



## **[Frequently Asked Questions]**

### **Management of Family Business - 2**

<b>Subject:</b>	Business Economics
<b>Course:</b>	B. A. (Hons.), 6 <sup>th</sup> Semester, Undergraduate
<b>Paper No. &amp; Title:</b>	Paper – 651 Elective PaperP2 – Entrepreneurship and Family Business
<b>Unit No. &amp; Title:</b>	Unit – 4 Management of Family Business
<b>Lecture No. &amp; Title:</b>	Lecture – 2 Management of Family Business - 2

## **Frequently Asked Questions**

### **Q1. What are different types of conflict management strategies?**

**A1.** There are five conflict strategies that can be applied to tackle conflicts in family business

- Competition
- Accommodation:
- Collaboration
- Compromise
- Avoidance

### **Q2. Explain Competitive Strategy of conflict management.**

**A2.** This strategy is most compatible with authority. Based on the theory of autocratic authority, in case the solutions to a conflict are forced or imposed. If owner is a part of the conflict, then its most likely that the solution shall be more intended towards the owner's satisfaction.

### **Q3. Which is more powerful conflict management strategy collaboration or compromise?**

**A3.** This strategy attempts at satisfying all the parties involved in a conflict. There is a willingness to adapt to the needs of the other parties, like *Accommodation*. However, this is not done by succumbing to the needs of the others, but by devising a *win-win* situation

It may appear similar to *Collaboration* and will lead to similar outcomes too. The only difference here is that the concerned parties are required to forgo some of their needs to the counter party and arrive at an acceptable solution.

#### **Q4. Explain governance of family based enterprise?**

**A4.** Governance refers to the process of setting up a system that defines and oversees enforcement of the rights and duties of a family enterprise vis-à-vis its participants, the owners, managing team and the family

Governance includes all parties within its realm; that is the owners, management, employees, suppliers, customers, the regulators, government, lending institutions and the community.

#### **Q5. How many levels governance of family based enterprise is applied?**

**A5.** Governance of family based enterprise is applied at three levels.

- (I) Enterprise Governance
- (II) Family Governance
- (III) Owner Governance

#### **Q6. What are the functions of a family council?**

**A6.** Some functions of the family council are as follows:

- Helping family members to recognize their individual and collective goals.
- Developing a communication framework and flows for family members within themselves and with the business.
- Becoming the voice of the family members to the ownership.
- Orienting and developing the next generation owners and family members.
- Offering development opportunities to all family members.

**Q7. What are the functions of ownership forum?**

**A7.** The functions of the ownership forum are as follows:

- Developing formal structure, codes, policies and procedures for the owners
- Fostering collaborative spirit among the owners
- Coordinating the decisions of the owners
- Responding to the concerns of the other interest groups

**Q8. Explain Enduring Family Enterprise.**

**A8.** A successful family enterprise needs a constant balance of the interests of the family members with/against the interests of the enterprise, which needs the concerned people to hold character, commitment and competency. Usually such enterprises can become quirky with their unique cultures. Professional advisors can come to be of great assistance to family firms since they carry the requisite skill set of communication, legal, accounting, strategic planning, leadership, management, and investing and conflict management.

**Q9. What is financial conservatism?**

**A9.** An enterprise concerned with the long term survival, shall be precarious with the finances and shall coin considerably conservative financial strategies to that effect. It may assume the form of low debt, good liquidity and sound balance sheets. Such strategies yield a financially healthy firm for the future successors.

**Q10. Discuss Reputation Building.**

**A10.** It leads the successors with the custody of strong brands and goodwill. It is achieved through meticulously planned R&D

investment, innovation practices, advertising strategies and various branding based measures undertaken