall Goldsmith and his money back guarantee, which helped me to learn and align with his style. Along with my book, Evolutionary Leadership: A Holistic Perspective (Khajanchi, 2011) , this changed my positioning. After my experience at INSEAD, I am able to integrate with different people and apply the learnings of CCC lenses quite well. I still remember having been told that a company needed people who would challenge the status quo. I asked the team there which of them had challenged or changed any of this large Fortune 500 company’s global policies, and there was complete silence. I was rejected as a suitable vendor because I had not culturally understood what they really wanted to hear from me. I feel that writing a book and then joining INSEAD unexpectedly created a platform that was culturally comfortable to the professional consulting world. This has led to a change in my positioning.

A very energetic and results-driven business head performed brilliantly. He was great news for any new start-up or any clean-up operation. He got a kick out of putting people in place and having the last laugh. He would made a lot of noise about his achievements and then lose focus on the main goal. He would continue to play ball yet fail to achieve the actual goal. The organisation was a very value-driven and caring company, with a family values atmosphere. He was never seen as the top man. CEOs came and went but he moved laterally rather than vertically. Resources were not to be misused, and yet there was a long rope before you could be thrown out. This person always remained a dark horse and met with an accident. Not many people were bothered, although he made a quick recovery. Following another setback in his personal life, he had to play the role of caregiver to his family; at this point, he was forced to change. He unlearned and then learned things the hard way. Suddenly he started displaying empathy toward his colleagues. He started caring, listening and empathising with others, and developed new prospects as a leader. The existing CEO gave a dismal performance and he was offered the chance to lead the company, primarily because people felt that he had become more humane and aligned to the core. In that tough situation he had the right blend of sharpness, emotions and objectivity. He continues to remain objective in when taking tough calls, but is able to apply the healing balm which keeps him and the team culturally aligned.

CULTURAL DIVERSITY IN THE COACHING WORLD

In a coaching environment, I learned that in the West there is no need to involve family. It's more about being objective and working on agreed goals between the coach and the coachee. In the East, any coach who does not understand the family background will find it difficult to succeed. There is a cultural paradigm; in the East the coach is also under observation and his conduct will be judged. In the West, the coach is more easily accepted and relied on for help. In the East, seeking help is not seen as the best or most natural thing so the coach is always evaluated by the coachee on his own values and conduct. In the West, it's quite normal for bosses to collect feedback from peers, subordinates and bosses, while in the East, a leader may see it as compromising his position if he has to go to peers and subordinates to seek feedback.

In the West, coaching in the office is fine. In the East, I would discourage it as there would be constant distractions and the coachee would fell anxious and uncomfortable. Normally in the West, the coach will have a more structured role. The instrument he uses will be very important; he will be mindful of boundaries and respect privacy. He will execute his assignment like an experienced surgeon and then move on. In the East, the coach has a more guru-like orientation and hopes to show his knowledge and insights very visibly (I have been guilty of this). The coach is also under observation and will be judged or evaluated for his actions, words and conduct, whether they are meaningful or not. The instrument is not so important as long as it is globally accepted and recent. In the east, one will spend more time on chemistry and may sometimes cross the boundaries of privacy and adopt a mentor's role. In India, it is prudent not have your coaching sessions because a coach seen helping the boss could undermine his authority; a perception of something can be communicated on the grapevine. It is prudent to budget some extra time as we Indians like to talk a little more and may include personal issues.

After reviewing the literature and mulling on my personal experiences, I conclude that cultural fit is a very important concept to be aware of. Its impact can be huge provided it's used correctly by search partners, stakeholders and the candidate himself. As Professor Randel Carlock so aptly remarked, 'identify the SOB (son of the boss) quickly as it's from there you can get in or be thrown out'. In Indian FOBs there could be a chain of influence at different levels. This has a very important role to play in the process of top management leadership hiring in family-owned businesses particularly.

RESEARCH AIMS AND OBJECTIVES

FOBs are organisations that do not have a short-term orientation and are interested in growing the family wealth with necessary precautions. They have a different set of strategic goals from non-family owned businesses; this is why their contribution to the larger economy is unique and significant (Ward, 1987; Chrisman ,Sharma, Chua, 1997). As these organisations grow and diversify, as they must to retain their presence in the economic landscape, there is necessarily an increase in the external hiring of professional managers whose primary focus is on the need for professionalisation. The scope of my investigation lies with FOBs hiring full-time, non-family employees and delegating managerial authority to them; studies of family firms show that this is often the core purpose (Chandler, 1990; Chittoor & Das, 2007; Gedajlovic, Lubatkin & Schulze, 2004). With the induction of such professionally qualified personnel, the FOB witnesses a juxtaposition of the old and the new, the learned and the inexperienced, thus creating conflict between the heart and the head, pulling the organisation in different directions. An organisation requires task structure and an institutional structure to maintain and foster the psychological well-being of its working community. Two important institutional principles embedded in the Indian collective are the principle of management of ambivalence and the principle of assimilation. Every family has its own culture of management, which could be defined as the process by which current diverse elements of an organisation, its various tasks and interfaces with the environment, are brought into correspondence, congruence, convergence and coherence by the role holders on the spot to create a rhythm for organisation tasks. An individual in a homogeneous society behaves traditionally and follows a deeply embedded pattern of behavior based on his childhood and the primary imprints of his life where he interprets the environment in a certain way. This primary imprint, deeply ingrained in the individual's emotive map, may be said to be built upon a certain worldview. There are few understandings of this environment (which is organisation in the present context) that are either assumptions or actions that create ethos and that also determine the primary processes of meaning making, role taking and choice making in transactions. Often such associated logic is not linear but it leads to one form of patterned understanding of the systems of organisation operating as forces of environment that lead to pattern making. Thus this interjected ethos within an individual helps him understand whether he fits within the culture of the organisation (i.e. whether or not he will become a culturally fit person for the organisation).

My own experience combined with reflexive thinking helped me appreciate how the concept of 'culturally fit' could be highly contextual and thus diverse across organisations. I was given the mandate to select a senior manager for the CEO's position. When I presented a 'best-fit' candidate after my rigorous search process, which took into account all the functional requirements and educational qualifications as required, I was asked by the founders if the candidate actually fitted within the culture of the organisation. I recognised that my 'best-fit' candidate might not be culturally fit as well. This made me think about the perceptual processes of the prominent stakeholders in the search and selection process for senior external hires and their impact on the process of defining cultural fitness.

Drawing from my experience with numerous search processes and their outcomes, I find that that the following three stakeholders ultimately ensure the cultural fitness of the 'best-fit' candidate and lead to successful outcomes for FOBs as far as the process of top management hiring from external sources is concerned. My experience tells me that the right level of coordination and understanding between the following three stakeholders could lead to better results:

- External candidate and his/her appreciation of (and flexibility towards) that part of the organisational culture which is induced by the owner's family.
- Search partners and their understanding of the 'feel' of the place for which they are recruiting and the ability to spot the 'best-fit' candidate who has the maturity described above (in addition to being a technical/professional match).
- Family members who control the business and their willingness to provide adequate time/space/support to enable the candidate to understand the culture and integrate into it; also their appreciation of the need to expose the cultural fabric of the business to the search partner.

While coordination and understanding between the external candidate, search partner and family members is crucial to the success of the external candidate, it is not clear which aspects of culture or what kind of sensitivities would help seal the success story. Thus the specific research question framed for this paper would be:

What constitutes the understanding of the concept 'culturally fit' during the process of top management hiring from an external source by large family-owned businesses in India?

LITERATURE REVIEW

The most important aspect of family business is the unit's endeavour to ensure that the wealth and the welfare of the family stays secure. A detailed review of the existing literature by Zahra and Sharma (2004) concluded that family business research has a long way to go from its present fragmented and descriptive state if it is to advise the practitioner in any meaningful way.

One of the most important concepts that define the process of working is culture. Culture in India has always been different from that in the developed countries. Here, even organisations operate according to the culture parameters of an individual. It is natural for an individual to respond to the environment according to the cultural expectations entrusted to him. Similar kinds of responses can be seen in organisations, and especially in family-owned businesses. The organisational culture that employees experience and reproduce may be neither totalising nor liberating, neither unitary nor segmented, but fragmented, becoming ever more so the closer one looks into their sources of division (Martin & Frost 1996; Meyerson & Martin 1987; Parker, 1995).

It is often assumed that increasing complexity in organisational form is accompanied by parallel changes in the forms of organisational control. For example, citing Edwards' (1979) discussion of the development of differing modes of control, Thompson and McHugh comment that a 19th-century system of simple or personal control by employers exercising direct authority gave way to more complex structural forms with the transition from small business, competitive capitalism to corporate monopolies' (Thompson & McHugh, 1995: 116; compare Friedman, 1977), and conclude that 'management of large organisations is... likely to try combinations of control strategies and practices appropriate to particular environments or sections of the workplace' *(*Thompson & McHugh, 1995:119; see also Jermier, 1998).

Thus it can be said that organisational culture is an important concept that can bring out the variance in understanding the process of top management external hiring. Due to professionalisation in family businesses nowadays, it has become important to implement the principle of merit in firms where it had been lacking, which often requires a shift across several managerial dimensions. Depending on the availability of talent it could entail the hiring of salaried managers or even a nonfamily CEO. It could entail new systems and organisational designs to monitor and reward managerial performance. The concept of search partners has evolved with a promise to facilitate top management hiring in organisations.

There is a body of literature on the concept of 'person fit approaches' that is akin to the concept of the 'best yet/perfect fit' for an organisation. In the fields of organisational behaviour and human resource management, research on 'person environment (P-E) fit', the congruence between individual and environmental characteristics, is prevalent (Edwards, 1991; Kristof, 1996; Werbel & Gilliland, 1999). Several different ways to conceptualise P-E fit have evolved. First, P-E fit can be conceptualised as either supplementary or complementary. Supplementary fit occurs when a person develops, embellishes or possesses characteristics similar to those of other individuals in an environment (Kristof, 1996). Complementary fit occurs when a person's characteristics add what was lacking to the environment to make it whole or complete. A good fit is the mutually off-setting pattern of relevant characteristics between the person and the environment (Muchinsky & Monahan, 1987). Second, complementary fit can be subdivided into demands-abilities fit and needs-supplies fit. Demands-abilities fit is achieved when the individual contribution or supply matches environmental demands. Conversely, needs-supplies fit is achieved when environmental supplies meet an individual's needs (Kristof, 1996). Third, P-E fit can be conceptualised as perceived and actual fit. Perceived or subjective fit is the judgment that a person fits well into the environment, while actual or objective fit involves the comparison of separately rated individual and environmental characteristics (Cable & Judge, 1996; Kristof, 1996).

I have experienced the challenges of providing candidates who fit the organisational culture of a family owned business which I detail out in the section on personal reflections. After reviewing the literature and mulling on my personal experiences, I conclude that cultural fit is a very important concept to be aware of. Its impact can be huge provided it's used correctly by search partners, stakeholders and the candidate himself. As Professor Randel Carlock so aptly remarked, 'identify the SOB (son of the boss) quickly as it's from there you can get in or be thrown out'. In Indian FOBs there could be myriad influences at different levels. This aspect has a very important role to play in the process of top management leadership hiring in family-owned businesses particularly.

RESEARCH METHODOLOGY

To understand the mechanisms and facets of cultural fit that come into play in the assimilation of a senior external recruit in an FOB, I have employed the case study method. This method is a specific field research method that helps investigation of phenomena as they occur without significant intervention by the observer. The unit of analysis consists of instances of recruitment of senior management for FOBs from external sources by employing search partners. The sampling of cases from a large available set relied on theoretical sampling, cases being chosen either to support emerging theory or to fill theoretical categories or provide examples of polar types. This method of sampling was followed instead of random sampling because, as Pettigrew (1988) has noted, given the limited time and resources available, it is best to choose polar types rather than imitate statistical studies that can handle a large number of data points with relative ease.

I met and interviewed a small set of about 25 people of which 30% worked in telecoms. Most of the interviews were personal and unstructured as people I spoke to were too senior. More than 80% were stakeholders, including CEOs or CHROs of large Indian FOBs. Ten per cent were women stakeholders, including CHROs and owners. I did not get an opportunity to meet a lot of the owners of large FOBs, as I could not get their time. Most of my interviewees were from large FOBs and most personally known to me.

My sources of data include interviews, participant observations and reflections on my own past experiences with executive search. Data collection and analysis continued in tandem with one feeding into the other (Glaser & Strauss, 1967). Field notes have been an important tool to achieve this essential overlap and arrive at meaningful conclusions. Drawing from Van Maanen (1988), I wrote field notes whenever impressions occurred, rather than trying to sift out important factors at an early stage.

DATA, ANALYSIS AND FINDINGS

The context under consideration is the process that selects an individual for a top management leadership position in a family owned business, focusing on the help given by the search partner and the stakeholder as well as the candidate himself. I have had deep practical experience of working with large Indian family businesses. Years of connection and rapport have helped me explore and talk to people informally to gather and infer data. It is important to note that this covers only a very small select spectrum of groups at the top to whom I had access.

The empirical data used in this study were derived from in-depth interviews with people selected for top management leadership positions in companies that are primarily family oriented, appointed with the help of a search partner, in these cases myself. In-depth interviews are one-to-one encounters in which the interviewer makes use of an unstructured or semi-structured set of issues/topics to guide the discussion.

I met and interviewed a small set of about 25 people, 30% of whom worked in telecoms. Most of the interviews were personal and unstructured. More than 80% were stakeholders that would include CEOs or CHROs of large Indian FOBs. Just 10% were women stakeholders, including CHROs and owners. I did not get an opportunity to meet a lot of the owners of large FOBs as I could not get their time. Also these people were from large FOBs and mostly personally known to me.

The object of the exercise is to explore and uncover deep-seated emotions, motivations and attitudes. They are most often employed when dealing with sensitive matters and respondents are likely to give evasive or even misleading answers when directly questioned. Most of the techniques used in the conduct of in-depth interviews have been borrowed from the field of psychoanalysis. In-depth interviews are usually only successful when conducted by a well-trained and highly skilled interviewer.

Other instances when in-depth interviewers can be particularly effective are where the study involves an investigation of complex behaviour or decision-making processes; when the target respondents are difficult to gather together for group interviews (e.g. farmers, veterinary surgeons, haulage contractors, government officials); and where the interviewee is prepared to become an informant only if he/she is able to preserve his/her anonymity.

Dimsdale, Stern & Dillon (1988) believe that to be effective, the interviewer must adhere to six fundamental rules. These are:

1. He/she must avoid appearing superior or condescending and use only familiar words.
2. He/she must put questions indirectly and informatively.
3. He/she must remain detached and objective.

4. He/she must avoid questions and question structures that encourage 'yes' or 'no' answers.
5. He/she must probe until all relevant details, emotions and attitudes are revealed.
6. He/she must provide an atmosphere that encourages the respondent to speak freely, yet keep the conservation focused on the issue(s) being researched.

In-depth interviews involve a heavy time commitment, especially on the part of the marketing researcher. Interview transcripts have to be painstakingly recovered, if they are to be accurate, either from interview notes or from tape-recordings of the interviews. This can take many hours of often laborious work. The transcripts then have to be read and re-read, possibly several times, before the researcher is able to begin the taxing process of analysing and interpreting the data.

The data thus collected from the respective interviews are analysed with a focus on the importance of understanding cultural nuances that define a 'culturally fit' newcomer in the organisation. The data are mainly in the form of real-time experiences captured verbatim.

To arrive at the cultural categories that I present as the findings of my study, I looked at patterns both within and across individual cases. From this dialectic, tentative themes, concepts and relationships between the observable results began to emerge. Next, I compared the emerging frame with evidence from each case to see how well it fitted the case data. This iterative process, which involved comparing theory with data, led me to define seven themes that explain the cultural nuance of an FOB better than the less helpful advice on 'cultural sensitivity' that is usually offered to a new entrant.

I developed each of the seven themes in turn, reviewing literature on them and providing evidence from my study supporting their importance.

Theme 1: Work is worship, a way of life, not just about earning a living

FOBs have dominated the private sector of Indian industry since India's independence in 1947. At the time of independence, most Indian manufacturing in the organised sector was in the hands of Indian families that had promoted these enterprises—for example, the Tata, Birla, Sahu Jain, Walchand, Thapar and Singhania families (Ray, 1979). The few professionally managed, non-family companies, such as Ashok Leyland, Dunlop Rubber Company, Hindustan Lever Ltd. and Imperial Tobacco Company Ltd., were mostly multinational corporations (Ray, 1979). These industries are dominated by a particular rhythm of culture, which makes it important for the incumbents of the organisation to understand and accept them the way they have always been.

Family businesses in India have values that reflect the prevailing culture within an organisation. According to Schein (1985: 5–6), organisational culture is a pattern of learned responses where 'basic assumptions and beliefs that are shared by members of an organisation fashion an organisation's view of itself and its environment'. The diversified culture and values ingrained in the fabric of family businesses in India are important to understand because they help in understanding how organisations function. According to Edgar Schein, culture is both a ‘here and now’ dynamic phenomenon and a coercive background that influences us in multiple ways. Culture is basically the result of repeated interactions with others that help shape our behaviour. When we successfully shape the behaviours of others we think of that as leadership and thus create conditions for new culture formation. Culture in family-oriented businesses in India is mostly about family values; this was clearly demonstrated by Whitney MacMillan, the last family CEO of Cargill, when he stated, ‘As a company we have believed in the same values for 125 years, even though we have changed the business every five years’. Family businesses, like all for-profit organisations, are driven by values related to competition, wealth, responsibility, fairness and hard work. Counterbalancing these economic priorities are family values about love, cohesion, self-esteem and caring. In India, family actions lead to business actions (see below).

When family values are extended into business, they provide a powerful source of strength and continuity for mediating financial priorities and shaping humanistic plans and actions. These values give a complete picture of the prevailing culture within family-oriented business, passing on and updating family values across generations. Schein (1996) argues that culture is one of the most powerful and stable forces at work in organisations. Formal aspects of culture include codes of ethics, mission statements, reward systems, leadership and decision processes (Cohen, 1993). Informal elements include implicit norms of behaviour, stories, rituals and role models (Cohen, 1993; Schein, 1990). Ethical business cultures are ‘based on alignment between formal structures, processes, and policies, consistent ethical behavior of top leadership and informal recognition of heroes, stories, rituals and language that inspire organisational members to behave in a manner consistent with high ethical standards that have been set by executive leadership' (Ardichvili *et al*. 2009, p. 446). Values are shared directly through every action and word, directly communicating with the incumbents of an organisation and making a strong emotional impact on them. For example, many families perform or engage in various religious practices such as *puja*, a ritual in India where one prays to God with flowers, fruit, incense sticks, *diya* (an Indian candle) and a bell. *Puja* is also done if any new work assignment or piece of equipment enters in the business. In India, God exists in multiple names and forms, including Ganeshji, Ram and Sita, Hanuman ji, Jesus, Kali Ma and Durga Ma. When a new employee fails to take part in the *puja*, his position as a leader could be undermined. Such are the codes of conduct that he has to be present or at least to make his presence felt. It is not necessary to believe in such rituals but participation itself becomes very important because it means that one respects the code of conduct of the organisation. Family firms are often characterised as being introverted, burdened by old traditions, inflexible and resistant to change (Kets de Vries, 1993; Dyer, 1994; Gersick, Davis, Hampton & Landsberg, 1997). Thus the family values of an organisation shape employee thinking, decision making, strategy and implementation.

One of the most important characteristics of owners of organisations is that work is of paramount importance, leaving all other priorities behind. They believe that the business and its success can demand anything; a professional person must be available 24/7. Holidays, weekends and personal appointments need to be set aside when work is urgent. At times, the owner himself displays such behaviour. Most owners will come to work at odd hours including early morning and late evening, go to their plants at weekends, call their leadership teams at home and expect them to be physically present in the office.

> *'I found that it was difficult to strike a balance between time given to personal and professional life with the former taking a back seat. It is as if one should be available on call for the owner to attend to any eventuality at all times, 24/7. Respect for personal time and space is very less.'*

There have been instances where many senior employees and their families have taken it for granted that the concerned person was unlikely to be present on all occasions. The underlying philosophy of most business owners in India is that money is very important and critical for survival; work is worshipped like a deity or God.

> *'While in many modern organisations, working from home, flexi-timing, etc., is becoming the norm, in this organisation I found that utmost importance is given to physical presence in the office, all through the day. It is non-negotiable. The owner does not prefer meetings through tele/video-conferences. He is most uncomfortable if anyone from the senior team logs in through phone and once even postponed the meeting for this reason, sending a strong signal to all present.'*

The owner becomes like a demi-god and his instructions are to be followed without question or dispute. The office or work place becomes an office-cum-home, with the fringe benefits that follow from this. It has been seen that 'the family is perhaps the most reliable of all social structures for transmitting cultural values and practices across generations.' (Gersick et al., 1997: 149) The cultures of family businesses are quite resistant to change (Dyer, 1986; Harvey & Evans, 1994; Gersick et al., 1997; Schein, 1995).

One very sensitive example involves a senior executive who wanted to attend the birthday of his teenage daughter and asked to leave the meeting where a deal was being made. The owner smiled, called him to his room and gave him a small golden necklace, saying, 'Keep this for when your daughter gets married. To earn such things, we need to make deals happen.' Completing work before rushing home is the norm in businesses like these, where such a culture is institutionalised as a priority. 'Birthdays will come and go, such opportunities will not for us...' The employee related this story to his wife who agreed that he was sensible to stay and get the necklace; they would manage their daughter's emotions somehow. Thus work is worship and worshipping work is believed to bring peace, harmony, happiness and prosperity in one's life.

Theme 2: Religion and business feed into each other

In India regional cultural influences are quite strong. North, south, east and west – all four directions have distinct ways of looking at life. Owners from each region have a unique character and culture that evolves through their marriages, education, travel and employees. Different communities, including the Marwari, Jains, Punjabi, Sindhi, Parsi, Gujrati and Bengali people have different ways of thinking. Indians normally have a very strong survival instinct. For most Hindu businesses, Lord Ganeshji and Laxmiji are worshipped daily.

Indian family businesses are dynamic and complex, thus it is essential to understand the importance of the prevailing culture. Religion has a very important role, as the functionaries of business depend on it. Religion also contributes a clear structure for planning family activities and responsibilities. It sets rules and procedures that help to run the family. Religion mixed with the predominant family culture helps shape our character and behaviour. 'The good judgement we have as human beings provides the best judgment for what we need in business' (Dalla Costa, 1991).

According to Van Willigen and Chadha (1999), Indian families have specific characteristics and strategies that people adopt to survive within the Indian setting. This leads us to think that despite cultural differences, people respond similarly to the predicaments of life and society when religion comes into play. 'Every new initiative has the blessing of the family Guru. He is always present in the background as an influence and has a say on broad matters.'

Religion in the Indian context is a bridge that binds a human being to her/his higher self and is associated with rituals which, if followed in the right spirit, lead one onto the spiritual path towards God (Bhatta, 2009a). Religion can be connected to the spirit at work. The term 'spirit at work' should not be confused with 'team spirit' or 'spirited' energetic behavior. Spirit at work is about care, compassion, integrity and the attempt to live by one's values at the workplace. Ashmos and Duchon (2000: 137), relying on empirical investigations, arrived at the following definition of spirit at work: 'spirit at work is the recognition that employees have an inner life that nourishes and is nourished by meaningful work that takes place in the context of community.'

While working with some corporate giants, I saw that in spite of having a strong ethical background, religious functionaries are still at play. For example, in many businesses, the boss is like a king who inspires *guru bhakti* (teacher worship). Some traditions (like performing a *puja* on a particular day or not running the plant on that day) are unspoken requirements of the predominant culture. I have also seen religious texts read and followed as business codes of conduct in different organisations. The *Bhagavad Gita*, for example, is one of the most widely followed scriptures, advising *karmayog* (do your duties with full focus and attention; do not expect rewards for every deed; what is good for you will come). Religious texts like *Ramayana* and *Mahabharata* also play an important role as they guide every action that is taken.

> *'After coming here, I keep getting surprised about various kinds of pujas that are performed at the workplace and at times even plant shutdowns on auspicious days. Having a deity's idol in office was a complete no-no in my previous organisation but here it is the norm to find the family deity in various forms like calendars, idol, paintings, etc., at various places in the office. Not just bhakti towards gods, reverence towards the family head is also encouraged for employees.'*

Research reveals that what workers seem to miss most in the workplace is love and care and a connection between their jobs and a larger purpose in life (Mirvis, 1997). As employees spend a major part of their lives at their workplaces, it is becoming increasingly difficult to segregate matters of work and personal life.

Therefore, the quest for fulfilment and happiness is no longer limited to one's personal life alone. The same quest continues even at the workplace.

According to Terkel (1995), work must be 'about a search, too, for daily meaning as well as daily bread, for recognition as well as cash… for a sort of life rather than a Monday through Friday sort of dying'. To put it succinctly, apart from enabling the employee to earn her/his own livelihood, the job should yield personal satisfaction and fulfillment and should also directly or indirectly make a positive impact or contribute to the lives of others.

Business organisations require a greater focus on meaning because 'purpose can excite and mobilise the members of the organisation to work in greater alignment with one another' (Ackerman, 1984: 135). Aligned individuals understand their contribution and see it as consistent with the organisation's larger purpose. The absence of spirit, energy and enthusiasm, all of which are vital factors for meaningful work lives, results in demotivated and disillusioned workers (Danzon & Harrington, 2001). If you have a bad customer service experience, you can be sure that the problem lies with a dispirited workplace, with management that does not understand what spirited employees mean to the bottom line (Thompson, Warhurst & Callaghan, 2001). The Indian perspective makes a paradigm shift in its approach to work. According to this inside-outside approach, the 10 deeper *vasanas* (tendencies) rooted in the mind (not to be confused with the physical organ called the brain) of an individual are the driving force that manifests as *karma* (action) through the physical body. The *Bhagavad Gita* states: '*Karmaanubandheeni Manushyaloke*' (chapter 15, verse 1), which means *karma* is the bond in this world of human beings; in other words, the human being is bound by action. Therefore, the higher purpose and meaning in doing any work and discharging our duties is to free ourselves from bondage by cleansing our minds and intellects of these *vasanas*, so that the higher self shines forth from within and we experience oneness with it (Chakraborty, 1987). In the words of Chakraborty (2006: 116), 'Indian theory of work asks: '"Why work?" and answers: "For chitta-shuddi". "Why chitta-shuddi?" "Because, man's true existential urge is for unceasing peace and happiness which lies imbedded in the Self already within".'' This emphasises the fact that spirituality is all about work raised to the status of worship or a calling; it is assumed that an individual with such an approach to work will adhere to honesty and integrity in his or her actions. Striving for perfection in one's work and considering one's welfare to be incidental to the welfare of all presupposes a spirit of teamwork involving qualities such as cooperation, sharing and caring, understanding and adjustment. This in turn leads to harmony at the workplace. It may also be stated that such a mindset typically results in expressions of love, respect, trust and care at work. The personal growth and development of the employee is subsumed in the process of *karma yoga*, which has as its goal the highest benefit to the individual, namely the unity of the individual with her/his higher self. A senior leader hired laterally into a family business commented thus:

> *'In the religious family functions of the boss, and also otherwise at work, I find a lot of influence of* Ramayana*,* Mahabharat Gita*, etc. He quotes freely from them to explain some of his business principles. Yesterday itself, he was exhorting the sales manager to have Arjuna's eye for the sales target!'*

Religion is found to transcend into spirituality and in many situations it has been seen that family members rush to gurus (spiritual leaders) who show them ways to move out of crisis situations. Many family disputes have been settled outside the courts and family gurus are credited with achieving this. These spiritual leaders are considered enlightened individuals who are aware of factors in the background of conflicts that need to be taken care of.

Religion and businesses have a strong association as most of the rules, guidelines and ways of working, thinking and behaving in an organisation are thought to be guided by religion and other religious practices.

> *'I have heard that the* sethji *is most uncompromising on any employee's misconduct related to personal integrity or character. There is zero tolerance for this – no last warning, reprimand, etc. People will be asked to leave immediately. At the same time, paying bribes, compromises of certain kinds outside the organisational boundary are not frowned upon. In fact it is expected and encouraged and seen as part of doing successful business in this country.'*

Theme 3: Relatively patient with capital and prepared to take risks

In most of the Indian family business firms, there is a distinct way of working, organising and doing business. Most family owners exhibit a fair degree of patience in terms of the performance generated by professionals. The pressure created by quarterly deadlines or targets to be met is lower than in multinational companies.

Family firms understand that a professional needs his/her time to understand the cycle of trade. However, in the long run there is a demand for performance. Daily and Dollinger (1992) state that, whereas family proprietors aim at long-term value maximisation, managers of non-family firms grow revenue on a short-term basis to satisfy shareholders and to pursue their own personal gains. McConaughy *et al*. (1998) noted that family proprietors have a greater incentive to maximise firm value in order to enhance their ownership interest in the firm. It is evident that professionals at the top must be careful not to lose the confidence of the owner, as he might contemplate adverse actions. Small expenses and perks may seem excessive and faults can be found without reason. Therefore it is important to be seen performing well under all circumstances in the long run.

> *'I was pleasantly surprised to experience relatively lower focus on immediate results as compared to my past experience in the MNC where KPIs used to be hanging over like the sword of Damocles. Here, the* sethji *takes a longer-term view if he is convinced of the efficacy of the idea and doesn't get impatient immediately with lower than expected performance.'*

Ugo Gussalli Beretta of the famous Italian firearms company summed up the issue of capital investment by owners when he said: 'The temptation to make too much money out of the business was the greatest danger. We not only had our money but also our hearts in the business.' Investment decisions dictate the financial resources available to support the strategy, which is a critical factor in strengthening the business as it moves through the cycle mentioned above. Entrepreneurs and owner managers are also psychologically invested in their business because it represents their career, wealth and passion. A lot of owners have great entrepreneurial ability to decide on large capital investments without thinking much about the processes, calculations and conclusions. They have their own ways of navigating through an idea.

> *'Contrary to popular perception, I have seen the family take very quick decisions, which I also thought said a lot about their risk appetite, when they got hooked on to a business idea. They can be fast when convinced.'*

Thus decisions are made based on a conscious interpretation of the pros and cons of investing capital in the business. The information supporting a decision as to what, why and how much of the capital to invest, is collected in a very unorganised manner. Much weight is given to the power of intuition and trust in others (e.g. stakeholders) plays a crucial role in the decision-making process about capital investment in the business. The concept of trust has attracted research attention from a number of disciplines including sociology, economics, organisational behaviour and strategy, because it is believed to be significant in a number of ways: it enables cooperation, promotes network relationships, reduces harmful conflict, decreases transaction costs and facilitates the effective functioning of groups and effective responses to crises (Rousseau *et al*., 1998). For example, in a small meeting of trusted confidants, huge and impactful decisions are taken within minutes. It should be noted that a lot of owners have passion, ego or interest towards a particular sector in the business. At times, as a result of this, many resources automatically flow into that sector. Return on investment (ROI) is ignored and the work continues. Decisions are governed by religious as well as social factors that play their part in the decision-making process. Backward and forward integration in business supports a chain of intermediaries who are extended members of the family.

These are strategies that reflect the owner's investment commitment based on business potential for value creation and the family's commitment to business. Businesses face constant change. Markets evolve and innovative competitors are always fighting for greater market share. To stay in this competition it is important to understand the dynamics of investing and reinvesting in the business; identifying where to compete and the type of investment to be made are the fundamental strategic decisions made by family-owned businesses. Owners invest after assessing opportunities and threats in relationship to the firm's strengths and. These factors are weighed by the owners determining the level of investment necessary to exploit new opportunities while protecting the firm's competitive position in the industry. What is unique about family firms is that they begin with this deep level of trust because the family is a common identifying factor. Shared history, experience, identity, rituals and realities serve as a critical bonding mechanism fostering interpersonal trust between family members involved in the business (Gersick *et al*., 1997). The immediate access to these deep levels of interpersonal trust has significant implications in that family members often contribute capital and other resources on the basis of this trust (Aldrich & Cliff, 2003;; Sanders & Nee, 1996).

Theme 4: Owner's wisdom/intuition is paramount and must be respected

Wisdom can be defined as an individual's ability to reason carefully. Intuition can on the other hand be defined as an individual's ability to assess a situation and provide a judgment based on past experiences. Wisdom applied to expertise signifies that it is not intelligence in the typical sense, but a considerably more multifaceted system of knowledge, procedural strategies and intuition (Baltes & Smith, 2008). McKenna et al. (2009, p. 177) argue that 'leadership requires wisdom to provide excellence in judgment, insight and character and that if the principle features of wisdom are understood, leaders can be evaluated according to a robust criteria based on these principles'.

In an Indian context, wisdom is related to the power and authority held by the owner. Most researchers have talked of separating ownership and management, yet in practice the owner still takes the call for most important decisions. Lots of discussions are held, but at the end it's still the owner who makes the final decisions. Most Indian owners struggle to give a more democratic look to the whole decision-making process. Lots of scope and opportunities for discussion and empowerment are evident, but considerable amounts of improvement and modification still need to be undertaken. Organisational theorists suggest that wisdom and intuition play a role in effective strategic decision-making and in interpersonal processes crucial to effective leadership. Korac-Kakabadse *et al*. (2001) suggest that wisdom informs the visioning required of leaders, the use and content of dialogue and the maintenance of a- psychological contract between leaders and followers. Jacques and Clement (1991) see the perspective of wisdom as enhancing the strategic thinking capabilities of executives, as well as their capacity to anticipate the reactions of others. Kilburg (2000) views productive interactions between managers and others as depending upon the self-restraint, personal and interpersonal insight which wisdom provides. Malan and Kriger (1998) offer a definition of managerial wisdom that communicates some practical perspectives: 'The ability to detect those fine nuances between what is right and what is not […] the ability to capture the meaning of several often contradictory signals and stimuli, to interpret them in a holistic and integrative manner, to learn from them, and to act on them.'

> *'While in popular press and annual reports, our owners talk of separation between ownership and the executive, in reality I find that the owner still calls the shot in important decisions'*

The decision-making process in Indian family businesses reflects the owner's will and enforcement of that will, interpreted as an order, by the professionals in the organisation. There are some implicit and explicit rules whereby the owner's decision is final. In a professional environment, some people can still get away with something implicit yet not clarified or part of a process, system or method explicitly.

ROI had to be visible, leaving no space for innovation and R&D – as one *babu* (owner) laughingly said: 'To say I don't have to go the moon but always shine with dividends for my shareholders.'. What he meant was that shareholders interest is of paramount importance and the company needs to earn enough to reward them.

Wealth production and distribution emanated from the king or ruler in ancient and medieval times and more recently from the owner of an organisation. Such individuals are considered to be mother and father to the workers because of their behaviour.

'I found that there would be a few individuals always lurking around the office. They were not part of the organisational hierarchy but were seen exchanging ideas with the managers in office. On discreet enquiries I came to know that they are part of the extended family and that they have a lot of say in business decisions. Often convincing them about a new idea is important if one wants babu *to take us seriously.'*

'I find that while there are organisation charts and role sheets, the final decision on most of the things are taken right at the top by babuji*. Delegation level is not very high.'*

In one situation, it was found that the professional leader's favorite colour was black and he wanted to have a black car. The owner thought that black was not an auspicious color. Thus the professional leader actually had a difficult ordeal explaining his desire for a black car. In the end, he had to give up on his choice of colour and choose from other options including white.

In another example, the purpose of a command is to exhibit power and authority and generate hero-worship. Employees told what to do must execute the order without a discussion or explanation. Those who resist or fail to comply can leave. *Sethji* (as Indian owners are commonly called) was very clear that a white chair was to be placed in his room for his use alone. All others were to have blue chairs. In an informal discussion the department head dared to raise the issue, saying if the leadership had red chairs and others blue it would be useful in distinguishing. He was promptly told that there was only one real leader, the owner, whom all should know and revere; others were servants and there was no need to distinguish amongst them.

Theme 5: Informal organisation supersedes formal organisation

In any professional setting, networks flourish spontaneously: human nature, including mutual self-interest, leads people to share ideas and work together even when no one requires them to do so. As they connect around shared interests and knowledge, they may build networks that can range in size from fewer than a dozen colleagues and acquaintances to hundreds. Research scientists working in related fields, for example, investment bankers serving clients in the same industry frequently create informal – and often socially based – networks to collaborate.

> *'I was used to TQM charts and ISO standards. After coming here I found that such documentation was not encouraged. I would be asked to do things quickly, which to me seemed ad-hoc. My attempts at following a process were not really encouraged.'*

The reference dates back to the concept of social capital. According to Lin (2008), social capital is 'investment in social relations with expected returns in the marketplace'. Social capital is interpreted here as a social asset by virtue of people's connections within group they belong to. Nahapiet and Ghoshal (1998) define social capital as the sum of the actual and potential resources embedded within, available through and derived from the network of relationships possessed by an individual or social unit. Putnam (1995) states that social capital represents a social organisation's 'networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit.'

Most large corporations have dozens if not hundreds of informal networks, which go by the name of peer groups, communities of practice or functional councils—or have no title at all. These networks organise and reorganise themselves and extend their reach via cell phones, Blackberries, community websites, and other accessories of the digital age. As networks widen and deepen, they can mobilise talent and knowledge across the enterprise. So it's unfortunate, at a time when the ability to create value increasingly depends on the ideas and intangibles of talented workers, that corporate leaders don't do far more to harness the power of informal networks. Such communities are called ad hoc communities. Valuable as they are, these ad hoc communities clearly have shortcomings: they can increase complexity and confusion, and since they typically fly under management's radar, they elude control.

> *'What I find strange is that many things are kept undefined. Different quantum and type of benefits are given to different people at different times. It is quite ad-hoc. There can be one rule for us and another for expatriates. There is no obvious explanation for such practices.'*

Companies can design and manage new formal structures that boost the value of networks and promote effective horizontal networking across the vertical silos of so many enterprises today. By building network infrastructures, assigning 'leaders' to focus discussion and combining hierarchy and collaboration to bring together natural professional communities, formalised networks serve as an organising structure for collaborative professional work. They can replace cumbersome and outdated matrix structures, facilitate the creation and sharing of proprietary information and knowledge and help build more and better personal relationships among the members of a community. Most important, they can enable leaders to apply the energy of diverse groups of professionals and managers to realise collective aspirations.

My own experience illustrates this. In one organisation, the owner seemed to have built a team of people who had stood with him in the test of loyalty and time. To delegate and professionalise, a new CHRO was hired. He was told that he would have a free hand and should bring method to the randomness that existed in the organisation. He started by creating an ethics and integrity policy, which was highly appreciated. He discovered that the staff canteen had a different set of food for a few select people, a group consisting mainly of the old guard people and a few loyalists. As soon as the group came in they were served differently while several others looked on. The canteen manager said that within the budget, he could serve only a certain quality of food to all as most of his resources were used to cater to the whims and fancies of this group of people, who were considered the *babu'*s men (the owner's trusted people). The CHRO declared that from that day all were to be served only one kind of food. In the next few days he was called in and told that he should not interfere in the working of things that functioned smoothly without intervention. There was no need for all to have the same food.

In another of my experiences I have seen that a parallel or informal power organisation exists. This is a set of trusted and loyal people whom outsiders or new professionals cannot unseat; it's best to tolerate them and diplomatically win them over.

In one organisation, I witnessed a related situation. A new leader started by ensuring discipline during office time. He found that a few people came late and were around only when the owner was in the office. In his absence they would come and go on a whim and make trouble if anything was asked of them. So the new leader set up a disciplinary team and got documentary evidence against them. As he was about to order suspension/disciplinary action, the owner called and told him that it was not required. He was clear that the leader should just ignore those people and work without taking them into consideration. They were his eyes and ears and handled a lot of his personal confidential work. His closing remark was that if someone offers you better pay you may leave tomorrow but these guys will remain here at all costs and time.

The most important concept is trust. Trust is often defined as a willingness and intention to be vulnerable to another person. The concept of interpersonal relationship arises when both the parties believe in each other and have good intentions toward each other. When reasonable abilities exist to act on those intentions, both parties will act reliably with a high degree of openness. Thus this trust gets converted into loyalty and this loyalty makes people engage in a cooperative activity for further developments in future. This is why a group of highly loyal and trusted members gets created and becomes the informal organisation within the formal organisation. Such organisations are valued and respected by owners and it is expected that they should be revered by all within the organisations.

Theme 6: Non-conventional management practices still in practice in indian family business

The managerial philosophy of a company is generally based on the top management's assumptions about people working in the organisation. It reflects the attitude of the top management towards the human resources of an organisation. Managerial philosophies of companies are embedded in society. McGregor (1960) has labeled these managerial philosophies as 'Theory X and Theory Y'. To explain these theories I would like to describe a situation I noticed while interviewing a candidate.

A COO joined the company and wanted to have an idea of the people he would be reporting to. He sat down and wanted to know what the role description was, and the goals and Key Result Areas (KRAs) desired. None of the papers gave a clear overview of role-responsibilities or of the KRAs' responsibilities and boundaries. This resulted in a blame game, non-clarity and routine stuff that kept coming up to him. He wanted to change this yet there was a big debate for the need to do so. The benefits were not seen at all. Most people operated two levels below their authority and respective responsibility, except for the owner's secretary, who had become an unacknowledged decision maker.

Taking the above situation into consideration, the theory explains that individuals by nature are not responsible and avoid work. So they need to be coerced. Theory Y states that individuals are responsible and take initiative. Given the right ambience they will be able to solve all type of business problems. Though theory X is popular among Indian family organisations, cognitively they believe in theory Y.

> *'I was used to TQM charts and ISO standards. After coming here I found that such documentation was not encouraged. I would be asked to do things quickly, which to me seemed ad-hoc. My attempts at following a process was not really encouraged.'*

If Indian organisations are to develop and maintain their competitive edge, the potential value of the employees needs to be increased by enhancing and linking their skills and capabilities in tune with the contemporary requirements of the market. Barney (1991) felt that firms could develop strategic capability. To attain this, the strategic goal will be to create firms that are more intelligent and flexible than their competitors. For family owned businesses in India, this is not the case.

The managerial philosophy is based on the top management's assumptions about people working in the organisation. Whether managers are aware of these assumptions or not, they rely on them when deciding how to deal with their superiors, peers, and subordinates. In the words of Schein (1970), the kinds of assumptions a manager makes about the nature of people will determine his managerial strategy and his concept of the psychological contract between the organisation and the employee. In Indian business families the owners decide on ways of working within the organisation.

Business success requires doing things unethically (for example, paying bribes), which the owner expects professionals to execute at all costs. His idea is to do whatever is called for to get the results and show me success. I recollect two situations here.

An honest officer confronted the factories' inspector for a boiler certificate. He refused to budge without his questions being answered and adamantly explained his objection to the company. This resulted into a loss of production. The owner called and said, I appreciate honesty but it has to be at the right time. Please take responsibility for the loss and take a cut in your bonus. Do what is required to get the work done and things moving. One has to grease palms as long as they return larger favours in return.

An owner's son was taught good morals. Yet, in the practical world, he was always shown who bad people were and their need for money was too much. He had to be careful to protect his wealth. To do that, he also needed to instill fear in them and used a group of thugs to intimidate others. For this he had to pay protection money and it was fine to do so as that was the only way to survive.

It is well recognised that technological capabilities and related innovations have the potential to significantly enhance the competitiveness of firms. In the new economies of the late 20th and 21st centuries, characterised by globalisation and growing competition, innovation has emerged as a major source of competitive strength, and competing through innovation has become a successful paradigm for firms in many industries. The Indian market situation is imperfect; social pressures limit its exploitation. However, if operations are basically efficient, a viable bottom-line is possible. The Indian businessman has never been the owner of production technology. In the pre-factory system, it used to be held by the artisan guilds. Now it is largely imported. Profit based on technological innovation has never been critical in Indian business, which relies on information and the servicing of markets at low cost. Long-term expenditure without any clarity on returns is not acceptable.

While interviewing I came across some important and interesting facts based on situations typical of Indian business families.

1. An officer in the quality team kept requesting a process of self-controlled checks, internally leading to zero ppm. He was told to forget about it and concentrate on his own work. As long as the customer was not complaining, there was no need to change anything. Suddenly the customer got into a joint venture and the multinational corporate partner wanted ISO 9000 certification from its vendors. This company floundered and suffered a huge business loss.

2. A lot of owner-run companies invested in half ERP/SAP systems and actually collapsed because they had no control over what was happening. The structure of the organisations was not strengthened to document data and ensure transparency and this led to massive fear and roadblocks in implementing the system. Many things collapsed under the pressure and most people were happy to see this over-hyped solution fail. Owners generally have low IT knowledge or use at a personal level.

I have also seen in many companies that a few people are given extra attention and importance while others are abandoned. There is no formal induction process or defined set of benefits. It can be quite random and variable at times. Foreigners may have a lot more benefits, attention and both compliance and non-compliance in regard to their way of working. As new leaders join, they ask for things they have seen in their cultures and found it useful. To be given a visiting card on joining is common in a lot of companies. In one situation, the owner was unwilling to budge and the poor leader had to manage with plain paper for a few weeks. On the contrary, when a foreigner joined, the owner very proudly said that for 'our valued people we always have even their visiting cards printed in advance and sent'.

> *'My* sethji *might look and sound rustic but get into a conversation with him on commercial terms and he comes to form. He also takes a personal interest in the well-being of the employees. Once a secretary's mother was not getting well despite various treatments. He heard this and got his doctor to inspect and treat her for free. That secretary became his follower for life.'*

In one situation, a new leader joined and found that the owner was travelling and was not reachable. The office refused to cover any kind of expenses. He finally used his own money to buy the things he wanted to and was reimbursed later. The owner was quite unapologetic about this, saying 'It's not a big deal'. In his opinion, the staff certainly needed permission before paying for something like this.

> *'In my previous organisation, I could push back at my boss who would need to convince me to proceed on a strategy. Here, I am often told to go ahead without any explicit explanation. My boss is not very tolerant or patient about organisational democracy.'*

In most IT companies, physical presence in the office is not important. Among Indian family businesses, most organisations demand physical presence in the office and meetings for all local people. This is their way of ensuring control and keeping the employees engaged in work (like assuming that when students are in school they will automatically study). They forget to trust their people and fail to ensure a work-life balance, as a lot of calls must be made from home at odd hours to match different global time zones. Efficiency remains the focus even when effectiveness is compromised.

Theme 7: Frugal, control-oriented as opposed to expansive, blue-ocean thinking

The blue ocean strategy (BOS) literature (Kim & Mauborgne, 2004) presents a largely descriptive assessment of how successful companies create business model transformations that provide a foundation for completely new value offerings to the marketplace. Such new and even disruptive approaches are presented as key for a competitive advantage. Despite its popularity (as a *Wall Street Journal* and *BusinessWeek* bestseller), little scholarly attention has been paid to the BOS concept, its robustness or applications. Blue ocean strategy illustrates what the authors believe is the best organisational strategy to generate growth and profits. BOS suggests that an organisation should create new demand in an uncontested market space, or a 'blue ocean', rather than compete head-to-head with other suppliers in an existing industry. BOS is more pragmatic and responsive if applied in business, but in India business is more control-oriented and frugality is evident almost everywhere.

As a Chief of Technology who returned to India said, 'I realised in a few days that the present problem solving by hook or crook was so important to survive in business that there was no space for Innovation and R&D. At best some product development or engineering could be done.'

There is no proper implementation of planning, and detailing of costs can be strong. At times owners will invest more time and money in fault-finding exercises like allowing a secretary to take an incoming phone call and then criticising him for not passing a message to the owner.

> *'The signal that we get from our ecosystem in the organisation is that a flashy, larger-than-life image is not expected from the employees. It is not about whether one has the means – one is expected to stay low profile instead of becoming the talk of the town.'*

> *'Yet at the same time, detailing of costs, etc., was done very diligently. Each and every expense would be questioned. In some cases I found their approach to be penny-wise pound-foolish.'*

Sometimes an owner will save money on things that are necessary, like medicines. Once an owner was ill and his son gave him half the prescribed dose of antibiotics. Luckily he was hospitalised and saved; it was an eye-opener.

An owner would send all his documents with employees travelling from one location to another, thinking it was faster and saved money on postage. Once an employee was carrying a lot of documents including one legal document and a tender fee cheque. His flight arrived late and he went to office the next day, handing the documents over to the administration staff for delivery. They happened to be short of people due to the festival season. These documents arrived a day late and created a lot of chaos ...finally convincing *sethji* that it was better to post them in advance. This era is now history as email is instant.

> *'The family patriarch grew by leaps and bounds and has divided his business among his three sons. I work in the elder one's organisation who has this innate desire to take the family flag forward. But that is not the case with the other two brothers who are content with what they have. In any case, I feel that none of the brothers has the dynamism of their father.'*

India is a vast economy with a wide variety of practices and arrangements across its more than 700,000 companies. Family businesses have always shown a particular type of culture and culture definitely influences organisational performance and behaviour. Employees who share a culture are more likely to be unified in their actions, and such unity shapes performance. It helps a business to focus its resources, to penetrate its markets, to meet customer requirements and to accomplish strategic goals. In general, the more thoroughly a culture is shared, the more likely it is that the business will be successful. Because of the unity provided by a strong culture, such a culture can become the identity of an organisation. This identity becomes the means by which customers, suppliers, employees and investors distinguish one organisation from another; they provide it with marketplace recognition and acceptance.

Flashy lifestyles are not encouraged for the professional leaders hired by family companies. Once such a leader was used to being driven around in a Mercedes. When he joined this company, he saw that the owners had Hondas or

Toyotas. He came to the office in his old Mercedes, but after a few days, sensed that this was something his peers and bosses did not really like. He went ahead and raised the issue with the owner and requested for a car similar to theirs or whatever they thought was appropriate for him. They not only bought another car for him but also applauded him discreetly, using some of his peer group to send down a message. Operational freedom is given with the expectation is that if something goes wrong, the owner will be informed first.

> 'Sethji *expects that in case of any problem or crisis, he should be informed immediately. He gives me operational freedom but in case of things going wrong, I am expected to involve him immediately.'*

Earning trust wins operational freedom while performance and results may come slowly. Trust-building takes time and requires a lot of sympathy with an owner's viewpoint. In India, the parallel organisation always keeps an eye on what's going wrong or right from the owner's perspective.

A professional leader forecast that there could be extra wastage when changing a particular attachment on a machine, yet overall output would be higher in the long run. One of the owner's loyal employees called him up on a holiday to say he was very concerned about the wastage. The owner came back and found the leader busy enjoying himself at the club. Eventually it turned out that the wastage was 11%, 10% higher than what had been forecast. The leader did not know this until in the next monthly review, when he saw the figures. He was reprimanded for not being aware and for not letting the owner know. In a sense, it was very trivial yet his trust had been put under observation.

In another case, a leader had taken some wrong decisions with regard to purchasing. He bought a lot of stock of raw material and the price started falling. It was an era when phone calls were not always readily connected. His *sethji* was in London and there was no way he could reach him, so flew to London to ease his master's anxiety. He confessed that the decision was his fault. He was applauded for his forthrightness and sense of responsibility and was restored to the confidants' list. Control and compliance is encouraged. Subservient behaviour and a tolerance of friends, family and relatives are built into the system.

As one leader described it so well: 'A family relative turned supplier who was making money by supplying spurious bearings was retained, while another supplying original ones was not encouraged. The spurious supplier was a distant relative. How could he be thrown out? It would earn a bad name in the community.'

I have shown that many family owned businesses still work according to their old traditional patterns of thinking and decision-making. It is a controlled environment rather than one where new techniques and innovative strategies are used for growth and promotion. Yet this is the colour of Indian family-owned businesses.

CONCLUSION

India is a democratic country. Its recorded cultural history, spanning more than four millennia, has seen multiple influences in the form of settlers and invaders, as well as the great diversity inherent in such vast regional space. Yet, the great Indian family of people in different locations with a diverse cultural background has a thread connecting and binding it, which I believe is the family culture of India.

The passion and zeal of FOBs have led to vast expansion and growth at a global level. We still have a culture of saving, planning and passing on wealth to our grandchildren and generations ahead rather than consuming it all in our own lifetime. It is a culture of caring and planning for one's kin and demands a lot of prudence and sacrifice. No wonder the Indian economy is dominated by family businesses. These empires have grown and become global leaders in their areas, managing an international work force. It is well established that understanding culture is the key to success across the globe. In India, it can mean having a caring and sharing attitude that can sometimes be interpreted incorrectly. At a personal level, I have often been questioned by my classmates as to what lies behind all the generosity and care that I exhibit and I must admit it is not easy to explain. I openly admitted that it gave me some ego satisfaction. As long as I can do it without generating undue expectations, it is fine as it's my journey of stewardship that's important to me, possibly derived from my own understanding of India scriptures like the *Bhagavad Gita*, where I must be able to detach from the desired outcome for myself and accept fate without losing objectivity. Most of us want to help people who don't need much help; in a family context a cousin who is not doing so well may be kept away from important decisions and high society events. On the contrary, the one who is doing well is sought out and offered help and care. I personally feel that if my family members lacked the basic *roti*, *kapda aur makan* (food, clothes and shelter) I should do my bit without expecting any return. My ability to treat each one as the king or queen of his house irrespective of his wealth is an important responsibility. Here there is a change taking place as cousins and siblings are losing touch with each other and have not necessarily grown up together. A new culture with each one operating his own empire is emerging. In some cases, a stronger process orientation and respect for professionals is leading to a new extended family of individual rather than collective leadership.

India, a huge family of so many cultures, religion and castes, is often expressed in organisational form through FOBs. For a new entrant, it is important to understand the cultural nuances and the practical norms of this new 'family' in order to succeed in the organisational setting. Most importantly for my sample, the professionals who apply for leadership positions, the ability to conduct an appreciative inquiry is very important for settling down and subsequent success. Here the sense of what works in a particular culture and how one needs to handle the softer issues is very important. That handling relationships is more important than executing process is a given in settings that are built on trust and tacit understanding. As one CEO put it, 'The kind of freedom I have here I could never think of in a multinational corporation – in a way I am my own boss.'

The trusted advisor's view will normally prevail. Often trusted advisors are part of an informal hierarchy, invisible to the organisational hierarchy. For an outsider, it is important to recognise their presence and to handle them with care. Financial prudence needs to be imbibed, instead of assuming that a prosperous organisation will always allow speculative expenditures. The most advanced technology, though fashionable and highly cited, might not be the need of the day and the preference might be for a locally affordable and durable product. Given India's current political scenario, staunch principles like 'I will not give a single penny to anyone under the table' is not the best way forward here; what is prudent is to give a small gift officially and manage the government inspector if required. Flashy lifestyles and too much focus on work-life balance can doom your career in these environments. Focus on results, develop the ability to take the right on-the-spot commercial decisions, manage with low overheads and treat the owner like a king – these are the important elements for being successful in large Indian family business environments, an imperative that external hires in senior positions should ignore at their peril.

LIMITATIONS AND DIRECTIONS FOR FUTURE RESEARCH

Certain features of this study influence how the results should be interpreted. The sample of the study was drawn from mostly senior managers known to me through my professional engagements. I do not claim any universality in this sample. While every attempt was made to triangulate the interview data, retrospective justification cannot be ruled out. In this regard, it would be important to conduct an ethnographic study of newly hired managers in FOBs to establish if my inferences stand true in actual day-to-day practice. To generalise the findings, it would be important to conduct large sample study, with appropriate controls including size and region. It is important to record here that I am an active player in the search for high-end external talent for FOBs. My inferences are no doubt influenced by my view of how these organisations work. This is an exploration on the surface and much more could be uncovered by digging deeper into a wider spectrum of FOBs. More could be uncovered through direct conversations with owners of different families and generations. I did develop a psychodynamic lens with EMCCC but remain very strong on my past strengths of intuition.

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