

# **ENTREPRENEURSHIP DEVELOPMENT IN FAMILY BUSINESS ENTERPRISES IN MIZORAM**

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**DOCTOR OF PHILOSOPHY IN COMMERCE**

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## CERTIFICATE

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Mr. Samuel Lalnunzira Dingliana has fulfilled all the requirements laid down in the PHD regulations of Mizoram University. To the best of my knowledge, this thesis as a whole or any part thereof has not been submitted to this University or any other institution for any degree .

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## DECLARATION

I Samuel Lalnunzira Dingliana hereby declare that this thesis is an authentic record of my work done by me. I declare that that the contents of this thesis do not form the basis of any previous degree to me or, to the best of my knowledge, for anyone else and that the thesis has not been by me for any other research degree in any other University,

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## **PREFACE**

Family businesses are the dominant form of business organization throughout the world. According to some estimates between 80-90 % of business globally are family controlled and these enterprises account for 50% of the employment in the organized sector. Studies show that 35-45% of the top 500 companies in the United States, the bastion of big business, are family controlled.

Similarly in India, of the top 100 companies in India 50 are family owned. A number communities and castes have become synonymous with family-owned businesses. Among the more prominent of these are Aggarwals and Guptas in the North, the Chettiars in the South, the Parsees, Gujarati Jains and Baniyas, Muslim Khojas and Memons in the West, and Marwaris in the East. However family businesses are pervasive in all settled communities in India.

However, despite their importance and potential for academic study in this area, the extent of research in family businesses remains comparatively small. The overlap of the “family”, a social institution with the “business” and economic entity makes the study of these kinds of enterprises very complex with cultural nuances, local business practices and family specific characteristics making it difficult to form models or theoretical constructs around them. In addition, there continues to be a lingering perception that because these businesses are usually smaller, less formal in structure and administration that they do not warrant the same kind focused research that other types of firms might be subject to. Thus though family businesses are more complex and difficult to manage the bulk of management research and management theory concentrates on the tiny minority of firms that are not family owned

There is thus vast unrealized potential for research in family businesses. Patterns of family business management vary from country to country, community to community and family to family. Each family nucleus, that is family member or members who form the core of the business are is unique and each family member, who is a stake holder is also different. The familial dynamics and social connectedness of each family is also different

This thesis concentrates on the study of family businesses in Mizoram, a state in north east India. Lying in the geographic and economic periphery of India, Mizoram has been largely neglected by organized public and private sector. Investment from outside the state has been very sparse and industrial development has been limited. It has been the initiative and entrepreneurship of local businesses, particularly the Mizo Family Businesses (MFBs), which have acted as one of the major driver for the economy in Mizoram. The thesis is was carried out with the purpose of identifying the characteristics of Mizo Family Businesses (MFBs) in the context of their genesis, their structure, their succession patterns and their management practices

*Chapter 1* Introduces the concept of family businesses and details the geographic, economic, political, and socio-cultural setting in which this research was conducted. It surveys the existing literature on the research on family businesses and explores some of the processing research on the subject. It lays out the premise and objectives for this research, and details the research design employed in this thesis

*Chapter 2* traces the origin of family businesses in Mizoram from its origins in the traditional trades in the Mizo village in pre-colonial times. It describes the factors that limited economic activity in the erstwhile Lushai Hills District which we now know as Mizoram and the historical

factors in particular the role of the British which acted as catalyst for the emergence of commercial activity in the area. It briefly traces the rise of family businesses in general and studies the rise of Pacchung and Sons is particular as a case study for the emergence of family businesses in Mizoram.

It is difficult but to create a single unified model to represent all family business. However, it is possible to build a conceptual framework within which different types of family businesses can be studied. In *Chapter 3*, the three circle model of family businesses is used to study the organizational aspects of family businesses in terms of ownership, management and family relationships. It studies the governance systems of these types of organizations.

To understand any entrepreneurial activity it is important to draw a clear picture of the actors involved in that activity. *Chapter 4* studies the socio economic characteristics of family businesses entrepreneurs in Mizoram in the context of age, gender, education levels etc. It seeks to compare these socio-economic characteristics of incumbent managers in MFBs with their counterparts in non-family businesses.

The study of culture is particularly significant in the context of family businesses because such businesses are composites of two components. A “business” component is primarily an economic component and a “family” component which is a socio-cultural construct. In *Chapter 5*, the cultural dimensions of MFBs are studied using the GLOBE Project Framework, Nine dimension namely, *Uncertainty Avoidance, Performance Orientation, Future Orientation, In-group collectivism, Institutional Collectivism, Humane Orientation, Gender Egalitarianism, Power Distance* and *Assertiveness*. The scores of these cultural dimensions for MFBs are

compared with scores collected around the world under the Globe project to identify the cultural markers that distinguish MFBs from businesses around the world.

The effective management of succession, the planned or unplanned transfer of leadership from the incumbent head of a business to a successor, is a crucial process for all types of businesses. However it is particularly critical for family businesses. Studies have shown that worldwide only 30% of family businesses survive to the second generation, while fewer than 14% make it beyond the third generation. In Chapter 6, the patterns, policies and practices of MFBs with regard to succession are studied.

Chapter 7 studies the management practices of MFBs with respect to various functional areas like finance, operations, human resources etc. The unique characteristics of managing MFBs, entities that have both an economic element as well as familial element, are studied at length.

In Chapter 8, the findings of this research are summarized and analyzed. From the conclusions that emerge from this research, recommendation on possible procedures, policies and practices that will make MFBs more efficient and stable are discussed,

It is my hope that from this thesis better understanding of Mizo Family Businesses will emerge and that it will spur more research on various aspects of these enterprises which are so important to the state. I also hope it will contribute in some way to the broader understanding of family businesses enterprises in general and add to the growing body of work in this area.

- *Samuel. L Dingliana*



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(SAMUEL LALNUNZIRA DINGLIANA)

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## LIST OF ABBREVIATIONS

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<b>Abbreviation</b>	<b>Full Form</b>
ADC	Autonomous District Councils
AMC	Aizawl Municipal Cooperation
CADC	Chakma Autonomous District Council
CEC	Commission of the European Communities
CSO	Central Statistical Organization
DC	Deputy Commissioner
FBRC	Family Business Resource Centre
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GLOBE	Global Leadership & Organizational Behavior Effectiveness Research Project
GSP	Gross State Product
H0	Null Hypothesis
HA	Alternate Hypothesis
ILP	Inner Lines Permit/Policy
IT	Information Technology
ITES	Information Technology Enabled Services
JV	Joint Venture
LADC	Lai Autonomous District Council
MADC	Mara Autonomous District Council
MFB	Mizo Family Business
MNF	Mizo National Front
MNFF	Mizo National Famine Front

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<b>Abbreviation</b>	<b>Full Form</b>
MoSPI	Ministry of Statistics and Programme Implementation
MSME	Micro Small and Medium Enterprises
NEFA	North East Frontier Area
NFB	Non Family Business
NSDP	Net State Domestic Product
NSSO	National Sample Survey Organisation
OECD	Organisation for Economic Co-operation and Development
PCM	Presbyterian Church of Mizoram
PG	Post Graduate
PhD	Doctor of Philosophy
Rs.	Rupees
SSI	Small Scale Industries
TRI	Tribal Research Institute
UPC	United Pentecostal Church
UT	Union Territory
VC	Village Council
YMA	Young Mizo Association

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# CHAPTER 1

## INTRODUCTION

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Family businesses, range from the subsistence artisan's family workshop in rural Africa to the corner shops in small town Europe to the multimillion dollar, multinational enterprises embodied by the "chaebols" of Korea which are the largest manifestation of this type of enterprise. Recent research has shown that family businesses are the dominant form of business organization throughout the world (Gupta et al., 2008). According to some estimates between 80-90 % of business globally are family controlled and these enterprises account for 50% of the employment in the organized sector (Rajan, 2007). Of the top 100 companies in India 50 are family owned. Similarly 35-45% of the top 500 companies in the United States, the bastion of big business, are family controlled.

Family businesses are different from other types of enterprises because they are a composite of two components. The first is the "business" component which is primarily an economic component and lends itself to the same type of analysis as other types of economic activity. The second component is the "family" component which is socio-cultural institution which involves the social interaction and emotional linkages between family members and also involves cultural specific behavior and dynamics that varies from community to community

In India a number communities and castes have become synonymous with family-owned businesses. Among the more prominent of these are Aggarwals and Guptas in the North, the Chettiars in the South, the Parsees, Gujarati Jains and Baniyas, Muslim Khojas and Memons in the West, and Marwaris in the East. However family businesses are pervasive in all settled communities in India.

This research concentrates on the study of family businesses in Mizoram, a state in Northeast India. Lying in the geographic and economic periphery of the country for many years, Mizoram has been neglected by major organized public and “mainstream” private industry. The socio-economic and cultural backdrop of the state with its limited resources, dispersed market and the stress on social linkages, has limited other forms of commercial activity.

In this setting it has been the initiative of local entrepreneurs, particularly the family owned business houses, which have acted as one of the major drivers for the economy in Mizoram. The very limitations that have hindered other types of firms has lent itself to the development of family businesses in various sectors. Consequently what can be classified as the “private sector” in Mizoram is synonymous with the collective activity of family businesses of various types and sizes. This research seeks to study these businesses in detail to better understand their structure and functioning.

## **1.1 FAMILY BUSINESSES IN MIZORAM AND MIZO FAMILY BUSINESSES (MFBS)**

Mizoram is one of the states of India, located in an area of the country which is colloquially and officially referred to as the "Northeast". The Mizo people are an amalgam of various Mongoloid clans native to north-eastern India, western Burma (Myanmar) and eastern Bangladesh with highest concentration living in the state Mizoram whose name literally means "Land of the Mizos". As a recurring theme in this research, the term *Mizo Family Businesses (MFBS)* is used interchangeably with "family businesses in Mizoram". This is

based on the premise that MFBs are representative of family businesses in Mizoram. This can be justified for the following reasons:

- a) The officially and generally accepted definition of the term Mizo has a wide scope which covers a large majority of Mizoram's One million population. It incorporates all clans belonging to the *Lushei, Ralte, Paite, Mara, Pawi, Hmar, Gangte* and other smaller sub-tribes which are unified with common cultural practices (most notably in the way they treat their dead) and a common family of languages. Consequently the term Mizo Family Business covers the majority of family businesses in Mizoram
- b) Mizoram has a very homogeneous population dominated in terms of numbers by the clans from the tribes mentioned above, particularly by the Lushai tribe. While small populations from the minority Reang and Chakma tribes do live in the south, and there is a small but established Nepali/ Gorkhali community, in terms of established *family businesses*, which are the focus of this study, almost all are Mizo Family Businesses.
- c) Due to various administrative, political and legal reasons, it is very difficult for non-Mizos to settle or establish businesses in the state. Regulations like the *Inner Line Permit* system (explored in Chapter 2) limit the entry of non-Mizos in the state. Other laws prohibit the purchase of land and property by non-natives. In addition, local communities have been sensitive about non-Mizos establishing businesses in the state. For these reasons, traditional trading and enterprising communities like the Marwari's and Sikhs have not had a major foothold in the state.
- d) Where non-Mizos have established themselves, some by intermarriage with Mizos, over generations many have adopted Mizo cultural practices and traditions. This has gone to the extent that many have adopted Mizo names and identities. Thus second or

third generation families in this situation are often indistinguishable from Mizo families.

Given these observations, the term Mizo Family Businesses are for all intents and purposes representative of family businesses in Mizoram and the term and its acronym (MFBs) are used in this context throughout this research. However, this is done with the understanding that there are exceptions to this classification of families in Mizoram.

## **1.2 RESEARCH SETTING**

The nature of family businesses are inextricably tied to the historical, physical, economic and social context in which they exist. This section briefly establish the setting in which Mizo Family Businesses operate.

### **1.2.1 GEOGRAPHY & CLIMATE**

This research is set in the state of Mizoram lies in the extreme Northeast of India (Latitude 21° 35' N, Longitude 92° 15' & 93° 29' E) in a mountainous region known as the Arakan Arc with tropic of cancer running through the territory. The term Mizoram is derived from three Mizo words-Mi, zo and ram. 'Mi' in Mizo means 'people' and 'ram' means land. There is dispute about the definition of the term 'zo' but the traditional view is that it means 'highlander' or 'hill people' in which case *Mizoram* would translate as land of the hill people.

The total area of Mizoram 21,087 sq km composed mainly of steep hills interspersed with rivers which flow either to the north or the south creating deep gorges between the hill ranges. The climate in Mizoram is pleasant to cool in the upper reaches and humid but tolerable in lower lying areas. The winter temperature varies from 11 degree Celsius to 24

degrees in winter and 18 to 30 degrees in the summer, which makes the state fairly comfortable throughout the year. The average rainfall is 254 centimeters every year. Temperature varies from 11° C to 30° C from winter to summer and average rainfall is 250 cm. per annum.

The biggest river in Mizoram is *Chhimtuipui*, also known as the *Kolodyne*. The river originates in *Chin* state in *Myanmar* and passes through Saiha and Lawngtlai districts in the southern part of Mizoram, eventually flowing back to *Myanmar's Rakhine* state. The other major rivers are the *Tlawng*, *Tut*, *Tuirial* and *Tuivawl* which flow from the northern part of the state down to Assam and eventually join the Barak River in Cachar District.

### **1.2.2 ADMINISTRATION**

Mizoram occupies an area of great strategic importance with more than 70 percent of its border being international border. It is sandwiched by Myanmar on the east and Bangladesh on the west and also has inter-state border with Assam, Manipur and Tripura (Figure 1.1).

Mizoram became a Union Territory of India on 21 January 1972 and following the Mizoram Peace Accord in 1987, Mizoram became the 23rd state of Indian Union. Its capital is Aizawl with a resident population of approximately 300,000 is the largest city in the state. It is also the centre of administration with state assembly house, civil secretariat, high court and the bulk of important government offices being located there. Mizoram has eight districts with 22 towns and 817 villages (Figure 1.2). The primary legislative body is the *Mizoram State Legislative Assembly* which has 40 seats. The state is headed by a *Chief Minister* who selects a *Council of Ministers* to take up various portfolios. At the village level the local administration is taken by the *Village Councils (VC)* and in the Aizawl municipal area by the *Aizawl Municipal Council (AMC)*.



Figure 1.1: Map Showing Location of Mizoram in North East India

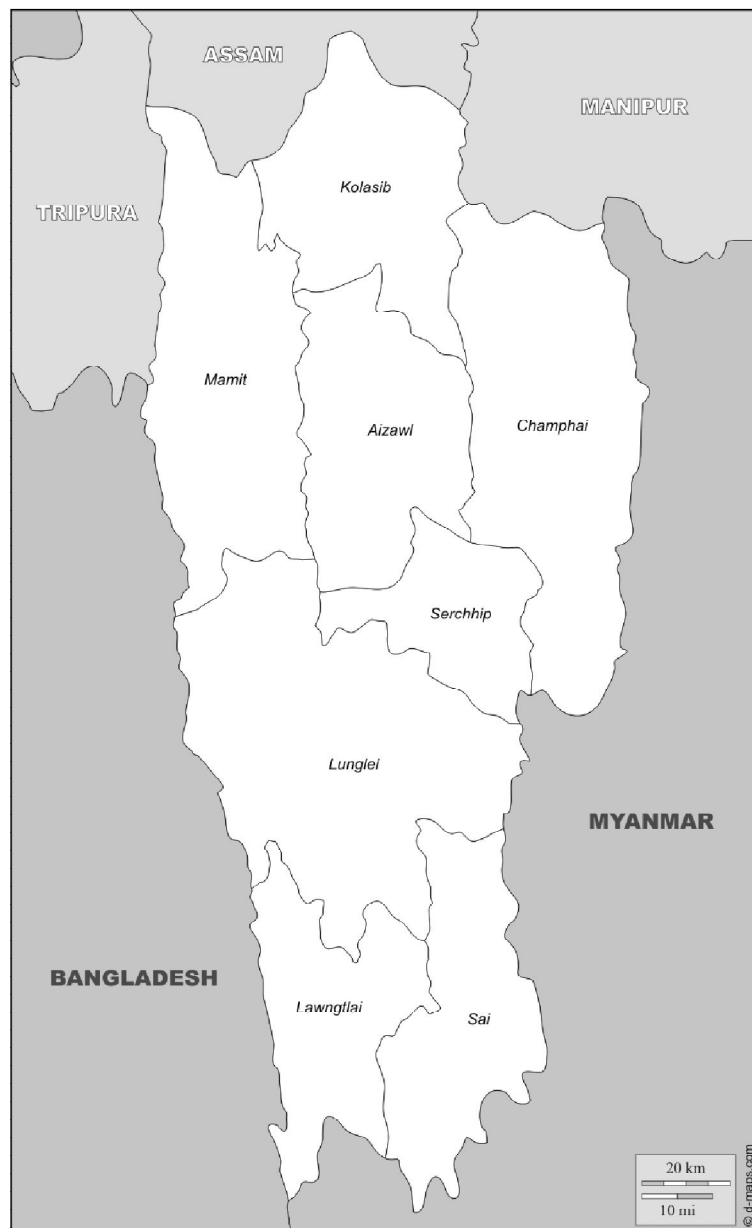


Figure 1.2: District Map of Mizoram



As a Union Territory Mizoram was initially divided into three districts Aizawl, Lunglei and Chhimtuipui, but later five more districts were created (Figure 1.2). Each district is administered by a Deputy Commissioner (DC) who also holds the additional charge of District Collector and the District Magistrate. Among the districts Aizawl District is by far the most populous accounting for 40% of the state's population. Its headquarters is Aizawl city which is also the state's capital. Details of the districts of Mizoram are given in Table 1.1

**Table 1.1: Districts of Mizoram**

No.	District	District HQ	Population	Area (km <sup>2</sup> )	Density (/km <sup>2</sup> )
1	Aizawl	Aizawl	400309	3577	113
2	Champhai	Champhai	125745	3168	39
3	Kolasib	Kolasib	83955	1386	60
4	Lawngtlai	Lawngtlai	117894	2519	46
5	Lunglei	Lunglei	161428	4572	34
6	Mamit	Mamit	86364	2967	28
7	Saiha	Saiha	56574	1414	40
8	Serchhip	Serchhip	64937	1424	46

*Source: Census of Mizoram (2011)*

There are also three Autonomous District Councils (ADCs) for minority tribes in Mizoram, namely Chakma Autonomous District Council (in the southern part of state, bordering Bangladesh), Lai Autonomous District Council (LADC) for the Lai people in Southern part of the state, and Mara Autonomous District Council (MADC) for Mara people in the southern-eastern region of the state.

### 1.2.3 PEOPLE

The population of Mizoram is dominated by the Mizo People. While politically integrated to the Republic of India, the Mizos are in many ways ethnically and culturally distinct from so called “mainland” India. The Mizos are an amalgam of various Mongoloid clans native to north-eastern India, western Burma (Myanmar) and eastern Bangladesh. It is thought that

they migrated to their current homeland in from Tibet and China's Yunnan province in waves that began in the 7th Century and continued till the 17th Century.

These clans belong to *Lushei, Ralte, Paite, Mara, Pawi, Hmar* and other smaller sub-tribes which are unified with common cultural practices (most notably in the way they treat their dead) and a common family of languages (Nunthara, 1995). While small populations from the minority Reang and Chakma tribes do live in the south, and there is a small but established Nepali/ Gorkhali community, Mizoram has a very homogeneous population dominated in terms of numbers by the clans from the tribes mentioned above.

It is important to note that the term *Mizo* is a modern construct that became popular only after the 1940s. In some manuscripts, especially those written by non-native writers, the term *Lushai* is used interchangeably with *Mizo*. However in its modern usage the term *Lushai* has a narrower definition, identifying people from a certain linguistic group while the term *Mizo* is a broader term used to include *Lushai, Ralte, Paite, Mara, Pawi, Hmar* and other smaller sub-tribes. However this definition is evolving as the different sub tribes assert their identity.

The *animist* religion of the Mizos was supplanted by Christianity under the influence of the British missionaries in the 19th century. Christian missionaries entered Mizoram in the late 1800s and established their missions in various parts of what is now Mizoram. Despite initial resistance by some sections of the local population, in particular the tribal chiefs, by the turn of the 20th century a majority of Mizos had converted to Christianity. According to the 2001 Census of India, there were 772,809 Christians in Mizoram, accounting for 86.97% percent of the total population.

Modern Mizos have integrated enthusiastically into the modern globalized world. However Mizos have maintained many of their traditional values and practices. A manifestation of this is the unwritten ethos of *Tlawmngaihna* which represents a quality or trait emerging from a shared sense of duty which affects everyday life in the form of rules of etiquette, duties and modes of behaviour to this day. According to the 2011 Indian Census, there were 1,091,000 Mizos living in Mizoram, the largest concentration of Mizos in the world.

#### **1.2.4 POLITICS**

Due to the nature of Mizoram's terrain and sparse and scattered population, the economy and political structure of the Mizos has historically been decentralized. Mizo communities were traditionally organized into independent villages or village clusters led by a chief or *Lal*. While the *Lal* wielded considerable power, various societal checks and balances ensured that he could not abuse his station. These included the *Upa* or elders of the village who were the voice of the community, the *Zawlbuk* or communal longhouse which housed all the village's young bachelors and also individuals of repute and influence like the village *Puithiam* (priest/shaman), *Thirdeng* (black smith) or *Pasal Tha* (warrior/hunter of repute) (Sangkima, 1992).

The majority of modern Mizos inhabit an area formerly known as the Lushai Hills District during British rule in India. The first British Expeditionary Force went into the Lushai Hills in December 1844, as a retaliatory measure against a Lushai raid in British territory. By 1895 the Lushai Hills had been annexed as part of the British Empire. However, unlike in other parts of India, the British practiced a hands-off approach to administration allowing the local chiefs to retain most of their authority in local affairs. They did however encourage the

spread of Christianity and education and discouraged some local practices like inter-tribe/inter-village warfare.

Following Indian independence in 1947, the area was integrated into the northeast Indian state of Assam. However the demand for political autonomy, including an insurgency movement the 1960s to the 1980s, resulted in Mizoram becoming a Union Territory in 1972. It became 23rd State of the Union in February 1987 by a Constitution Amendment Bill passed in the Lok Sabha on 5 August 1986.

### **1.2.5 DEVELOPMENT**

Its geographical isolation as well as its inaccessible terrain has meant that Mizoram has been on the geographic and economic periphery of the nation. In addition, its population of 10,91,014<sup>1</sup> is dominated by an indigenous minority which is both culturally and politically distinct and isolated from the “mainstream” of India. Consequently the state has been handicapped by cultural and political marginalization as well geographical isolation. As a result, the state has not historically benefitted largely from the growth and development seen in the rest of the country.

According to 5<sup>th</sup> Economic Census conducted by the Central Statistical Organization in collaboration with the Directorates of Economics and Statistics, Mizoram had 47,730 establishments in 2005 employing 106,706 people<sup>2</sup>. Of these 10,782 were rural based establishments dependent on agriculture. The agricultural output includes ginger, mustard, sesame, and potatoes. There has also been a growth in horticulture and floriculture in recent

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<sup>1</sup> *Census of Mizoram* (2011)

<sup>2</sup> *Mizoram: Fact Sheet, Fifth Economic Census*, Central Statistical Organization Ministry of Statistics and Programme Implementation Government of India, 2005

years most notably the cultivation of *Anthurium* flowers. In addition to this, there has been a visible rise in small scale industries, including sericulture, handloom and handicrafts industries, sawmills and furniture workshops, oil refining, grain milling, and ginger processing. The Third Census of Small Scale Industries 2002 conducted by the Ministry of Micro, Small and Medium Enterprises reveals that there are approximately 2700 working SSI units in Mizoram<sup>3</sup> of which 454 were exporting units generating revenue of Rs. 3544579<sup>4</sup>

In recent times there has been a concerted move towards more hi-tech or so called hi-end industries which can reap better and more stable long term returns to the economy. This has resulted in a modest but visible growth in IT/ ITES based industrial activities like outsourcing of graphics and web designs, computer hardware and software training as well as such activities as medical transcription.

### **1.2.6 ENTREPRENEURIAL ACTIVITY IN MIZORAM**

Due to its dependence on shifting agriculture and the lack of tradable agricultural surpluses, the Mizo economy has traditionally been a subsistence economy. In addition, due to the nature of Mizoram's terrain and the sparsity of its population, the economy was historically fragmented and unorganized. Mizo communities were traditionally organized into independent villages or village clusters led by a chief or 'Lal'. These village units were usually self sufficient in terms of food and other necessities and usually necessitated little trade. Indeed, in many cases, these village units were openly antagonistic to each other and jealously guarded their ranges and territories (Nunthara, 1996). However it is likely some trade did take place in the form of fabrics; weave work and trinkets as is evidenced by the existence of some non-local products like sea-shell necklaces among Mizo artifacts. The

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<sup>3</sup> <http://www.smallindustryindia.com./ssiindia/census/ch2.htm>

<sup>4</sup> <http://www.smallindustryindia.com./ssiindia/census/ch10.htm>

Mizo word 'sum dawng' encompasses all commercial activity but translates best to the term entrepreneurship and is meant to describe those enterprising individuals who facilitated trade in various forms among the Mizo people.

The advent of modern style trade and commerce probably dates back to the establishment of more permanent settlements in the 1800s particularly after the annexure by the British in 1891 and the incorporation of the Lushai Hills into British India through the declaration of 1895. The administrative settlements at Aizawl and Lunglei inevitably resulted in the establishment of trading posts. These later became the foundation for most of today's commercial activity in Mizoram.

Post independence Mizoram was incorporated into the state of Assam and thus much of the areas trade was diverted in that direction. It would not be an exaggeration to state that almost the entire surplus of Mizoram at the time, such as chilies, ginger, cotton, oilseeds and other product like orange and grapefruits were sold to or transported through Cachar. This dependency has continued after the attainment of statehood with most formal trade being routed through Cachar. However the porous border with Myanmar has begun to serve as a source of various commodities from the east. Formalization and implementation of trade between Myanmar and India through Mizoram is likely to increase the percentage of trade from this direction.

### **1.3 REVIEW OF LITERATURE**

As mentioned earlier family businesses are different from other types of enterprises because they are a composite of two components namely the "business" which is primarily an

economic component and the “family” which is socio-cultural institution. This overlap between family and business in a single entity brings about an inherent complexity in family businesses. The management of a family business requires the balancing business objectives with the often conflicting of aims and goals of the family.

This also makes the study of these kinds of enterprises very complex with cultural nuances, prevalent business practices and family specific characteristics making it difficult to form models or theoretical constructs around family businesses. In addition, there continues to be a lingering perception that because these businesses normally are smaller, less formal in their structure and administration that they do not warrant the same kind focused research that other types of firms might be subject to. Consequently, the body of literature in the study of family businesses has been historically more limited than research in other forms of businesses. However, in recent years there has been a notable increase in the literature related to family businesses and family owned businesses.

### **1.3.1 DEFINITION OF ENTREPRENEURSHIP**

The word entrepreneurship is derived from the generic French word *entreprendre* which means “to undertake” which in turn is derived from the German term *unterhaltung*. However it is Richard Cantillon (1730) who is generally credited with giving entrepreneurship its first formal academic definition. He described the entrepreneur as a “bearer of uncertainty” who “buys at certain prices in the present and sell at uncertain prices in the future.” This simple definition of entrepreneurship as “self-employment of any type” and entrepreneurs as risk-takers who purchased goods at certain prices in the present to sell at uncertain prices in the future was further propagated by scholars like Knight (1921) who described entrepreneurs as agents who “attempt to predict and act upon change within

markets” and that they bore “the uncertainty of market dynamics”. In this context, he classified three types of uncertainty namely “risk” which is measurable statistically; “ambiguity”, which is hard to measure statistically; and “true uncertainty” or “Knightian Uncertainty”, which is impossible to estimate or predict statistically.

Drucker (1985) defined entrepreneurship is “the act of innovation involving endowing existing resources with new wealth-producing capacity”. Simply put he defined entrepreneurship as the creation of a new organization and that any individual who starts a new business venture is an entrepreneur; even those that fail to make a profit. The European Commission defines entrepreneurship as “the mindset and process needed to create and develop economic activity by blending risk-taking, creativity and/or innovation with sound management, within a new or existing organization”<sup>5</sup>.

While entrepreneurship is primarily an economic activity, there is no consensus on a unified economic theory of entrepreneurship. Indeed much of traditional economic theory has no place for entrepreneurship in its theoretical frameworks attributing the function performed by entrepreneurs to such abstract agencies such as the “price mechanism” or “technology”. However attempts have been made to incorporate the entrepreneurship in economic theory and identify the role of the entrepreneur in economic activity.

Over the years various pillars of the economic and management thought have added their perspectives on the topic. Adam Smith (1776) wrote about the importance of entrepreneurship as an agent of innovation and economic development, observing that division of labour discouraged innovation because of repetition and inertia in changing form

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<sup>5</sup> Commission of the European Communities (2003): *Entrepreneurship in Europe*. In Enterprise, editor: Enterprise Publications.



established models of industry. Alfred Marshall (1890) added entrepreneurship as the fourth factor of production alongside the traditional factors of land, capital and labour. However our present understanding of entrepreneurship owes much to the work of economist Joseph Schumpeter and the Austrian economists such as Ludwig von Mises and von Hayek.

Schumpeter (1950), described an entrepreneur as “a person who is willing and able to convert a new idea or invention into a successful innovation”. He described the process of "creative destruction" where entrepreneurial activity destabilized the existing business equilibrium while opening up new opportunities by creating new products and business models. He suggested that this creative destruction ensured that stagnation did not take hold by forcing dynamism in the economy and thus was favorable for long-run economic growth. In his view entrepreneurs were innovators who implement entrepreneurial change within markets in five ways:

- i. The introduction of new products.
- ii. The introduction of a new method of production.
- iii. The opening of a new markets opportunities.
- iv. The exploitation of a new sources of inputs.
- v. The development or reorganization of business management processes.

Schumpeter’s definition which links entrepreneurship with business innovation namely, identifying market opportunities and using innovative approaches to exploit them, forms the basis of our present understanding of entrepreneurship.

However some scholars argue Schumpeter’s definition does not encompass the whole spectrum of what constitutes entrepreneurship and entrepreneurship behavior. In particular

whether it relates to incremental changes within organization in a process which is popularly termed as *intrapreneurship*.

### **1.3.2 RESEARCH IN ENTREPRENEURSHIP**

Despite recent interest in the subject, the study of entrepreneurship or “entrepreneurship research” has not been pervasive. The ambiguous nature of the subject and the difficulty in establishing universally applicable patterns have meant that the body of work in this area is limited compared to other areas of theoretical research. Where research has been conducted, it has been far from unified or comprehensive partly due to the differentiated traditions within the field of entrepreneurship research, including psychology (Shaver and Scott, 1991), sociology (Reynolds, 1991, Thorton, 1999), economics (Cantillon, 1730; Marshall, 1890; Knight, 1921; Schumpeter, 1934) and management (Stevenson, 1985, Drucker, 1985) anthropology, social science, economics and management.

Most traditional researchers on entrepreneurship have adopted the so called factorial or trait approaches. When Cantillon (1759) defined entrepreneurship he described the entrepreneur in terms of his risk taking behaviour in doing this he was identifying a trait of the entrepreneur. This approach to identifying the internal qualities of entrepreneurs has been adopted by various other scholars. David McClelland (1961) described the entrepreneur as primarily motivated by an overwhelming need for achievement and strong urge to build. Bird (1992) described entrepreneurs as “prone to insights, brainstorming, deceptions, ingeniousness and resourcefulness” and that “they were cunning, opportunistic, creative, and unsentimental”. The main limitation of this approach is that it concentrates too much on the internal characteristics of the entrepreneur while ignoring the context in which they were operate. The implicit assumption is that there are certain universal qualities that define good

entrepreneurship but ignores the fact that these are context specific. This limitation has been described by some scholars as being “microsociological”.

The factorial approach seeks to establish the link between entrepreneurship and the factors that contribute to yield favorable conditions for its success. Sayer (1989) suggests a ‘shopping list’ of factors that contribute to the success of entrepreneurship. This approach is attractive because it is intuitive and lends itself to establishing a cause-effect linkage that can be replicated in other studies and used for cross-context or cross-regional comparisons. However, the factorial approach, on its own, is inherently deterministic in nature and assumes that entrepreneurship is merely a consequence of those environmental factors. This also implicitly assumes that entrepreneurial success can be continually reproduced if similar factors are in place.

Another limitation of the factorial approach is that it does not adequately address the interdependence of factors and how reconfiguration of their relationship creates new realities that completely the entrepreneurial potential and capacity in that given context. Thus while a certain set of factors or traits may correlate to successful entrepreneurship they are not necessarily be the primary cause of such success. Rather it is the way the factors combine which promotes entrepreneurship. This is reflected for example by the fact that entrepreneurs in India have had varied experiences across the country despite the fact that very similar economic and social processes as well as promotional policies and schemes.

A more evolved way approach to studying entrepreneurship is to systematically analyze how factors combine into an environment offering coherent opportunities to entrepreneurs. Dubini (1989) identified so called ‘munificent’ or good environments for entrepreneurship while

Johannisson (1993) used the idea of a ‘diverse’ environment to describe contexts which were conducive to entrepreneurial activity and the formation of firms.

### **1.3.3 DEFINITIONS OF FAMILY BUSINESSES**

The first major issue in the study of family businesses is defining what constitute family businesses. Westhead and Cowling (1998) take a simplistic approach defining family businesses as those businesses which consider *themselves* as family businesses. However, most scholars choose to focus on more observable and measurable criteria, when framing a definition of family business.

The simplest definitions of family business tend to define, them in conceptual terms, with respect to the type and extent of family of ownership. Barry (1975), for example, defines a family business as “an enterprise which is in practice controlled by a member of a single family”. Channon, (1971) stresses on the intergenerational ownership stating firms can be defined as family business when they are “controlled by a family for at least two generation”.

Other scholars also saw the occurrence or the intention of intergenerational transfer of ownership as an important criterion. Bork (1986) defines a family business as “a firm founded by a family member and it has been transferred or it is going to be transferred to the descendants.”

Other definitions focus on influence as a defining factor. Davis and Tagiuri (1996) define family firms as "organizations where two or more extended family members influence the direction of the business through the exercise of kinship ties, management roles, or ownership rights." Klein (2000) stated that a family business “is a company that is influenced by one or

more families in substantial way.” He further defines as a situation where “the family either owns the complete stock or, if not, the lack of influence in ownership is balanced through either influence through corporate governance or influence through management.” He qualifies that influence must include ownership stating “for a business to be a family business, some shares must be held within the family”

Donneley, (1988) adds active involvement in the firm as a defining criterion stating that “a company is considered a family business when it has been closely identified with at least two generation of a family and this link has had a mutual influence on company policy and on the interests and objectives of the family”. Other definitions also focus on the participation of family members in the business’ management and decision making process. Upton and Sexton, (1987) identified a family business as one where least two generations are present and when at least two family members are daily employed in the management.

Contemporary scholars choose to take a multifaceted approach to defining family businesses. Astrachan and Kolenko, (1994) for example define a family business as one where “the family controls the stock, one or more family member is involved in the business and there is the forecast to transfer the ownership to the next generation.” Rouvinez and Ward, (2005) have a more flexible definition stating a family business is one “controlled by a family and has at least one of the following three characteristics: 1) three or more family members all active in the business; or 2) two or more generations of family control; or 3) current family owners intend to pass on control to another generation of family.

### **1.3.4 RESEARCH ON SOCIO ECONOMIC FACTORS AS INFLUENCE ON FAMILY BUSINESS**

The link between socio economic factors and entrepreneurship has been postulated by various scholars. Arenius and Minniti (2005) found that socio-economic factors such as education, age, wealth, and work situation were important drivers of entrepreneurial behavior . According to Levesque and Minniti (2003), age, risk propensity, wealth and alternative employment options contribute to entrepreneurial decisions.

#### **A. AGE**

Some views hold that age has no major influence on entrepreneurship and that the range of entrepreneurial aspirations across age groups is much wider than previous studies have shown Reynolds et al. (2004). However Parker (2004) found that an individual's decision to engage in entrepreneurial activity is influenced by that individual's age and that, age is among the clearest influence factors on measures of entrepreneurship. Traditional observations have highlighted the fact that younger people are at their peak of the ability to store and process information, solve problems, deal with complexity, and adjust to new situations. Cooper (1973) found that younger individuals are more confident in setting up new businesses and in taking risks. He found that majority of entrepreneurs were young male entrepreneurs from the ages of 25-40 years. Reynolds and White (1997) narrowed this range finding that the most active entrepreneurs were young male entrepreneurs from the ages of 25-34 years.

Lévesque and Minniti (2006) however contradicted this observing that a phenomenon known as an *individual's time discounting rate* which factors in time to the ultimate payoff for any activity. As a result activities requiring a time commitment before becoming income

producing, like starting a new business, are less desirable to young people with respect to activities with immediate payoffs such as a salaried job.

Van Praag and Booij (2003) found that risk aversion decreases with age as older people are more settled and hence can take more risk, contradicting traditional notions. In addition to this, Brockhaus, Cooper, Dunkelberg and Woo (1988), found that businesses started by older entrepreneurs were more likely to survive. Dunkelberg and Cooper (1982) however found that businesses founded by older entrepreneurs though stable were less likely to experience growth.

## ***B. GENDER***

There has been a growing focus in entrepreneurship studies of studying gender in various contexts, whether it is in terms of on new venture activity, business performance or management structures. This is because gender has been found to have a strong impact on the establishment and performance of firms. Studies for example have found that firms founded by women tend to perform poorer than those established by men, Denison and Alexander (1986), Cooper, Dunkleberg and Woo (1988), and Robinson and Sexton (1994). Studies by Reynolds et al. (2004) found that women account for only one-third of new venture activity as it is. Contemporary studies are now focused on why these trends occur, exploring causal relationships like the lack of required knowledge and skills, managerial experience, difficulty in coping in a business environment whose norms and values are set by men (Marshall, 1995).

Sonfield and Lussier, (2009) found that while gender issues are relevant for all forms of business; h they have not been widely studied in the field of family business. This is primarily because in Family Business research the unit of study has usually been the family as a whole rather than the individuals of which it is composed. Where individuals are studied,

the focus has been mainly on the owner manager on the owner-manager (Hamilton, 2006), even if the each of the family members male or female may have an impact on the business.

Cromie and O’Sullivan (1999) compared the career experience of women managers who were members of the family that owned the organization with women managers who were not. They found that women from Family businesses worked for longer periods than the women in other types of businesses and also enjoyed higher status, job security and flexibility. They speculated that this could be because the unique structure of the family businesses where the firm and family social structure overlap provided women convenient conditions and important resources for entrepreneurship.

Cromie and O’Sullivan (1999) found that women were able to take advantage of this feature of the family business to combine caring for children with their career roles. This would mitigate the conflict of gender roles in Mizo society with job roles that was highlighted earlier and permit higher participation in business activities.

### **C. EDUCATION**

The link between education and business performance has been recognized and has been studied many contexts (e.g., Robinson and Sexton, 1994). Sletten and Hulaas (1998) found that in small businesses generally benefit from the education of their owners. Dolinsky et al., (1993) found that the probability of any businesses survival and growth increased with increasing levels of educational of those managing these businesses. Altinay and Wang (2011) found that education equips business owners with the skills and reflective mindsets of understanding customers and responding to their needs. Schultz (1963) theorized the knowledge skills, experience and capabilities of manger are vital to the development and sustainability of businesses and that this set of knowledge capabilities and skills have economic value which can be called "Human Capital".



Fairlie and Robb (2007) suggested that family members in family businesses have better opportunities to gain this human capital related to their business compared to employees in other types of business. This is accrued through informal learning or apprenticeship type training acquired during the day to day operations of a family business. Consequently many family businesses place a higher value on hands on experience in the firm rather than unrelated work experience or high levels of formal education Fiegner, Brown, Prince et al (1996.)

In the context of entrepreneurship, Gartner (1988) concluded that to better comprehend entrepreneurship and encourage growth, it was to understand the education of new business leaders and creators. Scott et al., (1998) argued that education increases the supply and the effectiveness of potential entrepreneurs. Fairlie and Robb (2007) found that business outcomes were strongly and positively associated with the education level of the business owner.

This is particularly true for modern and high technology industries which by their nature require capabilities that are best developed through institutions of higher learning (Cooper, 1970). Entrepreneurs who are successful in these industries tend to be younger, possess stronger educational backgrounds and have less previous working experience in comparison their counterparts in other industries and also in comparison to their predecessors (Sletten and Hulaas, 1998).

Studies have shown that there is a link between the education of the parents and that of the succeeding generation. Anger and Heineck (2010) empirically proved the intergenerational

transmission of cognitive abilities with the resulting conclusion that smart parents raise smart children. Pronzato (2010) found that educated parents have higher ability which partially transmits to their children. He found out that the father's education level was particularly influential in determining the education level of the younger generation.

Studies have shown that, in many contexts, race and ethnicity have a strong impact on the nature and scope of entrepreneurial activity. Cooper, Dunkelberg, and Woo (1988) determined that, in America, entrepreneurs from ethnic minorities businesses that were more likely to experience failure in their business. They also found that even when these entrepreneurs did not fail their businesses were less likely to grow or grew at a slower rate. Studies by Robinson and Sexton (1994) also showed that entrepreneurs from minority communities were likely to earn less.

### **1.3.5 BUSINESS AND CULTURE**

The argument for linkages between cultural characteristics and entrepreneurship have existed since the study of entrepreneurship began. While there may be varying levels of agreement on the extent to which culture impacts on entrepreneurship, it is generally agreed that some degree of influence exists.

The relationship between culture and entrepreneurial activity has been observed by pioneering writers on entrepreneurship from the field of economics (Schumpeter, 1934), sociology (Weber, 1930), and psychology (McClelland, 1961).

Schumpeter (1934), in *Theorie der Wirtschaftlichen Entwicklung*, alludes to the existence of a "general culture" that goes beyond and underlines an individual's entrepreneurial

thought process. While he does not elaborate on what exact manifestations this “general culture” may have, he does suggest that there are static and dynamic elements that influence an individual’s behavior and thought process

Weber (1930) in *The Protestant Ethic and the Spirit of Capitalism*, attributed the growth entrepreneurial activity in western culture and the development of Capitalism to the birth of Protestantism and, in particular, Calvinism. He went further to suggest that other spiritual religions and the cultures they manifest themselves in may not be as conducive to such development.

Psychologist McClelland empirically correlated (entrepreneurial) ambition and the rate of economic growth in two samples of 23 and 41 countries by relating scores in 1925 and 1955, respectively. His conjecture that economic growth partly results from the (entrepreneurial) ambition of human beings, which he elucidates in his book *Achieving Society*, is widely accepted and is the basis for a body of subsequent research.

Hofstede (1980) conducted detailed interviews with hundreds of IBM employees in 53 countries with the objective of patterns of "thinking, feeling, and acting that are well-established by late childhood across cultures". Through data analysis of this large data set, he formulated his theory that world cultures vary along consistent, fundamental dimensions.

### **1.3.6 FAMILY BUSINESS AND SUCCESSION**

Studies by Bjuggren and Sund (2001) as well as Matthews, Moore and Fialko (1999) have shown that worldwide only 30% of family businesses survive to the second generation, while fewer than 14% make it beyond the third generation;. In this context, studies by Venter and Boshoff (2005), Venter (2003), Bjuggren and Sund (2001), Malinen (2001), Seymour

(1993) and Lansberg (1988) attributed the failure to resolve the process of succession is one of the greatest threats to the survival of the family business. Neubauer and Lank (1998) found that one of the most significant factors determining the continuity of a family business is whether the succession process from one generation to the next is planned and executed.

Chau (1992) studied succession processes in Japanese and Chinese family firms. He concluded that traditional succession through coparceny (the equal division of family assets among all male descendants) among Chinese family businesses led to fragmentation of resources while the process of primogeniture (succession to the eldest son) in Japanese family businesses led to consolidation in family firms. Santiago (2000) in studying succession experiences of eight family businesses in Southeast Asia concluded that smooth succession depended more on an adherence to values rather than formal succession planning. Dean (1992) studied African American Businesses in Los Angeles and found that they were characterized low conflict levels in succession mainly due the avoidance of ambiguity in the succession process.

The study of succession needs to identify the culture specific behaviour and dynamics that are endemic to the community or group being studied. Despite a growing body of work in this area, there is still a wide scope to expand the depth and breadth of research in this area

### **1.3.7 MANAGEMENT OF FAMILY BUSINESSES**

A number of scholars have elucidated on the problems associated with family ownership, control, and succession. Daily and Dollinger (1993), Dyer (1994), Reid and Adams (2001), and Schulze, Lubatkin, and Dino (2003) studied issues such as high level of control concentration family members and internal relationship discord such as sibling rivalry that

have affected the effective functioning of family businesses. Kellermanns and Eddleston (2004) found that family members are often entrusted key management roles regardless of their performance and professional qualifications. They observed that this was a deterrent to non-family employees for career development and growth. Cadbury (2000) highlights the fact that family relationships result in family ownership control for multi-generations superseding concerns such as efficiency and competency.

However, while family businesses are certainly more complex than other forms of business, the evidence that they represent an inferior business models is far from conclusive. If managed well, and if allowed to thrive in the right environment, family firms can also be stable and lasting businesses. A study by Koironen (2002) of 192 family firms in Finland, for example, found that the average firm had existed for 57 years and that these firms still had family actively involved in different facets of the business. In other countries, some firms have existed for more than 100 years under the control of the same owner family.

### **1.3.8 ORGANIZATION OF FAMILY BUSINESSES**

Various types of theoretical perspectives have evolved to the governance structure of Family Businesses. Agency theories focus on the interaction between the stakeholders in the business studying their interaction in pursuit of their vested interest in the business (Berle and Means 1932). In particular they study inbuilt conflicts of interest between the owners, the managers and employees of a business. However in a family business this is complicated, as owners, employees and managers are often members of the same family making it difficult to identify the demarcation between these agents. Stewardship models focus on the firm owners and their roles in managing the businesses for future generations by balancing the needs of the business and the social needs of the family (Barrett, 2014). In essence stewardship is the

responsibility to manage entrusted resources in the best possible manner to ensure continuity of the family for the next generation.

Systems theories are based on the perspective of businesses as well as families as systems, which may be seen as open or closed. Traditionally a family is viewed as a system operating on a closed set of interactions between family members (James, Jennings, and Breitzkreuz and 2012). However because in family businesses a family owns and runs a business and there is an interaction between two subsystems namely the family and business, so it is traditionally viewed as an open system. From this perspective a so called two circle view of family businesses was the traditional view that emerged (Barrett 2014) which identifies three types of stakeholders namely family members involved in the business, family members not involved in the business, non family members involved in the family business. While this is a neat model some researchers criticized the fact that it did not capture all the important elements in the system. Tagiuri and Davis (1982) postulated that there are three overlapping sub-systems in a family business namely the Family, the Business(es), and the Ownership. The additional subsystem they added was ownership of the business. Ownership is not only the concentration power, control, and influence over the business(es) but in a family business will significant influence over family dynamics and decisions .

In terms of ownership the common model is to for family businesses to start with only one or a couple of owners (husband and wife etc) and that ownership is the transferred or shared later on with siblings or succeeding generations. Ward (1981) first proposed a progression of ownership from *founder* to *sibling partnership* and then on to what he termed the *family dynasty*. In these types of models, as the firm grows and develops, ownership is diluted

from a single founding owner, to a few heirs, and then on to a much broader distribution in later generations in a logical progression.

While this simple model is compelling and commonly manifested in a large majority of family businesses, ownership is likely much more complex than this. Gersick (1997) noted that the range of family businesses models is much broader and that there were variety of ownership structures in the real world. He also observed that the progression was also not necessarily linear quoting the example of Swiss wineries where ownership has passed on to one designated heir for fourteen generations and still been very successful. He observed that the distribution of ownership could vary as shares were moved from family as well as non-family stakeholders through periods of consolidation, expansion, and transfer of ownership.

Gersick's (1997) own model also identifies three archetypes within which to classify family businesses in to those controlled by single owners which he called *Controlling Owner*, by siblings which he called *Sibling Partners* and by a group of cousins which termed the *Cousin Consortium*.

### **1.3.9 RESEARCH GAP**

The overlap between family and business in a single entity brings about an inherent complexity in family businesses. It is no longer enough to make just the right business/economic decisions but also requires the firm to make right social decisions as it pertains to the family. Thus the management of family business requires the balancing business objectives with the often conflicting of aims and goals of the family.

This also makes the study of these kinds of enterprises very complex with cultural nuances, local business practices and family specific characteristics making it difficult to form models or theoretical constructs around them. In addition, there continues to be a lingering perception that because these businesses are usually smaller, less formal in structure and administration that they do not warrant the same kind focused research that other types of firms might be subject to.

Thus despite their importance and potential for academic study in this area, the extent of research in family businesses remains comparatively small. Harris, Martinez and Ward (1994) found that very little research had been conducted on family business strategy, even though a significant portion of the largest corporations were family controlled. Their work provided a framework for addressing strategic planning in Family Businesses and proposes topics for research on family business strategy. Though “family businesses are more complex and difficult to manage” the bulk of management research and management theory concentrates on the tiny minority of firms that are not family owned<sup>6</sup>.

In recent years there has been a concerted effort to increase the volume of research on this subject (Gupta et al, 2008), however there is still potential to add to the vast gap in the body of knowledge in this area.

In the context of Mizoram various writers including Vepa (1988), Kabra (2008), Ramaswany and Jyoti Kumar (2013), Lalnunthara and Jyoti Kumar (2014), Zonunlunga (2014) have explored entrepreneurship and commerce in Mizoram in various perspectives. However none of these have specifically dealt with family businesses or their impact on Mizoram.

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<sup>6</sup> “Passing the Crown”, The Economist, November 6, 2004.



## **1.4 RESEARCH DESIGN**

In undertaking this research a multi-faceted approach was adopted to study various aspects of Mizo family businesses with respect to socio economic, cultural, management and organizational perspectives.

### **1.4.1 STATEMENT OF PROBLEM**

Patterns of family business management vary from country to country, community to community and family to family. Each family nucleus, that is family member or members who form the core of the business, is unique and each family member, who is a stakeholder, is also different. The familial dynamics and social connectedness of each family is also different. This makes it pertinent to study the management practices of Mizo Family Businesses within the context of their specific cultural, economic and social environment in more detail.

As mentioned earlier, Mizoram has been in the geographic and economic periphery of the country for many years and has been neglected by major organized public and “mainstream” private industry. It has been the initiative of local entrepreneurs, particularly the family owned business houses, which have acted as one of the major drivers for the economy in Mizoram. The socio-economic and cultural backdrop of the state with its limited resources, dispersed market and the stress on social linkages, has limited other forms of commercial activity but has lent itself to the development of family businesses in various sectors. Consequently what can be classified as the “private sector” in Mizoram is synonymous with the collective activity of family businesses of various types.

Given the importance of these firms there has been no in-depth research done in Mizoram of family businesses. This thesis hopes to redress this research gap in this important area of research for Mizoram. It seeks to examine the nature of the family business enterprises among the Mizos, a community that has a very recent history of organized economic activity but has been enthusiastic in embracing commerce. It will seek to identify the unique characteristics and internal dynamics of Mizo business houses.

Additionally this research seeks to contribute to the wider body of research around the world and hopes to build a foundation for further research. It further seeks to make recommendations to improve the efficiency and longevity of Family Businesses in Mizoram.

#### **1.4.2 OBJECTIVES OF STUDY**

The primary objective of the study was to holistically study in depth, entrepreneurship development in family businesses in Mizoram by studying multiple aspects of such businesses. More specifically the following aspects of family businesses were studied:

- I. To study the historical context from which Mizo family businesses have emerged with a view to gaining deeper understanding of their current form and structure.
- II. To build a socio-economic profile of Mizo family businesses by looking at various socio economic parameters and study differences compared to non-family businesses.
- III. To build a cultural profile of Mizo family businesses by studying empirically measurable dimensions with a view to compare these with other cultures.
- IV. To identify the organizational characteristics and governance systems of Mizo family businesses.
- V. To study the management practices in Mizo family businesses

- VI. To study the succession systems and practices of Mizo family businesses

### **1.4.3 SCOPE OF RESEARCH**

#### ***A. DEFINITION OF FAMILY BUSINESS FOR THIS RESEARCH***

This study used a multi-faceted approach to define a family business taking into account ownership, participatory, psychological and control factors. Thus a family business in this study was defined by the following parameters:

1. A firm with controlling equity by a single family.
2. Involvement of family members in operational management of the firm.
3. A firm with the desire to maintain and retain control of the business within the family and to pass on ownership to members of the family.
4. Control of strategy and future planning by the family and the pursuance of this by the family members.

#### ***B. GEOGRAPHIC SCOPE***

This study limited its geographic scope to the Aizawl district. The major justification for this is that Aizawl district remains the dominant social, political and economic hub of the state. As such, a vast majority of the state's successful businesses are based in Aizawl district. In addition due to the relative homogeneity of the Mizo community it is unlikely that major regional variation resulting from cultural and geographic differences are likely to emerge. Given this, findings based on businesses in Aizawl district were likely to be representative of family businesses in the rest of the state.

**C. TEMPORAL SCOPE**

This research focused on businesses which have had a life of at least 5 years or more. This arbitrary time period was set to ensure that the target businesses are stable business that can give meaningful insights into aspects such as growth, succession and strategic choice. In setting this delimitation it is noted that businesses that had changed their names or changed their primary activities from one area to another included if the primary participants remain the same.

**D. SIZE OF BUSINESS**

Family businesses selected must have an investment in plant and machinery exceeding Rs. 10 lakhs if they are in the manufacturing sector or Rs. 5 lakhs if they are in the service industry. The object of this criterion was to exclude the smaller micro and subsistence entrepreneurs from the study. The criteria listed follow the definition of the minimum demarcation for ‘Small Scale Industry’ given by the Ministry of Micro, Small and Medium Enterprises (MSME)<sup>7</sup>.

**E. RESIDENCY**

The study is on Mizo family businesses therefore firms were selected in which majority ownership was with a family which is normally and legally resident in Mizoram. This was to ensure that the sample points captured truly represent the Mizo family business and that its characteristics truly represent the desired target group.

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<sup>7</sup> [http://www.smallindustryindia.com/ssiindia/defination\\_msme.htm](http://www.smallindustryindia.com/ssiindia/defination_msme.htm)

## 1.5 DATA SOURCES

The study being a multifaceted research required the use of four types of surveys to adequately capture the data. These surveys were split into different phases to ensure that respondents would give their full attentions to responding the survey instruments to ensure accurate data. Various primary and secondary data sources were used for various aspects of the research.

### 1.5.1 PRIMARY SOURCES

The primary sources of information were four types of surveys composed of questionnaires designed to collect data on different aspects of Mizo Family Businesses (MFBs). A brief description of the questionnaires is given in Table 1.2.

Questionnaires were sent to incumbent managers from 120 MFBs located in Aizawl district were selected through the *purposive sampling* method. From these 120, 72 responses were received for this research.

**Table 1.2:** Details of Questionnaires used in Research

No	Questionnaire	Description/Purpose	No of Questions
1	General Questionnaire	<ul style="list-style-type: none"><li>• Socio Economic Data of Respondents</li><li>• Organizational Data</li></ul>	23
2	Cultural Values Questionnaire	<ul style="list-style-type: none"><li>• Cultural to capture scores for various cultural dimensions based on the GLOBE research framework</li></ul>	37
3	Business Practices Questionnaire	<ul style="list-style-type: none"><li>• Management practices</li><li>• Succession systems and patterns</li></ul>	44
4	Comparative Survey (Non-Family)	<ul style="list-style-type: none"><li>• Socio Economic Data of Respondents</li><li>• Organizational Data</li></ul>	23

**Source:** Primary Research Data

In all cases the businesses selected had fulfilled the limiting criteria elucidated in the scope of the study namely that:

- a. The Firm is headquartered in Aizawl district or has its major operations in Aizawl district.
- b. The majority ownership of the firm is with a family which is normally and legally resident of Mizoram.
- c. The Firm has had a running life of at least five years.
- d. The Firm selected has an investment exceeding Rs.10 Lakhs if it is in the manufacturing sector or investments of approximately Rs. 5 Lakhs if it is in the service industry.

Data was collected at the place of business with the questionnaire being administered to the incumbent owner or managing head.

To capture the most accurate information possible, two versions of each questionnaire were drafted one in Mizo and one in English to be used depending on the language proficiency of respondents. This was done to ensure most accurate information possible as many respondents were more proficient in Mizo than English.

#### **A. GENERAL SURVEY**

The General Survey was designed to capture three aspects of MFBs:

- i. Same socio-economic dimensions from owner-managers of MFBs
- ii. Capture information on the organizational characteristics of MFBs with respect to employee numbers, areas of operations etc.

This questionnaire was composed of two parts. The first part consisted of 12 close ended questions relating to biographic and socio economic information. The second part consisted of 11 close ended questions relating to the Organization that the respondent belonged to. Copies of the questionnaire format in English and Mizo are presented in Annexure 1 and Annexure 2 .

**B. CULTURAL SURVEY VALUE SURVEY**

Another primary objective of the study was to build a cultural profile of MFBs using empirically measurable dimensions with a view to comparing these with businesses from the rest of India and the World. While there are several instruments to measure cultural dimensions, this study was based on the instrument based on the *Global Leadership and Organizational Behavior Effectiveness* (GLOBE) survey (House, 2004). GLOBE is the most comprehensive study to date that has empirically researched cross cultural dimensions. It involves more than 170 collaborators from around the world focused at understanding of their own culture and its notion and practice of leadership.

The Cultural Values Questionnaire (CVQ) for this study consisted of a battery of 37 close ended questions designed to capture various cultural markers (Annexure 3 and Annexure 4). Respondents were asked to respond to various value and culture based questions on seven point scale. The following parameters were measured:

- i. **Uncertainty Avoidance:** The extent to which members of the society or organization strive to avoid uncertainty by relying on established social norms, rituals and bureaucratic practices.

- ii. **Performance Orientation:** The degree to which society or organization encourages and rewards group members for performance improvement and excellence.
- iii. **Future Orientation:** The degree to which individuals in societies or organization engage in future oriented behaviors such as planning, investing in future and delaying individual and collective gratification.
- iv. **In-group collectivism:** it is the degree to which individuals express pride, loyalty and cohesiveness in their organizations or families.
- v. **Institutional Collectivism:** it is the degree to which societal or organizational practices encourage and reward collective distribution of resources and collective action.
- vi. **Humane Orientation:** it is the degree to which individuals in societies or organization encourage and reward individuals for being fair, altruistic, friendly, generous, caring and kind to others.
- vii. **Gender Egalitarianism:** it is the degree to which a society or organization minimizes gender role differences while promoting gender equality.
- viii. **Power Distance:** it is the degree to which members of a society or organization expect and agree that power should be stratified and concentrated at higher levels of government or organization.
- ix. **Assertiveness:** it is the degree to which individuals in societies or organizations are assertive, confrontational and aggressive in social relationships.

The responses for each parameters were converted into GLOBE survey scores for MFBs. The scores for each parameter could then be compared to GLOBE survey scores which have been collected for India and the World by other researchers.



**C. BUSINESS PRACTICE SURVEY**

The third survey was a Business Practice Survey designed to capture management practices and the governance systems of MFBs. The questionnaire consisted of five sections namely:

- a. Human Resource Management
- b. Succession and ownership
- c. Strategic Planning
- d. Financial Reporting and Management

The close ended questionnaire consisted of 44 questions divided into four sections with 20 questions relating to Human Resource Management and 8 questions each relating Succession, Strategic Planning and Financial Reporting (Annexure 4). While questionnaires were sent to all 120 MFBs selected by purposive sampling only 51 usable responses were received. This was due to the sensitive nature of some questions especially those relating to succession and finances.

**D. COMPARATIVE SURVEY**

As one of the primary purposes of the survey was to compare the data for Mizo Family Businesses with those from non-family businesses, the questionnaire was also administered to second group of respondents comprised of 69 managers from non family businesses who were again selected using purposive sampling to capture a representative cross-section of sample of businesses. This latter group would serve as the control group with which the MFB data could be compared.

## ***E. FACE TO FACE INTERVIEW***

To supplement the data collected through surveys, open ended interviews were conducted with selected incumbents managers as well as non active founding members of MFBs. This was done for a three of reasons. Firstly they were conducted capture operational as well as “top of the mind” issues faced by family businesses in Mizoram. Secondly they were used to gain in depth insight of the historical evolution of representative family businesses with a view to understanding the historical dynamics that are involved in the growth of a MFB. Finally these interviews were used for clarifications on responses and to gain a deeper insight into specific issues like succession which could not be captured in a close ended questionnaire. In addition interview were conducted with incumbent managers of non-family businesses.

### **1.5.2 SECONDARY SOURCES**

The study drew from various secondary sources including state and government data sources. Various books journals and magazines were also consulted in relations to specific topics within the purview of this research.

### **1.5.3 LIMITATIONS OF STUDY**

1. The study had a relatively small sample size due to fact that the population of desired respondents was also small.
2. The study was limited to the Aizawl area as homogeneous population was assumed, however a wider study including other major districts or towns could have benefitted the study.

3. Many respondents were reluctant to give detailed information about financial matters particularly profit statements and sales figures. In addition a large number did not keep organized accounts and financial reports that could be accessed.
4. Many respondents were reluctant to respond to questions about succession and heirship particularly where heirs were not already identified by the incumbent owner/manager.

## **1.6 SUGGESTED AREAS FOR FURTHER RESEARCH**

As observed above a multifaceted approach has been adopted to cover various aspects of entrepreneurship development family businesses in Mizoram and has not been able to explore any of these aspects in greater depth. Thus various areas of research can be identified using this research as a starting off point especially in the context of Mizoram. These may include:

1. Comparative study of governance of established family businesses and newly emergent family businesses.
2. Comparative study of succession patterns between Mizo family businesses and family businesses from other communities for example the Parsi or the Marwaris.
3. How dynamics of a family in business influence relationships within a Mizo family businesses or alternatively how changing relationship dynamics like the increasing prevalence of nuclear families among Mizos affects the dynamics of a family business.
4. Financing patterns of Mizo family businesses and how they differ from other types of businesses.
5. Case studies of major business houses in Mizoram with a focus to studying them with the framework of this study.

## **1.7 CONCLUSIONS**

The study of Mizo family businesses addresses the dearth of scholarly research on this topic especially given the major influence that family businesses have had in the forming the economic and cultural landscape of Mizoram. As no prior research has been conducted on this topic a multifaceted, holistic approach has to be adopted to study the various aspects of Mizo family businesses. This will be a base for deeper research in specific areas in the future.

In addition, the study of family businesses is a relative new field and a number of key areas like governance structures being particularly under researched. Moreover, the nature of family businesses means that studies related to specific cultures and communities can add significantly to the growing body of research in this area. Thus the study of Mizo family business can add to the wider understanding of the structure and dynamics of family businesses.

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Chapter 2  
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## CHAPTER 2

# FAMILY BUSINESSES IN MIZORAM: HISTORICAL PERSPECTIVE

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The evolution of Mizo Family Businesses is influenced in large part by the historical factors that have shaped the physical, political, economic and social environment in which they operate. This chapter explores these historical factors from pre-colonial Mizoram to the period of liberalization with a specific focus on how they have affected aspects of development of Mizo Family Businesses (MFBs).

### 2.1 PRE-COLONIAL MIZORAM

There are no clear written records and very little archeological evidence to draw a definitive picture of the nature and extent of commercial activity in pre-colonial Mizoram. However, it is possible to make assumptions based on what the early British commentators observed and recorded and to extrapolate on practices and traditions practiced in contemporary Mizo Society

#### 2.1.1 *JHUM* BASED ECONOMY

It is generally agreed that the early Mizo economy was primarily based on a form of slash and burn shifting agriculture colloquially known as *jhum* supplemented by some foraging and hunting. The *jhum* system involves the clearing of communal or village farming plots (hence slash) and the resultant debris is set alight to enrich the soil with minerals from the ash (burn) (Lalnunmawia and Lalzarliana, 2012). The area is used for growing crops of agricultural importance such as upland rice, vegetables or fruits. After a few cycles, the land loses fertility and a new area for cultivation is chosen to renew the cycle.

This form of agriculture is prevalent in various parts of the world and is practiced by many communities albeit in differing levels of scale and sophistication. The system practiced by the early Mizo tribes was relatively sophisticated with a fairly complicated socio-economic system being built around it. However, as with most systems of this type, agricultural output was probably at a subsistence level (Zorema, 2007). Any surplus would have been stored for the fallow period and would probably have been too precious to trade except for vital supplies like tools or weapons. This lack of tradable agricultural surplus makes it unlikely that large scale trade occurred during this time.

### **2.1.2 GEOGRAPHICAL BARRIERS TO TRADE**

In addition to the limited amount of surplus, due to the nature of Mizoram's terrain, the Mizo population would have been fragmented and sparse. The topography of the region is characterized by ridges with heavy vegetation which make travel difficult at the best of times. This would probably have limited interaction between villages .

In addition the nature of Mizo settlements, which required periodic migration from one area to another, would not have supported a system of permanent roads. The scarcity of navigable rivers would also have hindered the large scale transport of trade goods except for a few riverside communities. This would have greatly hindered any organized trade or commercial activity among the Mizo.

### **2.1.3 DECENTRALIZED RULE**

This geographical separation would have been amplified by the lack of a central political system among the Mizo tribes. Unlike in the case of the *Tripuris* and *Manipuris*, there was no King or Rajah that ruled the Mizo as one nation. Instead the Mizos were ruled by independent

Chiefs or *Lals* who had jurisdiction over a local village or village cluster (Chatterji, 1973). It is true that, by the time the British made contact with the Mizo tribes, the *Sailo* clan was dominant in large proportion of the villages. But, while the *Sailo* chiefs were united by bonds of kinship, they did not represent a ruling class or royal family. There was no *Sailo* Kingdom or empire that had hegemony over all the Mizo tribes. Instead, early Mizo communities were traditionally organized into independent villages or village clusters led by the *Lal* (Shakespeare, 1912). These village units were usually self sufficient in terms of food and other necessities and usually required little trade. Indeed, in many cases, these village units were openly antagonistic to each other and jealously guarded their ranges and territories (Nunthara, 1996).

This lack of a central political system has many implications. It is likely that there was no system of universal standards of measure, no universal currency or exchange rate system, no laws on the conduct of commerce, no taxes and consequently no central resources to build the infrastructure like roads, markets and warehouses to facilitate trade.

#### **2.1.4 HOSTILE TRADING ENVIRONMENT**

In addition there are clear records of Mizos aggressively protecting their territory against outsiders. Their raids against the *Tripuris*, *Chankmas*, *Manipuris* and *Cahar* tribes are documented by various British commentators. These attacks may have served the dual purpose of defending their territories while at the same time obtaining precious resources like weapons and tools as well as to gather captives. Whatever their purpose, these raids propagated the view that Mizos were a hostile and aggressive tribe not open to friendly interaction especially with peoples from the plains areas.

This would have been exacerbated by the practice of headhunting practiced by the Mizos. There is some disagreement on the nature and significance of headhunting practices with some commentators suggesting that, among Mizos, taking heads had much less ritual significance than in other tribes and that it was most likely a case of opportunity trophy taking to prove and commemorate the significant feat of killing an enemy. However there is no question that the tribes in Mizoram did practice headhunting (A.G. McCall (1949) and T.H. Lewin (1869) etc) and that this was quite pervasive.

It is probably for this reason the *Lushais* were regarded by Europeans in particular as "the fiercest and most barbarous of the Hill Tribes in the province" (Morris, 1930). The implication of all this is that trade with outside communities would have been very difficult except for rare and isolated occasions.

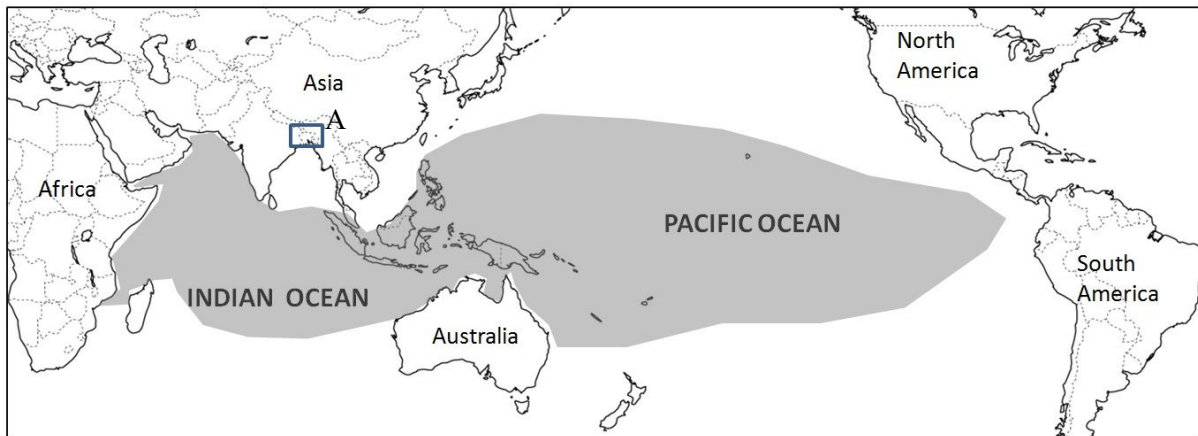
### **2.1.5 EVIDENCE OF EARLY TRADE**

Despite the barriers mentioned above here is direct and indirect evidence that limited trade did take place in some Mizo communities. The Mizo word '*sum dawng*' encompasses all commercial activity but translates best to the term entrepreneurship and is meant to describe those enterprising individuals who facilitated trade in various forms among the Mizo people. It is likely that these kinds of people existed in the period predating the entry of the British. For example, it is likely that the trade of amber and jade between the Lushai hills and Burma must have existed before the British period, as Pre-British artifacts made of these materials are in existence.

Evidence of trade emerge also from other artifacts that have survived from this period. An important example is the frequent use of *cowry* shells in traditional belts and necklaces worn

by Mizos. The *cowry shell*, characterized by its domed/humped shape and its slit shaped toothed orifice, is the shell of a type of marine sea snail known as *Cypraea*. The cowry shells used in the Mizo artifacts are most likely the shells of the *Cypraea Moneta* or *money cowry*. This species is used widely as jewelry and money in the Pacific and Indian Ocean region, especially among seafaring tribal communities (Figure 2.1). The significance of the *Cypraea*, in this context, is that it is a *marine species* that lives in saltwater estuaries and coastal areas and therefore cannot be a native to Mizoram. The implication is that the Mizos must have had to trade with other tribes from the south or from Burma to the east to obtain these shells. Similar items have also been found among tribes in Arunachal and many Naga tribes (Kanungo, 2006).

The link with Burma is likely to have been significant as it is generally agreed that the migration Mizo clans occurred in waves from Burma. It is likely that these tribes would have maintained links with their erstwhile homeland both culturally as well as in terms of commerce and trade. Shakespeare (1912) observed that a large number of the gongs used by the Mizos were imported from the Burmese. He also observed that the Lushais already possessed firearms for sixty to seventy years at the time of his writing. Other commentators suggest that the use of firearms may have been even earlier. For example, the “Tower muskets” of French origin which Shakespeare mentions in some of his writings are probably firearms captured during the Burmese-Mon War in 1756. In this war the French supported the losing *Mon* rebels and many French soldiers with equipment were captured. These captured firearms were then traded or captured in subsequent battles, eventually making their way to the Mizos in the early 1800s, a hundred years before Shakespeare made his observations. By the 1870s the Mizos were making their own gunpowder and ammunition for which they had established supply lines in Cachar, Chittagong and Burma (Woodthorpe, 1873).



**Figure 2.1:** Map showing Distribution of *Cypraea Moneta*. The Mollusc only lives in marine habitats with a specific temperature range. The species is not found in Mizoram or the surrounding areas (*A in the diagram*). (Source: Burgess, 1985)

However, while trade did exist in this period, it was probably opportunistic and sporadic in nature. The nature of Mizo society meant there were no permanent settlements and consequently no perennial markets to facilitate sustained trade. Trade would have probably have occurred only in large social events like the various *Kuts* (festivals) and then too it would have been limited to allied villages or communities. Commentators also suggest that the Mizo would probably have found raiding rather than trading to be more effective and profitable. Consequently trade would not take a more organized form till the direct intervention of the British in the late 1800s that would change the dynamics of the area.

## 2.2 COLONIAL PERIOD

The advent of modern trade and commerce probably dates back to the establishment of the Tea plantations around traditional Mizo tribal territory in the mid 1800s. Prior to this, the British practiced a policy of non-interference in the area as it did not offer any major or economic gain for them. With the increasing demand for Assam tea, there was considerable expansion of plantations and subsequently the establishment of more permanent settlements



in this region. This expansion encroached in traditional Mizo territory and the Mizos began raiding these settlements in retaliation as well as to obtain precious resources and captives.

By the 1840s these raids had become more frequent and increasingly violent resulting in significant loss of life to “British subjects”. The first major military expedition in January 1850 was organized to punish a series of raids by the Piate Chief Lalchokla and his kinsmen between 1844 and 1849. However this expedition under Colonel Lister could not make significant inroads as the force under his command was too small to make a significant impact. The British decided to adopt by a policy of conciliation which was able bring about temporary peaceful settlement with some of the Mizo chiefs. However this peace broke down with raids on British allies in Hill Tipperah and on various tea estates including Alexanderpore where James Winchester was killed and his daughter Mary abducted. The British responded by mounting a major expedition in 1871-1872 to punish the Chiefs responsible. Two large military columns from Cachar pushed into Mizo territory. The expedition was fairly successful forcing the chiefs to sue for peace and also return many captives including Mary Winchester.

### **2.2.1 TRADE AND COMMERCE AS A PACIFYING TOOL**

Despite the strength of the military expedition in 1872 it is very clear that the British had no intention to conquer the local tribes. Woodthorpe (1873) writes “the (British) Government does not wish to exterminate these frontier tribes, but by converting them into our allies raise a barrier between our frontier districts and other more distance races.” He further opines that extermination of the tribes would result in a in removing “obstacles to the assault of a fiercer and more formidable foe, whose remoteness would render it difficult for us to conciliate or punish him.” These tribes the British were concerned about may have been the various Chin,

Shan and Karen tribes in Burma which were much larger in number and better organized. Thus the strategy adopted was to appease the tribes in the area and indirectly control them to act as buffers for the British Empire in India. This strategy had three major pillars. The first pillar was to exert a level of military strength and presence to deter the more militant chiefs from taking up arms. The second was to gentrify and pacify the Mizos through mission work and education. The third pillar, which is most significant for the context of this research, was to promote trade of commodities to appease the hostile tribes.

### **2.2.2 ESTABLISHMENT OF BAZAARS**

As part of their strategy of appeasement, after the 1872 Lushai expedition, the British promoted the establishment of Bazaars in various frontier areas. The Lushais at this time were already trading to some extent with merchants from Cahar and Syleth. British accounts of early Lushai contact in the 1860s-1870s identify three major 'bazaars' where Lushais were traded with the outside world. These were Tipaimukh Bazar on the banks of the Barak, the Sonai Bazaar on the Sonai (Tlawng) river and Changsil Bazaar on the Dhaleswar. Later more Bazaars were set up in Demagiri (Tlabung) in the south and Sairang in the north.

These bazaars were established within the lands of the local chiefs who levied a certain amount of rent for their functioning. It is clear from records that the Lushais appreciated the utility of such markets being in place. One account records that a representative of the chief Poiboi left a visual warning in the form of a stick and rope to deter local Mizo youth from extorting the merchants operating in the Bazaars in his land. Another account records an advisor (recorded by the British as a mantri) of Poiboi bringing in elephant tusk to the local Deputy Commissioner as tribute to open a new bazaar closer to his lands. According to early accounts the major item of trade were raw rubber which the Lushai's tapped from local trees,

tea seeds, and wax. These items were traded for commodities like salt, rice and sugar and important items like steel, brass utensils and lead. There are also accounts of ivory and other forest products being traded.

While these bazaars were not wholly successful in their objective to pacify the Mizo tribes, they did introduce the Mizos to organized, monetized trade and paved the way for accelerated development of commerce in this regard (Zorema, 2007).

### **2.2.3 BRITISH ANNEXURE**

Following persistent raids by hostile chiefs, the Government of British-India launched the Chin-Lushai expedition September 11, 1889 with the objectives subjugating the hostile tribes and to establish semi-permanent posts to ensure pacification as well as recognition of the British regime. Following the defeat of hostile chiefs in a number of skirmishes between 1890-1891, the Lushai (Mizo) Hills were formally included in British India under the proclamation by the Governor General of India-in-Council on September 6, 1895. The area was divided into two parts with North Lushai Hills integrated into Assam and South Lushai Hills into Bengal for administrative purpose.

British annexure gave an added impetus to the modernization and transformation of Mizo society and economy. In particular the building of road networks consisting of bridle paths across the Lushai hills facilitated the movement of people and goods across the region like never before. By the 1930s this network of bridle paths had connected the Lushai hills with Chittagong to the South, Cachar to the North and the Chin Hills in Burma to the East. (Ray, 1993).

The setting up of administrative settlements at Aizawl and Lunglei inevitably resulted in the establishment of trading posts. These trading posts then grew into the Bazaars which became the foundation for most of today's commercial activity in Mizoram. Initially, the major businesses consisted of shops run by Bengalis catering mainly to the needs of the local administration and the Christian missions that had established themselves there. However in 1911, the Superintendent Harry Cole opened Kulikawn Bazaar in Aizawl to encourage more local entrepreneurs. Pahnuna and Dohnuna became the first Mizo shopkeepers in Aizawl. Similarly Bazaars in Lunglei were established and Thanmanga, Hrangchhunga and Dawra became the first shop keepers there (Lianhrima, 2001). While initially these pioneer entrepreneurs traded mainly in agricultural products, over the years the diversity of their activities increased and the established of organized commerce was accelerated in these two towns.

#### **2.2.4 INNER LINE POLICY (ILP)**

In 1873, the British introduced the Bengal Eastern Frontier Regulations, wherein under Section 2 it empowered the administration *'to prescribe, and from time to time alter by notification...a line to be called the Inner Line and to prohibit any subject living outside the area from living or moving therein.'*

It further postulated *'Beyond this line the tribes are left to manage their own affairs with only such interference on the part of the frontier officers in their political capacity as may be considered advisable with the view to establishing a personal influence for good among the chiefs and the tribes'*

There are many reasons why the British implemented this policy. This could include the extension of its non-interference policy among the Tribes of the Hill areas, its reluctance to administer an unproductive yet potentially volatile area and likely to protect its interest in tea, ivory and other trades. The net effect was to close off large tracts of the hill areas including the Lushai Hills from outsiders. Under these regulations only certain officially sanctioned individuals like missionaries and administrators could enter the area effectively buffering the area off from the rest of the empire. After Independence the words "British subjects" in the act were replaced by "Citizen of India" in 1950 but the policy continued to be enforced officially with the stated purpose of protecting Tribal communities in northeastern India.

While this policy closed the area for outside traders and merchants, the introduction of the Inner Lines Policy helped to foster local entrepreneurship and encouraged them to trade and set up ventures in the area. From anecdotal evidence it emerges that it is during this period that those individuals who were fortunate to get supply contracts or become crown agents were able to establish themselves in the area and lay the foundation for indigenous commerce in the region.

### **2.3 POST INDEPENDENCE AND ASSAM ADMINISTRATION**

After independence, the entire region now known as Mizoram was incorporated into the state of Assam. While this phase of their history evokes strong emotional responses for Mizos, on the ground it saw unprecedented development for the area. Educational facilities of the district at the school level expanded at a pace well beyond that under British Administration. At the time of independence in 1947, the Lushai Hills district had two High Schools with 430 pupils, 22 Middle Schools with 2,124 pupils, and 259 Primary Schools with 16,037 pupils

(District Census Handbook, 1961). By 1972 when Mizoram became a Union Territory there were 45 High Schools with an enrolment of over 4,000 pupils, 165 Middle Schools with more than 12,000 pupils and 750 Primary Schools with more than 50,000 pupils and there were two undergraduate colleges with an enrolment of over 500 students (Census, 1971). Similarly infrastructure grew significantly during this period. Where there had only been 133 miles of “jeep able” roads in 1947, and this went up to more than 1000 miles of roads in 1972.

With partition, trade with the south in what became east Pakistan and later Bangladesh was greatly reduced. Cachar became the conduit for the movement of goods in and out of Mizoram with Silchar becoming a major trading hub. It would not be an exaggeration to state that almost the entire agriculture surplus of Mizoram at the time, such as chilies, ginger, cotton, oilseeds and other product like orange and grapefruits was routed through Cachar.

By the 1950s Aizawl which had started as a small town had begun to grow in prominence, outgrowing the southern city of Lunglei which had hereto been the more important city. The Aizawl market had become firmly established rising to higher prominence with the opening of the Aizawl Lunglei road. Goswami (1959) observed that the market was well organized with zones being demarcated for various commodities with the dominant commodities being grains, vegetables and meat.

By this time a small middle class had begun to emerge consisting of civil servants, teachers and members of the clergy. Demand for consumer goods like toiletries and finished garments was emerging and the Aizawl Bara Bazar became the hub of trade for these goods.

## 2.4 INSURGENCY

On 1 March 1966, the Mizo National Front (MNF) made a declaration of independence, after launching coordinated attacks on the Government offices and security forces post in different parts of the Mizo dominated districts in Assam. The roots of the insurgency were based on various simmering grievances not least the perceived step-motherly treatment at the hands of the Assam Government of Mizo dominated areas as well as the introduction of Assamese as the official language of the state in 1960, without any consideration for the Mizo language were some of the sources of tension. The actual trigger for the insurgency was the lack of aid during the *Mautam* famine brought about by exponential growth in the rat population following the flowering of local bamboos. Perceived apathy from by Assam government and its harsh reaction to local dissent created popular support for rebellion. The MNF which sprung from the MNFF (Mizo National Famine Front) a volunteer famine relief organization was at the forefront of this armed rebellion.

After initial military successes by the MNF, the army seized back lost area and the insurgency ground to a slow guerilla war. After two decades of fighting negotiations for restoration of peace were initiated and ultimately a Peace Accord between the MNF and the Government of India was signed on 30th June, 1986, and Laldenga (the President of MNF), with all of those agreements the MNF were given an interim Government of the Mizoram state. The election of the first Mizoram Legislative Assembly was held on 16th February, 1987 and Mizoram became a full-fledged State from 20th February, 1987 as stated earlier (Lalnithanga, 2005).

The insurgency had a mixed effect on the local economy. On one hand it created a hostile environment for all but the most essential trade and stunted the development of the local

economy. On the other hand it brought the state into focus in terms of addressing major developmental issues which were prioritized as a result of the insurgency. The Mizoram Accord in 1987 which was signed by the MNF and the Government of India contained, among other things, commitment to provide:

*Central assistance for Plan will be fixed taking note of any residuary gap in resources so as to sustain the approved plan outlay and the pattern of assistance will be as in the case of Special category State.*

It also committed to border trade with Bangladesh and Myanmar.

*Border trade in local produced or grown agriculture commodities could be allowed under a scheme to be formulated by the Central Government, subject to international arrangement with neighboring Countries.*

These provisos have become major influencers in the direction that economic activities have evolved in the state.

In addition to this, the nature of the insurgency meant that a number of non-Mizo businesses ceased to function and also discouraged the entry of new investors and traders. However this also meant that a competitive vacuum was created where local businesses could flourish and grow.

#### **2.4.1 GROUPING OF VILLAGES**

An important subplot to the insurgency in Mizoram is the so called regrouping of villages. At the height of the insurgency in 1967-1969, the administration in an effort to choke off the support the MNF was getting from the dispersed villages communities, invoked the Defense



of India Rule to implemented a policy of village grouping. The administration approved "Operation Accomplishment" under which the army would eventually forcefully 80% of the population (240,000 people) from 516 villages and resettle them in so called Progressive Protected Villages and Voluntary Grouping Centers along the Vairengte-Aizawl-Lunglei road. (Hluna and Tochwawng, 2013).

The significant effect of this resettlement was a major disruption in the traditional social set up and economy of the Mizos. In a very short time people who had been functioning in small sustainable communities with deep ties to their land and environment now had to live in much larger semi-urban settlements.

In the perspective of this research resettlement is significant because it concentrated the population of Mizoram from dispersed populations to a smaller number of settlements making them more accessible for trade. Self sufficient communities became dependent on handouts and trade. A largely rural agrarian life had to be abandoned for a semi urban existence probably changing consumption patterns. This encouraged commerce in commodities in a large scale. While some of the population returned to their rural settlements these artificially created centers continued to exist paving the way for more organized business.

## **2.5 UNION TERRITORY, STATEHOOD AND BEYOND**

While development was stalled during the insurgency the constitution of the Union Territory (UT) of Mizoram in 1972 saw development pick up again. The Government of India sought to address the development and structural issues that were some of the core reasons behind the insurgency. This is reflected in the in expenditure by the government in Mizoram with the

UT getting some of the highest per capita expenditure in the nation (Upadhyaya, 1986).

Summary of expenditure is shown in Table 2.1.

**Table 2. 1: Per Capita Plan Expenditure for Mizoram (1972-1985) in Rupees**

<b>State</b>	<b>4<sup>th</sup> Plan (1969-74)</b>	<b>5<sup>th</sup> Plan (1974-79)</b>	<b>6<sup>th</sup> Plan (1980-85)</b>
<b>Mizoram</b>	282	1249	2795
<b>All India</b>	145	333	706

*Source:* Adapted from (Jafa, 2000)

Following the peace accord in 1987 and the granting of statehood to Mizoram, this high pattern of expenditure continued. This combined with stable law and order contributed to significant socio-economic development in Mizoram. The term "peace dividend" is sometimes used to describe the benefits reaped by the State from these factors.

### **2.5.1 MODERN DEVELOPMENT POLICIES**

Due to various factors including terrain, geographical isolation and insurgency problems no major modern industries have developed in Mizoram. As a legacy of this, the main focus of entrepreneurial support in Mizoram has traditionally been the development and promotion of artisan-oriented industries like handloom and handicrafts, village and tiny industries in rural areas. This has been done through the support in the form of grant-in-aid, subsidies, raw materials, shed, marketing and training facilities, etc.

Another point of note is the concern for local policy-makers in Mizoram has been the protection of indigenous businesses. A major policy initiative in this direction was the Industrial Policy of Mizoram 1989, which looking at the "nascent stage of development in the

state” put major emphasis on “protection of the local small scale entrepreneurs”<sup>1</sup> to ensure the protection of the “socio-cultural and ethnic identity of the indigenous enterprise in Mizoram.” Thus entry of non-Mizos in the small scale sector in particular was prohibited though investment from outside was allowed in medium and large scale industries in joint and assisted sectors.

The Industrial Policy of Mizoram 2000 attempted to take a proactive step by not just by protecting entrepreneurs but by promoting even more entrepreneurial activity, recognizing the basic problems were lack of technical, managerial and entrepreneurial skill among the people. In the policy statement the government committed itself to improving training infrastructure opening more training centers and supplying of technical manpower.

It further states that there is no lack of enthusiasm amongst the local entrepreneurs but that “lack of finance and lack of locally available resources are the main bottle-necks.” In this regard, the Mizoram government committed itself to various layers of support at the level of private entrepreneurs “by providing all necessary promotional supports with the help of incentive schemes” and “joint ventures between local entrepreneurs and industrialists from outside the state on selective basis.”

However, the policy statement still qualifies they type of investment that comes in by “the adoption of broad policy on Foreign Direct Investment (FDI) and Joint Venture (JV) proposals keeping in view the necessity of safeguarding the interest of the tribal entrepreneurs and tribal population of Mizoram.”<sup>2</sup>

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<sup>1</sup> *New Industrial Policy of Mizoram* (1989) Aizawl: Government of Mizoram

<sup>2</sup> *New Industrial Policy of Mizoram* (2000) Paragraph 13, Aizawl: Government of Mizoram

In recent times there has been an even more direct commitment to the development of entrepreneurship. The Industrial Policy of Mizoram 2002 commits the government to “identifying and develop entrepreneurial and managerial skills by providing suitable training programmes at District, Sub-Division and Block levels and to create facilities for training of industrial labour on sustained basis.”<sup>3</sup>

These and subsequent policy initiatives have accelerated growth further particularly with following the liberalization era in the 1990s. According to data released by the CSO<sup>4</sup> (Central Statistical Office), per capita Income<sup>5</sup> in Mizoram in 1993 had risen to Rs. 8319 compared to the national average of Rs. 7690. By 2010 this figure had risen Rs. 45982, well above the national average of Rs. 33731. Unsurprisingly per capita income also rose significantly from Rs. 472 in 1994 to Rs. 994 in 2005, again significantly higher growth than the national average for the corresponding time period<sup>6</sup>. There was also a changes in consumption patterns with consumption of non-food items<sup>7</sup> for urban Mizos rising from 45.9% in 1994 to 53% in 2005 and that of rural Mizos rising from 38.8% to 43% in the same period.

## **2.6 RISE OF FAMILY BUSINESSES**

Many commentators (Agrawal, 1999; Laskar, 2010) have highlighted the factors that have hindered and still continue to hinder the development of organized economic activity in Mizoram. The peripheral location of the state combined with poor transport and

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<sup>3</sup> New Industrial Policy of Mizoram (1989) Part 1: Item 2:1:3, Aizawl: Government of Mizoram

<sup>4</sup> CSO, *State Domestic Product (State Series)*, Ministry of Statistics & Programme Implementation, Government of India

<sup>5</sup> Net State Domestic Product at current prices

<sup>6</sup> National Sample Survey on *Household Consumption Expenditure*, National Sample Survey Organisation (NSSO), Ministry of Statistics of the Government of India

<sup>7</sup> Ibid

communication infrastructure limited the growth of trade and industry in the state. In addition the restrictions of the inner line permit system and other legislative factors like those limiting purchase of property by non-natives, limited investment in the state

Consequently, despite some growth, a majority of the trade remained unorganized and opportunistic. Goswami (1959) observed that “the distinction in the role of sellers and buyers is not marked as most of the sellers also become buyers.” The major traders were initially businessmen from outside the state like Chotelal Seth and MK Guha in the turn of the century (Kabra, 2008)

However, it is in this environment some Mizo traders were making their mark and building the foundations of some of the larger business houses that would emerge in Mizoram. Traders like Pachhunga and Zangena among others began to establish the businesses that would evolve to become the family business houses that are the subject of this research. A number of historical factors have contributed to the development of these family businesses in Mizoram. Though these can be divorced from other non-historical factors they are never the less important to note.

- a. The British encouraged the growth of urban or semi urban centers like Aizawl which had never existed before. These areas inherently encourage the trade of goods in a way that had not happened before. The concentration of population was further enhanced by the grouping of villages during the insurgency. In contemporary times, the opportunities that the urban or district centers offered in terms of employment as well as improved standard of living encouraged movement to these areas.

- b. The British and later the Indian were responsible for creating a relatively modern non-agrarian, urban population base made up of of bureaucrats, soldiers, missionaries, teachers etc which had not existed before. This class of people had different consumption patterns that may have encouraged the growth of businesses.
- c. The influence of the British through their various activities like the setting up of trading posts and expeditions seems to have encouraged the growth of a trading class among the Mizos. Some of the founders of the large businesses in Mizoram like Pachhunga got their start as a directly due to opportunities they got under the British.
- d. Infrastructure particularly roads developed first under the British and then more extensively under the Assam administration making possible the efficient movement of goods and people.
- e. British policies like the inner line permit system which were continued by the Indian Government, discouraged outsiders from setting up enterprises or engaging in commerce. This vacuum was filled to an extent by local traders. The insurgency further discouraged outside traders opening the way for local traders.
- f. Development expenditure by the Indian Government in the North East including Mizoram improves the economic environment for entrepreneurship and commerce.

In this setting, family businesses flourished as they provided not only the combined strength of the family as employees and managers but would also have been a source of capital in the absence of formal financial institutions.

## **2.6.1 A CASE STUDY IN THE RISE OF FAMILY BUSINESSES: PACHHUNGA AND SONS**

The typical growth of the established family business houses can be illustrated by studying the growth path on *Pachhunga & Sons* one of the largest and most established family conglomerates in Mizoram.

According to anecdotal evidence collected from his decedents for this research, Pachhunga was born to modest means to family from the Hmar community in the small settlement of Khuangleng near Champhai in South East Mizoram. While his early life was fairly uneventful, the base for his business was established when he was selected to take part as a non-combatant in the British expedition to annex Sadya province (erstwhile Arunachal Pradesh) in 1911. With his earnings from the expedition he started a business of procuring semi-precious stones from Chin Hills of Myanmar for sale in Lushai Hills (now Mizoram). Pachhunga founded M/s Pachhunga & Sons in 1918, and began trading amber on a substantial scale in the 1920s.

With local trader named Chuaia, Pachhunga then moved on to trading teak which was emerging at a major commodity. Selling his interests in the teak business he moved towards trading various vital commodities for which there was increasing demand in a rapidly modernizing Lushai Hills district (later to become the Union Territory then State of Mizoram). Showing good business acumen, he rose to become the major supplier of essential and non-essential commodities to the British Armed Forces stationed in the then Lushai Hills district and the Civil Government therein. Pachhunga & Sons became the sole stockist and distributor for Burma Oil Company (BOC) for the district (now Mizoram) a business arrangement that continued till the early seventies. By the 1930s, Pachhunga had amassed

enough wealth to purchase a fleet of Bedford transport trucks to move various commodities into Mizoram. A major part of his business became the trade of fuel particularly kerosene, diesel and petrol.

In the pre-independence period, due to very poor road connectivity, essential commodities had to be air dropped for people in remote areas and such operations had to be tremendously stepped up in times of famine, Pachhunga & Sons were the sole civil supply contractor engaged by the District Administration for this purpose and this firm had to have a long-term agreement with the Kalinga Airways.

Pachhunga & Sons was also the first dealers in firearms and ammunition in the Lushai District and were the largest trader in this for several decades.

Anecdotal information indicates that by the 1930s Pachhunga was probably had the highest net worth in terms of wealth during his time in the District. In public life he leveraged his business success to extend his influence over various fields. He was the first President of the first Mizo political party established in 1946 and during the Autonomous District Council regime in Mizoram, Pachhunga enjoyed continuous terms in office in the Aizawl constituency. He was also a Church Elder in the Dawrpui Presbyterian Church.

After Pachhunga's death in 1958, the family business was taken over by his eldest son, Mr. Lalhmingthanga, who had successfully expanded the business by securing dealership of such firms as TATA Motors, Mahindra Jeeps, Nestle, Britannia Biscuit, and Union Carbide (now Eveready Industries).



With the expansion of the business, Lalhmingthanga was able donate funds to commemorate the memory of his late father Pachhunga to support the first private college in Mizoram. The college is now known as Pachhunga University College and is constituent college of Mizoram University.

After Lalhmingthanga's death in 1977, the business was divided between his eldest son, Thanglianchnunga and his second son, Rosangliana. Thanglianchnunga was entrusted the dealership business of Nestle, Britannia, Eveready and Mahindra Motors, while Rosangliana took over TATA Motors and service centre. The youngest son Liantluanga who was still a minor was entrusted sizeable property in the central Aizawl area.

In 1999 there was a restructuring of the business by which time Thanglianchnunga and Laintluanga had passed away. While some business interest like the Mahindra Dealership passed on to third generation male heirs, unusually the dealership business of Nestle, Britannia and Eveready was taken over by two of Lalhmingthanga's daughters Lalrinliani Rinsanga (Rinteei) and Lalparliani Sawyan, under the name, Pachhunga & Sons Agency.

Pacchung & Sons conglomerate currently with major interest in transportation, motor vehicles, consumer products and communication services among others.

## **2.7 CONCLUSIONS**

The rise of family businesses in Mizoram was a result of an interplay of historical factors as well as the structure and dynamics of Mizo Society. While there were already the seeds for business even in traditional Mizo society, it was the coming of the British and their policies

that acted as the catalyst for modern business in Mizoram. With their policy of using trade as a vehicle of subduing the hill tribes they set up the first trading centers and began engendering the spirit of commerce among local tribals. As the Lushai Hills came under British administration, the setting up of urban and semi urban centers in places like Aizawl set the stage for further commerce. In addition a new non-agrarian class began to have different needs and consumption patterns. With the advent of Indian independence, this class of people began to grown in number. The setting up of better infrastructure further promoted trade.

On the other hand, protectionist policies first by the British and then later by the Indian Government created a vacuum for traders which was filled by local entrepreneurs. Investment by the Government in the state not only expanded the scope for the establishment of family businesses but also increased the spending power of the average Mizo. Government policies and schemes further encouraged the growth of business in Mizoram.

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Chapter 3  
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## **3 CHAPTER**

# **ORGANIZATIONAL ASPECTS OF MIZO FAMILY BUSINESSES**

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The organizational aspects as it pertains to organizational structure, operation, ownership and governance are what differentiate and identify any type of business. This chapter explores the organizational characteristics of Mizo Family Businesses (MFBs) and identifies those features that define these kind of enterprises

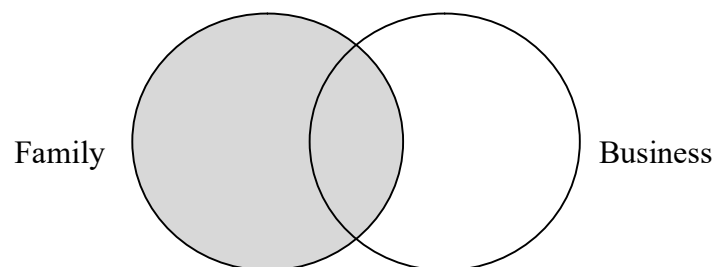
### **3.1 ORGANIZATIONAL CHARACTERISTICS OF FAMILY BUSINESS**

The basis of any analysis of the organizational characteristics of family businesses should be the understanding that family businesses vary greatly in scope, size and structure. Family firms come in all forms and sizes, ranging from the small corner grocery shops to the multinational like the chaebols of South Korea. From loosely organized artisan units creating traditional crafts to professionally run modern businesses. Even family businesses which start from similar origins will all evolve differently, influenced by various factors like culture, economic environment, family dynamics and management styles some of which will be explored in the later part of this study.

It is therefore not only difficult but also misguided to attempt to create a single unified model to represent all family business. However, it is possible to build a conceptual framework within which different types of family businesses can be studied. Various types of theoretical perspectives have evolved to study these types of businesses.

Agency theories focus on the interaction between the stakeholders in the business studying their interaction in pursuit of their vested interest in the business (Berle & Means 1932). In particular they study inbuilt conflicts of interest between the owners, the managers and employees of a business. However, in a family business this is complicated, as owners, employees and managers are often members of the same family making it difficult to identify the demarcation between these agents. Stewardship models focus on the firm owners and their roles in managing the businesses for future generations by balancing the needs of the business and the social needs of the family (Barrett, 2014). In essence, stewardship is the responsibility to manage entrusted resources in the best possible manner to ensure continuity of the family for the next generation.

Systems theories are based on the perspective of businesses as well as families as systems, which may be seen as open or closed. Traditionally, a family is viewed as a system operating on a closed set of interactions between family members (James, Jennings, & Breitzkreuz 2012). However, because in family businesses a family owns and runs a business and there is an interaction between two subsystems namely the family and business, so it is traditionally viewed as an open system. From this perspective a so called two circle view of family businesses was the traditional view that emerged (Barrett 2014).



**Figure 3.1:** Two Circle View of Family Business

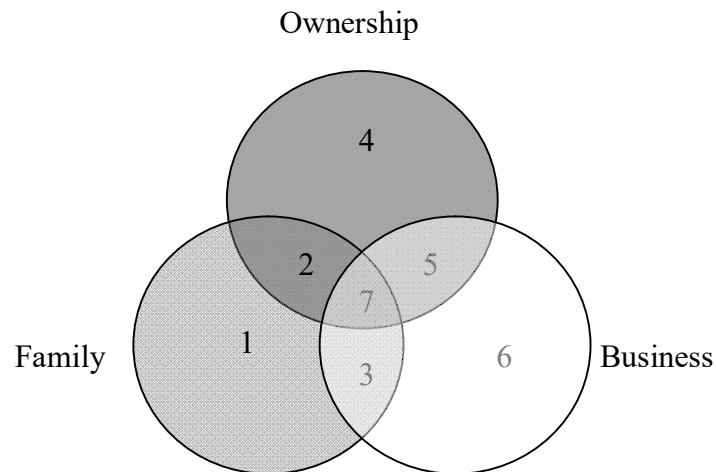
Graphically, this concept is presented in the form of two intersecting Venn circles representing three types of stakeholders in a business. These are family members not involved in the business, non family members involved in the family business and the intersecting portion represents the family members involved in the family business (Figure 3.1) .

While this two circle view captured some of the the basic structure of a family businesses, some researchers criticized the fact that it did not capture all the important elements in the system. Based on this criticism multi system models were conceived to better capture the functioning of a family business. The most widely accepted model is the so called Three Circle Model of family businesses (Tagiuri & Davis 1982).

### **3.1.1 THREE CIRCLE MODEL**

The three circle model is based on the premise that family business is a unique dynamic system comprised of sub-systems where rational decision-making processes take place. Tagiuri & Davis (1982) postulated that there are three overlapping sub-systems in a family business namely the Family, the Business(es), and the Ownership. The additional subsystem they added was ownership of the business. Owner ship is not only the concentration power, control, and influence over the business(es) but in a family business will significant influence over family dynamics and decisions . Graphically the concept can be represented by three intersecting Venn circles (Figure 3.2).





**Figure 3.2:** Three Circle Model of Family Business

*Source:* Adapted from Tagiuri & Davis, 1982

The three circles overlap, defining seven categories of stakeholders with their vested interests in business. According to the model family stakeholders consist of 1) family members who are not actively involved in the business, 2) family members who own shares in the business, but who are not employees and 3) family members who are employees in the business, but who do not own ownership shares in the business. Non-family stakeholders include 4) external investors, who own part of the business, but who are not employees or managers in the business, 5) non-family members who own ownership shares and who are also active in the business and 6) non-family management and employees who have no ownership stake. Central to all this are 7) owners who are the family members and who work in the business. These individuals often have different objectives and perspectives at different times that may often conflict. According to this model, managing this complexity is central to the effective functioning and sustainability of the business. Effective Communication and decision making is important within and across the family, the business, and the ownership groups to manage the family business.

## 3.2 OWNERSHIP STAGES OF FAMILY BUSINESSES

More than any other characteristic it is the structure and distribution of family ownership that defines a family business (Gersick, 1997). Even minor changes in family ownership structures can have profound affect the both operational as well as long term strategic direction of family businesses. Change in the ownership structure triggers corresponding changes in the dynamics of the business and the of the family, the level of power held stakeholders in the family business.

### 3.2.1 THEORETICAL BASIS OF OWNERSHIP STAGES

While these ownership structure in any family business may vary from culture to culture, from industry to industry and a family's unique composition and dynamics, finding an analytical framework within which to fit these is important to understand family businesses better. In the past, researchers have recognized this and attempted to model the family ownership archetypes to classify family businesses. The common model is to for family businesses to start with only one or a couple of owners (husband and wife etc) and that ownership is the transferred or shared later on with siblings or succeeding generations. Ward (1981) first proposed a progression of ownership from *founder* to *sibling partnership* and then on to what he termed the to the *family dynasty*. In these types of models, as the firm grows and develops, ownership is diluted from a single founding owner, to a few heirs, and then on to a much broader distribution in later generations in a logical progression.

While this simple model is compelling and manifested to some extent in a majority of family businesses, ownership is likely much more complex than this. Gersick (1997) noted that the range of family businesses models is much broader and that there were variety of ownership structures in the real world. He also observed that the progression was also not necessarily

linear quoting the example of Swiss wineries where ownership has passed on to one designated heir for fourteen generations and still been very successful. He observed that the distribution of ownership could vary as shares were moved from family as well as non-family stakeholders through periods of consolidation, expansion, and transfer of ownership.

The model proposed by Gersicks (1997) also identifies three archetypes within which to classify family businesses in to those controlled by single owners which he called *controlling owner*, by siblings which he called *sibling partnerships* and by a group of cousins which termed the *cousin consortium*. While this is very similar to Wards model he qualifies that these do not necessarily have a linear relationship in terms of progression.

#### **A. CONTROLLING OWNER STAGE**

According to this conceptual framework in the *controlling owner stage* the business is run by the individual or small core of individuals (like a husband and wife team). Often, but not always, these individuals are the ones who starts the business, characterized by a strong entrepreneurial drive and vision. They develop an intimate understanding of the business and its operations as well as the industry it operates in. They are usually not only financially and operationally invested in their businesses but also emotionally invested.

At this stage overall control and ownership is highly centralized with the individual or core group. If other owners do exist they usually hold only a token share most often to meet statutory requirements like the requirement for a board (so called "paper boards" or "rubber stamp boards") to be formed to register the business as a company.

Indeed this is one of the primary challenges at this stage of a family business as the owner-founder must reconcile is the desire to control versus the need delegate and share authority in

various areas of the business and the within the family so the business can be effective and sustainable. The *controlling owner* as the primary decision maker must also be arbitrator on how the returns and assets from the business are shared across family and non-family stakeholders.

The second concern at this stage is capitalization in such firms, a majority of which comes from the founders own savings or sources but unless these are significant, will also include pooled resources from family members (Gersick, 1997). At this stage it is traditionally not likely, though not entirely impossible, that external investors like venture capitalists are involved. Most external sources may come from trusted acquaintances or the extended family.

Finally the *controlling owner* is also the architect for the future of the business having to make decision on whether the business is to continue with the family or be divested to other parties. If the business is to be continued, the *controlling owner* must decide on how a successor is to be nominated and once that occurs must take up the responsibility of grooming and mentoring these individuals. In doing this the mentor must balance family dynamics (e.g. the desire that a son take over) with the needs of the business (e.g. is the son best qualified to run the business).

In some cases *controlling owner* may not always be the founder of the business and either buys the business or more commonly inherits a family business either totally or in part. This type of *controlling owner* may or may not be a family member but must fill the role of the founder. This type of business is typical of second generation family businesses with smaller number of heirs. Other times this individual may play an interim role until future generations

of family members are in a position to take a leadership role. This happens for example when extended family members or even non-family members take stewardship of a business because the nominated heirs are too young or too inexperienced to take up the mantle of leadership.

As the overseer of a transition stage in a family business, a primary focus of the this type of *controlling owner* is to manage change. He or she must maintain the legacy of the past owner in terms of tacit knowledge and linkages while pushing the business ahead with renewed perspective and vision. The owner manager may have to infuse funds to the business or radically alter the direction the business is taking. While doing this the owner manager must manage family dynamics and family expectations especially if he or she is a non-family member.

#### ***B. THE SIBLING PARTNERSHIP***

A *sibling partnership* is usually a partnership of brothers and sisters who inherit a family business. There may be other family and non-family stakeholders but key ownership is focused on this alliance of siblings from the same generation. Strictly speaking such firms are those firms where control has been passed on from the *controlling owner* who no longer takes active part in the business. If he *controlling owner* is still active the nature of the business will be determined by the level of control that he or she still holds. Gersick observes that a high level of control by the founding generation will result in the business behaving more like it is still in *controlling owner* stage.

Gersick identifies three sub-types under the *sibling partnership* . In the *quasi-parental* form, one designated sibling takes up the role left by the *controlling owner* replicating his or her legacy in terms of control and outlook. This form usually occurs when there is a natural

leader emerging from his or her role in the family ( e.g the eldest in a family) or selected "favorite" who has been clearly designated by the founder to carry forward his or her legacy. Consequently these forms behave like and are organizationally akin to firms in the *controlling owner* stage. In the *first-among-equals* form leadership role is also taken up one sibling takes the but this arrangement is usually one of consensus with siblings with significant shares choosing to defer control to one individual in the interest of efficiency and/or better management. In this form all siblings have a can have a say in the business but they choose to surrender operational control lies with the designated leader. Finally in the egalitarian model, all siblings have equal ownership and have some active role in the business.

In all its forms it is vital for *sibling partnerships* it is important to manage the expectations and vested interest of all siblings e they owners or non-owners. There needs to be a strong communication and cooperation among siblings as revolt or rebellion among siblings can result in the fracturing of the business.

Gersick (1997) observes that since these are second generation firms, the businesses are more stable and larger than first generation firms. Consequently sources of capital are easier to tap than in the *controlling owner* stage. The concern of these firms is usually to retain old capital and gain additional capital to grow the business.

### **C. THE COUSIN CONSORTIUM**

In a *cousin consortium*, two or more cousins from different sibling branches i.e. the children of members of a *sibling partnership* share ownership of a business. There may be variations within this classification. Smaller families with more limited number of cousins may exhibit

characteristics of *sibling partnership* s. However, the typical model has ten or more owners. These are typical of third generation family businesses but can also be second generation or even first generation start up businesses.

Due to the fact that the numbers of shareholders are large these type of businesses may be very complex. At this stage the families have grown large with many family branches within which there may be several nuclear families and altogether many more family members with stakes in the business. Ownership may not be equal with some family members being major owners while others have smaller stakes. In terms of involvement some may be active in the business and its decision-making processes while others chose to keep away from the operational aspects of the business. This complexity may be increased because different cousins or groups of cousins may be over seeing different types of businesses under the family banner. Such businesses have to reconcile the interest of multiple family branches, have to expand and often diversify the business, manage a much wider number of family and non family stakeholders while maintaining a cohesive vision and clear path for the business.

On the other hand, because the business has grown over three generations it is better equipped to manage this complexity. Processes and practices for the business as well as for the family like reporting and approving structures, meetings, protocols for information sharing are usually more formalized. At this stage of the business, professionalism has set in to an extent and external managers and employees have taken up certain responsibilities. Further *cousin consortiums* have usually seen at least three transition stages (founder to *sibling partnership* to consortium) and so are more comfortable with managing change,

At this stage the main challenges are maintaining cohesion and shared vision across the cousins who have to balance their loyalty to the business against the loyalty or vested interest of their family branch. The consortium must sort out shareholding and ownership issues, striking a balance between giving equitable returns to owners while maintaining cohesiveness to preserve the family business. The challenges increase in the fourth, fifth generations and generations beyond as the scope of ownership expands.

### **3.2.2 OWNERSHIP STAGES OF MIZO FAMILY BUSINESSES**

In terms of the ownership stage classification, Mizo Family Businesses (MFBs) have to be categorized into three main groups. The first group are what can be called the "established" family businesses that were established early in the History of Mizoram as described in Chapter 2. These businesses have existed for decades and are in many cases in the third or fourth generation of ownership. These firms fall firmly under the *cousin consortium* classification with a large number of cousins and even second cousins actively involved in the business. They may vary from similar businesses in other parts of the country due to the unique heirship system among Mizos where the youngest son inherits the bulk of property but otherwise conforms to the model of ownership discussed in the previous section. Among the businesses surveyed this group made up only around 8% of the total number of businesses but were significantly larger in scope and size than the other businesses surveyed. Among MFBs of this type the core founding business from which the consortium grew often acts as a type of holding company. It lends its name and identity to the umbrella business but under this holding company, cousins of various branches of the family pursue enterprises of their own in areas that may or may not be related to the core business. An example of this is Paccuhnga & Sons where various sibling and cousin branches are involved in businesses as diverse as automobiles to consumer goods to even beauty business. Due to the fact that there



is such diversification control may not be very centralized, though an alliance of second generation heirs (the parent generation) may exercise may cat as an overseeing body to ensure cohesion and resolve conflicts and guide the business.

These types of businesses, having many years of operation have a comparatively professional management systems with outsiders hired to run the operational aspects of the businesses. Despite this, unlike in the case of some business models around the world, ownership is not diluted from the family with a strong emphasis on keeping control within the family. Because the definition of family is fairly wide in Mizo society as will be seen in Chapter 4, this may mean that extended family or even family by marriage may be intimately involved in the business. Outside partners are not usually involved, and when they are, the relationship may extend to limited term projects or to subsidiaries of the business. So strong is the desire to keep the business within the family that in many cases female members will inherit business ownership or plays strong ownership roles, which is unusual for a largely patriarchal and patrilineal like that of the Mizos.

The second group of businesses are composed of the majority of businesses that were formed in later in Mizoram's history, many after the 1990s along with the liberalization across the country in that period. These firms are younger and are in their first or second generation of ownership. Unlike the "established businesses" these firms are far less diversified, concentrating on a narrow range of related operations. They are still run by their owners or a partnership of owners and first generation heirs and strongly exhibit the characteristics of the *controlling owner model* discussed above. These businesses usually have a clear leadership structure and hierarchy. Because these businesses were set up in a period when Mizo family

sizes had become smaller, succession lines are also often clearer. Like the established family businesses, family control ownership is a priority and outside partnerships are limited.

The third group are the small family businesses which have specialized in one area and have not grown very much over the years or have just been established. These businesses are usually owned by one owner and are usually small in scope analogous to the so called "mom and pop" businesses. These may be involved primarily in retail, or agri-based businesses with a sustainable market but with limited opportunity to grow.

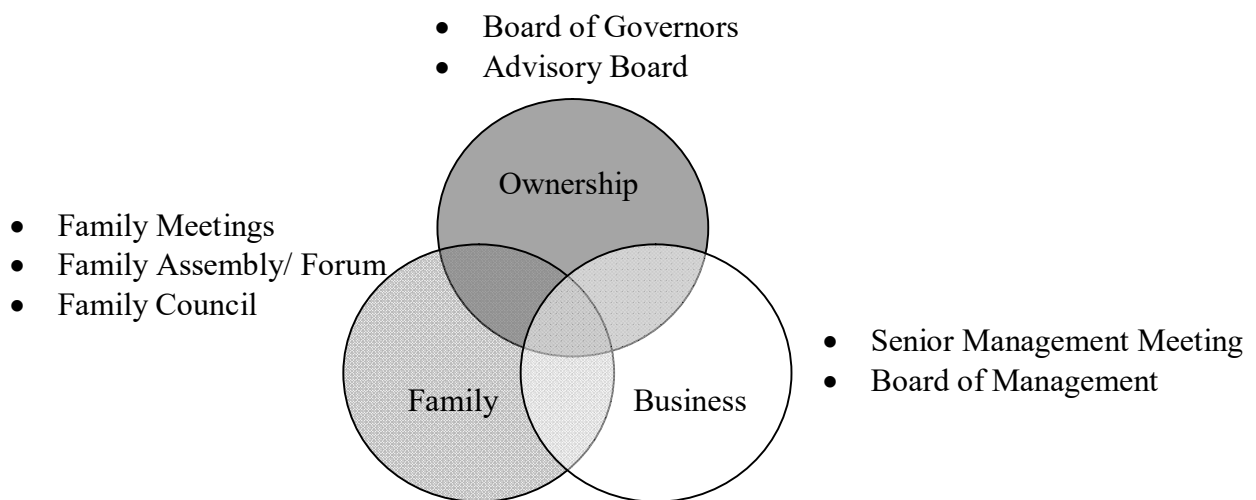
### **3.3 GOVERNANCE IN FAMILY BUSINESSES**

The idea of *corporate governance* as we understand it today can be traced back to Berle and Means (1932) in their work *The Modern Corporation and Private Property*. They drew from and pulled together decades of thought among economist lawyers and journalist about the governance problems of the new modern corporations and what impact those corporate governance problems had on the nation's public (Wells, 2010). In their work they first made clear the importance separation of ownership and control in modern corporations. Effective governance is critical to the long-term success of any organization.

Berle and Means (1932) celebrated the growth of modern multi-divisional companies with salaried professional managers the decline of traditional family. They may have envisioned to some extent that these kinds of governance structures were the desired evolutionary step. However, as noted earlier, family concerns remain the most numerous form of business in the world today and good governance is as important to these firms as it is to so called modern corporations. Governance systems in family businesses must balance the aims of maximizing owner value, making profits, enacting strategy, development and representing all owners

while at the same time protecting the interest of the family members. These structures need to be established to ensure coordination between the family and business through communication and clear accountability. As these businesses grow and become more complex in nature, clear and strong governance structures become more and more important.

The term Governance for a family business describes the process and structure for decision making within the three subsystems systems described in the *Three Circle Model* namely - family, business, ownership. This can be complicated for family run businesses where the dynamics of these three overlapping components can often create conflict. Tagiuri & Davis (1982) suggested that governance structures exist within the three circles which would also overlap to effectively govern the family firm. This is represented in Figure 3.3.



**Figure 3.3: Family Business Governance Components**

*Source:* Adapted from Tagiuri & Davis, 1982

**D. FAMILY GOVERNANCE STRUCTURES**

The family component differentiates family businesses from other businesses and usually the family plays a major role in the governance of its business. At its founding stage governance

structures within the family are usually simple as most decisions are taken by the founder whose vision and direction are dominant. During this founding stage of the business, the only family governance structure may be in the form of frequent and informal Family Meetings where the *controlling owner* who is the dominant driver in the business may share information and receive advice.

However, as the family moves through newer ownership stages at the *sibling partnership* and *cousin consortium* stage, more and more members join the family business and different ideas as well as interests emerge. Consequently a clear family governance structure is needed to prevent potential conflicts and ensure the smooth running of the business. At this stage the *family forum* or *family assembly* is the primary governance structure. Usually this is a formal meeting of all the family stakeholders to discuss issues and opinions and to make decisions that may impact the family. These meetings allow the members to communicate family concerns and strategic directions, generate new business ideas, and also involve and prepare the succeeding generation of the family leaders. These bodies decide on family related policies such as family employment, compensation and ownership roles for family members. They also act as a mechanism to prevent and resolve any internal family conflict.

As the family business gets even more complex and reaches a critical size it becomes very difficult for the family assembly to have meaningful discussions and make prompt and qualified decisions. At this stage a working governing body called *family council* or *family executive committee* may be elected by the family among its members to deliberate on family business issues and coordinate the interests of the family members. Operationally this body, among other functions acts as the primary link between the family, the board, and senior

management which in a mature and large family corporation will be well developed and contain non-family members.

***E. NON-FAMILY GOVERNANCE STRUCTURES***

A *board of directors* is a formally elected or appointed body of members who jointly oversee the activities of a company or organization. These usually people with experience or expertise to advise the organization and to protect the interests of various stakeholders in the business. Ideally in the board of family firm they should include non family members to provide a impartial non family. Usually major strategic and investment decisions have to be passed by the board before they can be implemented. In the founding stages family businesses create usually create board of directors only in order to comply with legal requirements. These boards which are known as “paper boards”, are usually limited to approving procedures that require board approval by law and are generally composed exclusively of family members (Ward, 2002).

*Advisory committee* or *advisory board* is a formal or informal group of independent advisors that provides the family business with guidance and counsel on the operations of the company, they may be called on to assist in times of change or crisis. Usually these are formed by family businesses when the board of directors is not effective because it is a paper board or does not have the requisite expertise in some area.

### **3.3.1 GOVERNANCE STRUCTURES IN MIZO FAMILY BUSINESSES**

From interaction with incumbent family business managers it emerges that the Governance structures in Mizo Family Businesses (MFBs) are primarily along family lines and that family governance structures (as opposed to ownership or management structures) are the

dominant structures. In addition while, some business firms had bodies that mimicked the bodies described in the previous section, very few if any, have formal governance structures of any description, that is to say legally or officially designated appointments with clear roles and responsibilities.

Even in the most established MFBs, the informal *family meeting* was the dominant body for important decision making. A majority of incumbents stated that these meetings often occurred at varying intervals and were usually ad hoc in nature to respond to emerging business of family issues. Attendance to these meetings also varied usually depending on the situation or issue to be discussed. In some cases the more established firms had bodies mimicking the characteristics of an *advisory board*.

These bodies were usually informal advisory bodies whose membership composed of mainly family members and usually followed the hierarchy within the family. In almost all cases the Board of Governors of these firms, where they existed, were composed entirely of family members with non-family members limited to advisory roles. In many cases these boards were so called "paper boards" formed more to meet statutory requirements rather than with a view to applying good governance. In many cases the same individuals serve as managers and board directors, while being the company's owners.

Non-family involvement in the business governance was very limited except in the largest and most established of firms. These emerged primarily from the fact that these firms were in franchisee or dealership agreements with large corporation which required certain statutory governance structures like annual meetings and the formation of a board. However, the roles of these formal structures need to be qualified as they extend only to that part of the business

in which the corporate entity is involved. In most cases these established family concerns are highly diversified and the core governance structures observed above, namely family dominated bodies, remain true for the core family business.

The governance structure that exists in MFBs today is probably a reflection various historical, structural and cultural factors. Firstly, MFBs are still relatively small and relatively young. Many firms in Mizoram are still in their founding phase and probably do not require complicated governance structures. Even the oldest MFBs are only in their fourth generation of owners. Consequently informal structures can still be employed to run these businesses. Secondly, as mentioned earlier, the form of the established family businesses usually take is that of a holding company lending its name to a group of diverse companies run different branches of the family. In this set up, the individual companies may have different fairly autonomous business structures so governance is usually very decentralized. Third, the desire for family control emerging from a strong family identity means that most business families may reluctant entrust major decision making to those outside the family circle. These families may be willing to accept less optimal governance rather than accept outsiders in the inner circle of the business. Finally, laws establish legal criteria for the formation and dissolution of the certain types of companies but are far less explicit when legislating for MFBs which may not fit into any legal category. In many cases, MFBs have no formal ownership structures like division of shares for example. Thus MFBs may not need to establish formal governance structures as other types of firms might.

### **3.4 AREAS OF OPERATIONS**

Mizoram is still in the primary stage of industrialization focusing on primary production with a particular bias to agricultural which was the traditional base of the economy. According to

the 2012-13 Economic Survey of Mizoram about 60% of the population still depends upon agriculture though its contribution to GSDP was only 20%.

On the other hand, the Tertiary/Service sector though small in number contributes about 60% of the total GSDP acting as the primary driver in the economy of Mizoram. It is in this sector that a majority of businesses surveyed were engaged in. Mizoram is still classified as a “No Industry Zone” due to absence of large or medium industries.

This is reflected in the primary areas of operation of the surveyed family businesses (Table 3.1). When asked what the primary or core business was of the family firm, over 73% quoted some sort of retail as their primary activity.

**Table 3.1:** Primary Business Activity of Mizo Family Businesses

<b>Primary Business</b>	<b>No. of Firms</b>	<b>Percent</b>
Manufacturing	4	5.56
Distribution/Wholesale	10	13.89
Retail	53	73.61
Other Services	2	2.78
Other Non-service	3	4.17
<b>Total</b>	<b>72</b>	<b>100</b>

*Source:* Primary Research Data

Over 13% stated that their primary business was wholesale distribution of certain types of products. Only 5.5% of the businesses identified manufacturing as their primary activity with these limited to areas like furniture making, tailoring and food production.

Many of MFBs under the study were found to be quite diversified, perhaps in part to hedge against risk. Consequently many some bigger firms may be involved in many if not all of the areas listed above to varying degrees. Even when a firm concentrates in a particular sector as



observed earlier with the younger firms, they may play multiple roles acting as retailer and distributor and/ or service provider.

### **3.5 ORGANIZATIONAL STRUCTURE**

Organizational structure of an organization defines the roles, responsibilities and activities of stakeholders in an organization to meet the objectives of the business (Pugh, 1990). Defining an organizational structure requires definition of the division of tasks, coordination systems of among people, control over the way in which tasks are performed and the flow of information.

There are a number of perspectives in which organizational structure can be viewed and in organizational theory identifies several types of organizational structures to define all of which is beyond the scope of this thesis (Aquinas, 2009). The most common classifications are functional, divisional and matrix organizational structures. In a *functional structure* organizational structure is based on the job roles or *functions* of an organization. In a *divisional structure* the organization is divided into the broad products, services or nature of work that is being performed. In a *matrix structure* employees are grouped by both function and product. A matrix structure can combine the best of as well as make up for the weaknesses of, functional and divisional structures. *Bureaucratic Structures* are those with levels of management and decision-making authority has to pass through many layers. Bureaucratic organization has rigid and tight procedures, policies and constraints.

The organizational structure of an organization determines the positions to be filled and the duties, responsibilities and authority attached to each position. While this is comparatively straightforward to define in a non family organization, in a family firm there can be

confusion as there are two overlapping structures namely the family structure and the businesses organizational structure. In non-family business individual roles can usually be an employee, a manager, an owner, a director, or some combination of these roles and their position and roles in the organizational hierarchy is usually clear but in a family businesses individual can have multiple roles and responsibilities in the family as well as the organization. For example if a family member could be the primary leader in the business and have the management powers of that business and older siblings could be assigned lesser management roles in the organization but that person may be subordinate in making family decisions especially in MFBs where there are clear family hierarchies according to age, generation, gender, etc.

### **3.6 ORGANIZATIONAL STRUCTURE IN MIZO FAMILY**

#### **BUSINESSES**

A comprehensive study of the organizational structure of Mizo Family Businesses of different types and in different industries would require much more exhaustive study, however the following observations can be made based on the present study.

#### **A. FLAT STRUCTURE**

The MFBs were generally exhibited the characteristics of a flat organization that is to say few or no levels of middle management between the employees at the base of the organization and the business heads. This is in part due to the fact that most Mizo Family Businesses are relatively small with relatively few full employee time as elaborated in the next section. In addition to this, the need to retain family control or oversight means most incumbent family business heads are much more involved in the operational aspects of the business even in larger family firms. Larger established firms which have had a chance to departmentalize

have a slightly more vertical structure but the levels between the base employee and senior management still remain relatively few.

***B. DIVISIONAL STRUCTURE***

MFBs when they are diversified tend to follow a divisional structure along the types of verticals (or areas of business) that it is involved in. This is in part due to the earlier observation that when MFBs expand they tend to do so in the form of semi autonomous businesses under the core business which acts as a holding company. These businesses run by different branches of the company usually have independent management and the various management functions like HR, accounting and operations are usually contained within the individual sub-business. The core company may have a strong influence through its control of strategic decisions or even overlapping financial control but the structure remains departmentalized. In the smaller firms the departmentalization is less pronounced and the core or “parent” company may be more involved.

***C. CENTRALIZATION***

The centralization of decision making in MFBs is contingent on the type of business in question. In the more established firms, especially those that have existed for more than three generations, decision making structures are relatively decentralized. the senior family members engage mainly in the strategic and middle level decision making delegating operational day to day decisions to their management teams. This has to be qualified with the fact that in many cases the lower level managers are also sometimes family members themselves. In the younger firms which are in their first or second generations, the decision making is much more centralized. As these firms are smaller and in their growth stage, family incumbents are more involved in the operational decisions while still making the broader strategic decisions. Centralization of decision making also depends on the area of

management with Human resource decisions as pertains to recruitment and salaries, for example, being much more centralized discussed in Chapter 7.

***D. SPAN OF CONTROL***

The span of control in MFBs, which is the number of people a manager supervises, is dependent on the type of business being observed. In more established family businesses where the firms have had had a chance to departmentalize and specialize, the span of control is narrower with managers at most levels being given a narrow band of management responsibilities. Conversely in the smaller firms where decision making is more centralized and managers have to take on multiple roles there is a boarder span of control. Span of control also depends on the area of business that the family is engaged in. Businesses engaged in production or manufacturing require managers to supervise a larger number and broader range of employees.

***E. COMMUNICATION CHANNELS***

Most MFBs lack a formal channel of communication. Most decisions are carried out through informal channels with no clear reporting structure or delineated information flow. More established firms may designate a person to communicate decisions across the organization but usually this function is take up by the incumbent manager.

### **3.7 SIZE OF MIZO FAMILY BUSINESSES**

Family businesses may come in many forms and sizes ranging from local artisans operating out of family homes to large multinational conglomerates. The size and nature of family businesses are determined to an extent by the industry that they are involved in as well as the economic environment in which they operate. While notable development of trade and commerce in Mizoram started in the 1990's following the general wave of liberalization in

the country and the GSDP of Mizoram is estimated to grow at 9%, it is from a very small base. Micro and Small enterprises dominate the economy over 8,000 registered up to 2011.

This is reflected in the size of the firms surveyed when asked about the investment in the business. Over 48% of firms had investments of less than Rs.15 lakhs, only 16% had layouts of more than 45 lakhs. It should be noted, however, that these larger businesses consisted of the established family businesses and their layouts were significantly higher running into crores of rupees in many cases.

**Table 3.2:** Number of Employees related to Firm size

<b>Investment in the Firm (in Lakhs)</b>	<b>No. of Firms</b>	<b>Percent</b>
Less Than 15	35	48.61
15-30	16	22.22
30-45	9	12.50
More than 45	12	16.67
<b>Total</b>	<b>72</b>	<b>100</b>

*Source:* Primary Research Data

It may also be noted that the survey was based on the stated investment or layout of the firm as per the responses of the incumbent managers and it is possible and likely that for many reasons these may be underestimated. The distribution of family businesses based on investment is shown in (Table 3.2).

**Table 3.3:** Number of Employees in the Firms

<b>No. of Employees</b>	<b>Percent of Firms</b>
Less than 10	50.98
10 to 20	19.61
20 to 30	9.80
30 to 40	3.92
40 to 50	3.92
more than 50	7.84
Did not respond	3.92
<b>Total</b>	<b>100</b>

*Source:* Primary Research Data

This pattern is also reflected in the number of permanent employees employed by Mizo Family Businesses. More than 50% of the firms surveyed had 10 or less number of permanent employees while only 7.4% had more than 50 employees, further reinforcing the fact that a majority of family business are small (Table 3.3).

### **3.8 CONCLUSIONS**

In studying the Organizational aspects of Mizo family businesses, it is important to differentiate between two broad types of businesses. A majority of firms are relatively small and are engaged in a fairly narrow band of activities. These firms are still young with managers in their first or second generation and their organizational aspects generally reflect companies that are still in their formative stage. These firms are in the *controlling owners* or *sibling partnership* stage of development and therefore have less family conflict and thus less need for family governance. They have relatively few employees so as the organizations are relatively flat with managers having a wide span of control. Decision making is centralized with family managers taking the central role. These firms have do not have developed formal governance structures like a board of governors. When these do exist they are usually to meet some statutory requirements rather as a body for oversight and management.

The second class of firms are the established MFBs which are larger and older and have more members. These firms are in their third or fourth generation and are in the so called *cousins consortium* stage. These firms have more vertical structures with more departmentalization and thus a narrower span of control for managers. Usually these firms have more employees and are engaged in a wider range of activities across different sectors. In these larger firms,

the core firm acts as a holding company with different verticals being run by cousins in different branches of the family. These established firms usually have divisional organizational structures to accommodate these sub-businesses. As these grow more complex the governance structures need to be more formalized and active. Thus while formal boards are still largely for statutory purposes the firms do have advisory bodies and consultants that perform some of the functions of these formal bodies.

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## **4 CHAPTER**

# **SOCIO ECONOMIC PROFILE OF MIZO FAMILY BUSINESSES**

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To understand any entrepreneurial activity it is important to draw a clear picture of the actors involved in that activity. Thus to understand family businesses it is important to build a clear profile of the individuals responsible for the conceptualization, foundation and day to day running of these businesses. This chapter seeks to empirically study the nature and level of relationship between the demographic variables of incumbent family business heads and the nature of the businesses they run.

Furthermore, this study takes a comparative approach to the analysis, with the aim of identifying patterns, features and exceptions that differentiate the Mizo Family Businesses (MFBs) from non-family businesses in Mizoram. It examines the differences between family businesses and other types of businesses in an attempt to understand differences in the demographic profiles and related business characteristics of their owners/managers.

### **4.4 AGE PROFILE**

In traditional studies of entrepreneurship, “age” is an important element of study. Various conjectures have been drawn about the relationship age has with entrepreneurial success, risk taking and firm stability. There is empirical evidence that an individual’s decision to engage in entrepreneurial activity is influenced by that individual’s age and that, age is among the clearest influence factors on measures of entrepreneurship (Parker, 2004). Research in this area has been fairly extensive and has revealed a number of, often contradicting insights.

Traditional observations have highlighted the fact that younger people are at their peak of the ability to store and process information, solve problems, deal with complexity, and adjust to new situations. Thus younger individuals are more confident in setting up new businesses and in taking risks. Studies by Cooper (1973) showed that majority of entrepreneurs were young male entrepreneurs from the ages of 25-40 years. Reynolds and White (1997) narrowed this range finding that the most active entrepreneurs were young male entrepreneurs from the ages of 25-34 years.

Contradicting this, however, contemporary research has highlighted a phenomenon known as an *individual's time discounting rate* which factors in time to the ultimate payoff for any activity. As a result activities requiring a time commitment before becoming income producing, like starting a new business, are less desirable to young people with respect to activities with immediate payoffs such as a salaried job (Lévesque and Minniti 2006).

Consequently, it has been found that risk aversion decreases with age as older people are more settled and hence can take more risk, contradicting traditional notions (Van Praag and Booij 2003). In addition to this, Cooper, Dunkelberg and Woo (1988), found that businesses started by older entrepreneurs were more likely to survive. However, Dunkelberg and Cooper (1982) found that businesses founded by older entrepreneurs though stable were less likely to experience growth.

As third view is that age has no major influence on entrepreneurship and that the range of entrepreneurial aspirations is much wider than previous studies have shown Reynolds et al. (2002). That is to say people of all ages may undertake entrepreneurial endeavours and that the experiences are too varied to generalize on age.

#### 4.4.1 AGE DISTRIBUTION IN MIZO FAMILY BUSINESSES

Age distribution of incumbent members of both Mizo Family Businesses (MFBs) and non-family businesses (NFBs) in the sample groups showed a relatively young population. Among **non-family** businesses surveyed, 76.8 % of the respondents were below the age of 40 with 46.4% being between the ages of 30-40 years (Table 4.1). In comparison the number respondents above the age of 50 comprised only 4.3%. The average age of the respondents was 35.79 years.

**Table 4.1:** Comparative Age Distribution of Incumbent Heads of MFBs and NFBs

<b>Age of Incumbents (in Years)</b>	<b>MFBs</b>	<b>Percent</b>	<b>NFBs</b>	<b>Percent</b>
less than 20	1	1.4	0	0.0
20-30	16	22.2	21	30.4
30-40	28	38.9	32	46.4
40-50	14	19.4	13	18.8
50-60	11	15.3	2	2.9
60 or more	2	2.8	1	1.4
<b>Total</b>	<b>72</b>	<b>100</b>	<b>69</b>	<b>100</b>

*Source:* Primary Research Data

Among family businesses, the average age of the incumbent heads was 38.35 years. Respondents below the age of 40 years comprised 62.5% and constituted the largest age group. Over 38.% were in the age group of 30-40 years. This pattern reflects the fact that many of the original entrepreneurs who founded these family businesses, which are older and more established than other types of business, are ageing and are ready to pass the reign to the next generation of family members.

Based on this data we can test the hypotheses to know whether the managers in MFBs were relatively older than in non-family businesses in Mizoram. If the proportion of managers in

family businesses below the age of 40 is  $P_1$  and the proportion of managers below 40 years of age in non-family businesses is  $P_2$  we can frame the following hypotheses:

**$H_0$ :** Proportion of managers below the age of 40 in Family Businesses is equal to or greater than non-family businesses. That is  $P_1 \geq P_2$ .

**$H_A$ :** Proportion of managers below the age of 40 is significantly lower in Family Businesses than in non-family businesses. That is  $P_1 < P_2$

Using the one tailed Z Test for Population Proportion, this test is used when we want to know whether two populations or groups differ significantly on some single (categorical) characteristic we obtain a Z-Score of -1.8452. The p-value is 0.03216 and the result is significant at  $p < 0.05$ . Thus we must accept the Alternative Hypothesis ( $H_A$ ) and reject the null hypothesis ( $H_0$ ) and conclude that Proportion of managers below the age of 40 is significantly lower in Family Businesses than in Non-Family Businesses.

#### **4.4.2 DYNAMICS OF AGE DISTRIBUTION IN MIZO FAMILY BUSINESSES**

The current age structure appears to be a reflection of the handing over of ownership and management to second and even third generation members of the family. The first generation entrepreneurs may still have a say in the strategic choices of the business, in most cases they no longer take active part or have reduced their involvement in the day to day management of the businesses. Consequently these businesses are being taken over by second or third generation family members who have taken over responsibility for the day to day control of the businesses.

On the other hand, a number of the family businesses surveyed do have older managers with 18.1% being above the age of 60 years reflecting the fact that in many other instances the first generation entrepreneurs are still active in the running of the business.

The age of MFBs and NFBs under the study also reflect that the large number of businesses were started in the period between after the mid 1990s. The survey shows that 68% of all the businesses surveyed (family and non - family) had operated for less than 15 years. These businesses were formed, coinciding with of the economic growth in the rest of the country following liberalization in the early 1990s in the rest of the country. The founders of these businesses would thus still be in their mid to late 30s reflected by the fact that 84% of respondents in the 30-40 year age group run business which have been in operation for 15 years or less.

## **4.5 GENDER PROFILE**

There has been a growing focus in entrepreneurship studies of studying gender in various contexts, whether it is in terms of on new venture activity, business performance or management structures. This is because gender has been found to have a strong impact on the establishment and performance of firms. Studies for example have found that firms founded by women tend to perform poorer than those established by men, Denison and Alexander (1986), Cooper, Dunkleberg and Woo (1988), and Robinson and Sexton (1994). Studies by Reynolds et al. (2004) found that women account for only one-third of new venture activity as it is. Contemporary studies are now focused on why these trends occur, exploring causal relationships like the lack of required knowledge and skills, managerial experience, difficulty in coping in a business environment whose norms and values are set by men (Marshall, 1995).

These issues are relevant for all forms of business; however they have not been widely studied in the field of family business (Sonfield & Lussier, 2009). This is primarily because in Family Business research the unit of study has usually been the family as a whole rather than the individuals of which it is composed. Where individuals are studied, the focus has been mainly on the owner manager on the owner-manager (Hamilton, 2006), even if the each of the family members male or female may have an impact on the business. In this study too the focus will be limited to the gender profile of the incumbent owners/ co-owners of the business with a view to correlating this to firm size as well as the area of operation.

#### **4.5.1 GENDER PROFILE OF BUSINESS OWNERSHIP AND PARTICIPATION IN MIZORAM**

Mizoram State Census shows that the state has a roughly equal gender ratio of 970:1000 for the general population, one of the highest in the country. However, this proportion is not reflected in the gender structure of entrepreneurs in Mizoram. From the 72 MFBs and 69 NFBs surveyed only 34.75% were owned or run by women.

This may be because entrepreneurial opportunities and skills for men and women are greatly influenced by the socio-cultural and socio-economic norms in a society and Mizo society remains a largely patrilineal and patriarchal society. This means that, not only is the father or eldest male is head of the family (and thus the primary decision maker and arbitrator) but also that descent is traced through the male and that property as well as name passes to the male heirs of a family. Thus in a Mizo businesses, ownership will pass from the first generation owner (male or female) to a male heir. Even in families with no sons, the mantle of heirship is often taken over by the son-in-law (*makpa*) to whom ownership or management roles will pass.

In addition there may be disincentives on a purely cultural level for women entrepreneurs. In traditional Mizo society, as in other patriarchal societies, the woman's gender role is that of caregiver and homemaker. The attributes that are considered as entrepreneurial values may not match what are traditionally understood as 'feminine' qualities and thus would be discouraged in women. While increased literacy and growth in social awareness has eroded some of these notions to some extent, they remain entrenched for a majority of the people in Mizoram.

There are also indirect reasons which may account for the gender imbalance in business. For example, obtaining formal credit in the form of loans or other forms of assistance often requires the fulfillment of stringent legal requirements which may include proof of land or property ownership as collateral. Given that land and property pass on through male heirs, the successful obtainment of loans would skew thus strongly in preference to male borrowers who would normally inherit and own property compared to female borrowers. The cumulative result of these factors has been a low participation of women in organized economic activities which is reflected in the collected data.

#### **4.5.2 GENDER AND BUSINESS OWNERSHIP IN MIZO FAMILY BUSINESSES**

In comparison to the general population it was found that the participation of women in family businesses was proportionately higher with the data showing that 40.3% of businesses studied having incumbent women managers or owners (Table 4.2). This is much higher than 24.6% of non-businesses family businesses in which the incumbent manager or owner was a woman.



**Table 4.2:** Comparative Gender Distribution of Incumbent Managers of MFBs and NFBs

<b>Gender</b>	<b>MFBs</b>	<b>Percentage</b>	<b>NFBs</b>	<b>Percent</b>
Female	29	40.3	17	24.6
Male	43	59.7	52	75.4
<b>Total</b>	<b>72</b>		<b>69</b>	

*Source:* Primary Research Data

Given this data we can test the hypotheses that women's participation in a sample MFBs is significantly higher than in non-family businesses in Mizoram. If the proportion of women in family businesses is  $P_1$  and the proportion of women in non-family businesses is  $P_2$ . If we select a significance level of 0.05 then:

**H<sub>0</sub>:** The participation of women in non-family businesses is equal to or more than in non family businesses. That is  $P_1 \leq P_2$ .

**H<sub>A</sub>:** Women's participation in Mizo Family Businesses is significantly higher than in other types of Businesses. That is  $P_1 > P_2$

Using the one tailed Z Test for Population Proportion we obtain a Z-Score is 1.9802. The p-value is 0.02385. The result is significant at  $p < 0.05$ . Thus we must accept the Alternative Hypotheses ( $H_A$ ) and reject the null hypothesis ( $H_0$ ) and conclude that the participation of women is significantly higher in Mizo Family Businesses than in non-family businesses

### **4.5.3 DYNAMICS OF WOMEN'S PARTICIPATION IN MIZO FAMILY BUSINESSES**

There are a number of factors that may contribute to this high level of participation of women particularly in Mizo Family Businesses.

#### ***A. Family Business Structure***

The unique structure of family businesses, where the firm and family structure overlap, provide women with convenient conditions and important resources that encourage participation in entrepreneurship. Cromie and O'Sullivan (1999), for example, found that

women were able to take advantage of this feature of the family business to combine caring for children with their career roles. This would mitigate the conflict of gender roles in Mizo society with job roles that was highlighted earlier and permit higher participation in business activities.

### ***B. The Family Business as an Incubator***

Being a member of a family business allows the kind of exposure and experiences so that a woman from a non-family business would not have. Constant exposure to and participation in the business would allow women in Mizo Family Businesses to develop unique skills and competencies. In many more progressive family businesses they might be given the same training that male heirs are imparted, and thereby giving them the opportunity to enter the business as productive members.

### ***C. Evolving Family Size***

Family sizes are getting smaller in Mizoram, and it is possible that the female children are considered the better choice or in the some cases the only heirs to the business. There is a strong desire by the family to keep ownership or management control within a close family fold even without a male heir. In this case, the desire to maintain blood ties would outweigh gender considerations and female heirs would be given control.

### ***D. Evolution of Societal Values***

Mizo societal values have been propped up by legal changes which have made the claims to heirship by female offspring much stronger in the legal arena. Tribal norms are now superseded by legal provisions that protect the rights of female heirs.

### *E. Desire for Family Control*

Higher level of participation may also be a result of a desire by the family to keep ownership or management control within a close family fold even without a male heir. In this case, the desire to maintain blood ties would outweigh gender considerations and female heirs would be given control.

This is high participation is in line with trends shown in research from other parts of the world. For example, Cromie and O'Sullivan (1999) compared the career experience of women managers who were members of the family that owned the organization with women managers who were not. They found that women from family businesses worked for longer periods than the women in other types of businesses and also enjoyed higher status, job security and flexibility. They speculated that this could be because the unique structure of the family businesses where the firm and family social structure overlap and provided convenient conditions and important resources for women entrepreneurship.

#### **4.5.4 GENDER AND BUSINESS SIZE**

The second insight regarding gender is that, of the total number of businesses surveyed, the percentage of women run and/or operated businesses are much higher in smaller businesses. A study of the relationship between investment outlay and gender shows that for businesses with an outlay of less than 15 lakhs, 44.6% of the total businesses of this size were women run or operated. In comparison, for businesses with outlays of Rs.40 lakhs or more, the percentage of women owned or run businesses of this size drops to just 13.6% (Table 4.3).

**Table 4.3:** Matrix of Gender Distribution against Total Investment

<b>Investment in Business (In Lakh Rupees)</b>	<b>Female</b>	<b>Male</b>	<b>Total</b>
Less Than 15	27	29	56
10-15	5	16	21
15-20	4	7	11
20-25	4	11	15
25-30	2	4	6
30-35	0	3	3
35-40	1	6	7
40-45	0	4	4
45-50	1	4	5
More Than 50	2	11	13
<b>Total</b>	<b>46</b>	<b>95</b>	<b>141</b>

*Source:* Primary Research Data

This may be because a major motivation for entrepreneurship activities taken up by women in Mizoram is appears to be borne out of a drive to sustain the livelihood of their households. This may take the form of smaller scale business activities like selling of vegetables and fruits, baked products and bread, traditional foods and condiments, second hand clothes and shoes, handicrafts, and weaving and handicrafts to supplement the primary income of the household. A majority are involved in the informal sector in small businesses that require little capital and which do not demand sophisticated management and bookkeeping skills.

This pattern is replicated to some extent among the family businesses with a majority of women having a much higher share of ownership for smaller and less established businesses with smaller outlays (Tables 4.4 and 4.5). There may be two reasons for this. Firstly women traditionally enter in businesses with a smaller starting base like groceries, tailoring to quote as examples. Secondly they tend *not* to enter in sectors which have seen large growth in Mizoram like IT, automobiles, high technology and schools. Coupled with possible problems of obtaining formal credit in the form of loans or other forms of assistance, these firms are smaller and grow slower than other firms though there are notable exceptions to this rule.

**Table 4.4:** Matrix of Gender Distribution against Total Investment in NFBs

<b>Investment (in Rupees Lakhs)</b>	<b>Female</b>	<b>Male</b>	<b>Total</b>
Less Than 15	9	20	29
10-15	2	11	13
15-20	1	3	4
20-25	2	7	9
25-30	1	2	3
30-35	0	1	1
35-40	1	1	2
40-45	0	2	2
45-50	0	2	2
More Than 50	1	3	4
<b>Total</b>	<b>20</b>	<b>49</b>	<b>69</b>

*Source:* Primary Research Data

**Table 4.5:** Matrix of Gender Distribution against Total Investment in MFBs

<b>Investment (in Rupees Lakhs)</b>	<b>Female</b>	<b>Male</b>	<b>Total</b>
Less Than 15	15	12	27
10-15	4	4	8
15-20	4	5	9
20-25	3	3	6
25-30	1	2	3
30-35	0	2	2
35-40	1	3	3
40-45	0	2	2
45-50	1	2	3
More Than 50	1	8	9
<b>Total</b>	<b>29</b>	<b>43</b>	<b>72</b>

*Source:* Primary Research Data

#### **4.5.5 GENDER AND BUSINESS TYPE**

In line with the above observation that a majority of businesses run by women are smaller and more traditionally based, the data shows that a majority of family businesses run by women are in the retail area. The major sectors in this include apparel and other forms of clothing, grocery shops, beauty salons and stationery among others. In many cases, these businesses supplemented the family's income with the spouse either engaged in government service or running an unrelated businesses activity (Table 4.6).

**Table 4.6:** Matrix of Gender Distribution against Business Type

<b>Gender</b>	<b>Business Type</b>						<b>Total</b>
	<b>Agency</b>	<b>Production</b>	<b>Retail</b>	<b>Service</b>	<b>Wholesale</b>	<b>Other</b>	
Female	1		25		3		29
Male	2	4	28	2	4	3	43
<b>Total</b>	<b>3</b>	<b>4</b>	<b>53</b>	<b>2</b>	<b>7</b>	<b>3</b>	<b>72</b>

*Source:* Primary Research Data

## 4.6 HUMAN CAPITAL AND EDUCATION

Since incumbent heads of family businesses are the owners, top management and often founders of their organizations, their knowledge skills, experiences and capabilities are vital to the development and sustainability of their businesses. Schultz (1963) theorized that this set of knowledge capabilities and skills have economic value which can be called "Human Capital".

Human Capital can be gained through talent, prior experience and also informal learning like apprenticeships. In this context, Fairlie and Robb (2007) suggested that family members in family businesses have better opportunities to gain this human capital related to their business compared to employees in other types of business. This is accrued through informal learning or apprenticeship type training acquired during the day to day operations of a family business. Consequently many family businesses place a higher value on hands on experience in the firm rather than unrelated work experience or high levels of formal education (Fiegener et al, 1996.)

However, the link between education and business performance has been recognized and has been studied many contexts (e.g., Robinson & Sexton, 1994). In the modern context education is the institutional way of enhancing human capital and also building new competencies for their businesses to grow and to enable them to act in innovative ways to

respond to the evolving requirements of their business. Education is an important means to social mobility on an individual level, and in the context of this study also represents a determinant in the success of enterprises. Sletten & Hulaas (1998) found that in small businesses generally benefit from the education of their owners. Dolinsky et al., (1993) found that the probability of any businesses survival and growth increased with increasing levels of educational of those managing these businesses. Altinay & Wang (2011) found that education equips business owners with the skills and reflective mindsets of understanding customers and responding to their needs.

In the context of entrepreneurship, Gartner (1988) concluded that to better comprehend entrepreneurship and encourage growth, it was to understand the education of new business leaders and creators. Scott et al., (1998) argued that education increases the supply and the effectiveness of potential entrepreneurs. Fairlie and Robb (2007) found that business outcomes were strongly and positively associated with the education level of the business owner.

This is particularly true for modern and high technology industries which by their nature require capabilities that are best developed through institutions of higher learning (Cooper, 1970). Entrepreneurs who are successful in these industries tend to be younger, possess stronger educational backgrounds and have less previous working experience in comparison their counterparts in other industries and also in comparison to their predecessors (Sletten & Hulaas, 1998). Education is an important means to social mobility on an individual level, and in the context of this study also represents a determinant in the success of enterprises.

### 4.6.1 EDUCATIONAL PROFILE OF BUSINESS OWNERS

According to the 2011 Census of India, at 91.33% Mizoram has one of the highest literacy rates in the country behind only Kerala and Lakshwadeep. Aizawl District had an average literacy rate of 97.89% with male and female literacy rates at 98.11% and 97.67% respectively. This is reflected in the educational profile of the study group, with all respondents from both family and non- family businesses having at least a primary level education and over 77% had studied high school level or above. (Table 4.7)

**Table 4.7:** Comparative Educational Profile of Incumbent Managers MFBs and NFBs

Education Level	MFBs	Percent	NFBs	Percent
Post Graduate	12	16.7	16	23.2
Graduate	26	36.1	27	39.1
High School	17	23.6	12	17.4
Matriculation	13	18.1	6	8.7
Middle School	3	4.2	4	5.8
Primary	0	0.0	2	2.9
Other	1	1.4	2	2.9
<b>Total</b>	<b>72</b>	<b>100</b>	<b>69</b>	<b>100</b>

*Source:* Primary Research Data

Given this data, we can test the hypotheses that the education level of incumbent managers in MFBs is significantly higher than in non-family of businesses in Mizoram. If the proportion of incumbent managers with a high school education or higher in family businesses is  $P_1$  and the proportion of managers with the same level of education in non-family businesses is  $P_2$ . If we select a significance level of 0.05 then:

**H<sub>0</sub>:** The proportion of managers with a education of high school level or higher in Mizo Family Businesses is less than or equal to than mangers of equal qualification in other types of Businesses. . That is  $P_1 \leq P_2$ .

**H<sub>A</sub>:** The proportion of managers with a education of high school level or higher in Mizo Family Businesses is higher than mangers of equal qualification in other types of Businesses. That is  $P_1 > P_2$



Using the one tailed Z Test for Population Proportion we obtain a Z-Score of -0.476. The p-value is 0.31561 and the result is not significant at  $p < 0.05$ . Thus we must accept the null hypothesis ( $H_0$ ) and conclude that the proportion of managers with education of high school level or higher in Mizo Family Businesses is less than or equal to than managers of equal qualification in non-family businesses.

#### 4.6.2 AGE AND EDUCATIONAL LEVEL

When the age of the incumbent owner-managers of MFBs are correlated with their education level, it emerged that education level was higher for younger managers (Table 4.8). In the age group ranging from 25-45 years, it emerged that 64.4% of the respondents had a graduate level education or higher compared to just 23.5% for those above 45 years of age. Further it was found that among managers between 25-45% about 20% of the respondents had a postgraduate degree or higher compared to 11.7% for those who were over 45 years of age.

**Table 4.8:** Education Level against Age of Incumbent Managers of MFBs

Incumbent's Age ( in Years)	Primary School or lower	Middle School	Matricul ation	High School	Graduate	Post Graduate or Higher	Total
Less Than 25	0	0	2	3	4	0	9
25-35	0	2	2	6	11	4	25
35-45	0	1	4	5	9	6	25
45-55	0	0	2	2	1	2	7
55-65	0	0	2	1	0	1	4
Above 65	1	0	0	0	1	0	2
	1	3	12	17	26	13	72

*Source:* Primary Research Data

Note: Other qualifications are illiterate and doctorate.

### 4.6.3 EDUCATIONAL LEVEL AND BUSINESS SIZE

From the data it emerges that a higher proportion of large businesses are owned and or run by those with a graduate level education or higher. In comparison, more than 50% of incumbent managers who managed smaller businesses of less than Rs.15 Lakhs investment or more had education levels below the high school level (Table 4.9). This can be accounted to a number of factors. Firstly it can be noted that a large number of smaller businesses are run by female incumbents and it can be noted that this group had a lower education level. In contrast, in terms of larger businesses, it was noted during the study that the incumbent managers were second or third level managers who benefit from higher education levels than the founding generation.

**Table 4.9:** Education Level of Managers against Business Size

Investment (in Rs. Lakhs)	Education Level of Incumbent						Total
	Primary School or lower	Middle School	Matric	High School	Graduate	PG or above	
Less Than 15	0	3	6	9	11	4	<b>33</b>
10-15	0	0	2	4	3	0	<b>9</b>
15-20	0	0	1	1	4	1	<b>7</b>
20-25	0	0	1	1	3	2	<b>7</b>
25-30	0	0	1	2	0	0	<b>3</b>
30-35	0	0	0	0	1	0	<b>1</b>
40-45	0	0	0	0	1	0	<b>1</b>
45-50	0	0	0	0	1	0	<b>1</b>
More Than 50	1	0	1	0	2	6	<b>10</b>
<b>Total</b>	<b>1</b>	<b>3</b>	<b>12</b>	<b>17</b>	<b>26</b>	<b>13</b>	<b>72</b>

*Source:* Primary Research Data

Note: Other qualifications are illiterate and doctorate.

### 4.6.4 INTERGENERATIONAL EDUCATIONAL PROFILE OF BUSINESS OWNERS

Research has shown that there is a link between the education of the parents and that of the succeeding generation. Anger & Heineck (2010) empirically proved the intergenerational transmission of cognitive abilities with the resulting conclusion that smart parents raise smart children. Pronzato (2010) found that educated parents have higher ability which partially

transmits to their children. These findings are reflected in the study revealing that younger entrepreneurs, specifically second generation entrepreneurs were better educated than both parents. Table 7 shows a matrix of the respondent’s education compared to their parent’s education.

Pronzato (2010) found out that the father’s education level was particularly influential in determining the education level of the younger generation. In this respect, the results show that 100% of respondents from family businesses who had post graduate degrees surpassed their father’s education level. Similarly 92.3% of those who had a graduate degree and 76.5% of those who had a high school education surpassed their father’s education level (Table 4.10).

This pattern of the younger generation surpassing the education level of the parents may be to some extent due to the fact that the resources to pursue a higher level of education may be more readily available to the younger generation of entrepreneurs. In addition to this the opportunities and infrastructure to study at a higher level may also be better locally as well across the country.

**Table 4.10:** Comparison of Inter-Generational Education Levels

Own Education	Father's Education						Total	Percent Equaling or surpassing
	Primary or lower	Middle School	Matriculation	High School	Graduate	PG		
PG or Higher	1	1	1	3	6	1	13	<b>100.00</b>
Graduate	5	6	3	5	5	2	25	<b>92.31</b>
High School	4	4	3	2	3	1	17	<b>76.50</b>
Matriculation	3	6	2	1			12	<b>92.00</b>
Middle School		2		1			3	<b>66.67</b>
Primary or lower	1						1	<b>100.00</b>
<b>Total</b>	<b>14</b>	<b>19</b>	<b>9</b>	<b>12</b>	<b>14</b>	<b>4</b>	<b>72</b>	

Source: Primary Research Data

#### 4.6.5 GENDER AND EDUCATION LEVELS

In terms of education levels in relation to gender, it was found that male incumbent managers had generally higher levels of education than female incumbents. More than half of male incumbents had an education level of graduation level or higher. In contrast, more than half of female incumbents had education levels lower than high school level. Around 23.8% of the male respondents had an education level at post graduate level compared to only 10% of female respondents (Table 4.11).

**Table 4.11:** Comparison education levels along gender lines of Managers of MFBs

	Education Level						Total
	Primary School or lower	Middle School	Matriculation	High School	Graduate	PG or Higher	
Female	0	1	7	9	10	3	30
Male	1	2	5	8	16	10	42
<b>Total</b>	<b>1</b>	<b>3</b>	<b>12</b>	<b>17</b>	<b>26</b>	<b>13</b>	<b>72</b>

*Source:* Primary Research Data

#### 4.6.6 BUSINESS ORIENTED EDUCATION

Another visible trend among those running or owning family business is the fact that a majority of the respondents did not have education in commerce or management. Only 31.9% of family business owners and 30.9% of non-family business owners had formal education in business, management or commerce.

**Table 4.12:** Whether incumbent manager had education in Management or Commerce

Response	MFBs	Percent	NFBs	Percent
Yes	49	68.1	48	69.1
No	23	31.9	21	30.9
<b>Total</b>	<b>72</b>	<b>100</b>	<b>69</b>	<b>100</b>

*Source:* Primary Research Data

## **4.7 RACE, ETHNICITY AND CULTURAL IDENTITY**

Studies have shown that, in many contexts, race and ethnicity have a strong impact on the nature and scope of entrepreneurial activity. Cooper, Dunkelberg, and Woo (1988) determined that, in America, entrepreneurs from ethnic minorities businesses that were more likely to experience failure in their business. They also found that even when these entrepreneurs did not fail their businesses were less likely to grow or grew at a slower rate. Studies by Robinson and Sexton (1994) also showed that entrepreneurs from minority communities were likely to earn less.

The impact of race and ethnicity is culture and situation specific and does not necessarily entail negative factor. In India the ethnic/familial bonds that tie together the Marawris and Parsis together have enhanced rather than hindered business activity in these communities.

In the context of North East India, Mizoram has a fairly homogenous population in terms ethnicity and race. Over 85% of the residents is Mizoram belong to Mizo tribe. Even where there are ethnic or linguistic differences like with the Hmars (1.5%), Lai (3.8%) and Lakher (3.3%) tribes, there is a fair amount of homogeneity in terms of cultural practices and social structure. Particularly significant in the context of this study, is that family structure and family practices with respect to family decision making, the passing on of familial authority and also in terms of the inheritance of property or wealth are fairly uniform across the major ethnic groups. There is some networking by some communities but this appears to be based on familial and regional lines rather than familial lines.

The only exceptions may be entrepreneurs from non-Mizo communities like the Bru and Chakma communities and also non-native entrepreneurs from the marawari, sylethi and

gorhkahli communities. In case of the latter, the presence of non-native businesses is limited by the combined factor of Mizoram peripheral location as well as a number of laws and regulations that have been put in place to protect native interests.

As noted, most significant of these is the Inner Line Permit (ILP) system which was established by the British to protect their tea interests in the form of the Bengal Eastern Frontier Regulations of 1873. This legislation has been forwarded by successive governments and acts as a significant barrier for the entry of non- native entrepreneurs in Mizoram.

The main purpose of the legislation was to regulate the movement of people into so called sensitive areas but carries with it provisions that have a direct impact on business. Most significant is Section 7 which states “It shall not be lawful for any person, not being a Native of the districts comprised in the preamble of this Regulation, to acquire any interest in land or the product of land beyond the said “Inner Line” without the sanction of the [State Government]”. By restricting not only land acquisition but acquisition of the products of the land the ILP acts as a de facto ban on non-native businesses.

The combined effect of these factors is that, in terms of ethnicity, the businesses operating in Mizoram are fairly homogenous. The implication of this is that, in Mizoram, ethnicity is not a major differentiator in the establishment and successful operation of businesses. It is also probably not the primary reason for variation in family business structures or practices.

The data revealed that established family businesses in the Aizawl district were mainly native Mizo with roots tracing back four or more generations. Ethnic diversity was only seen in the case of a few major families and even here the families had established themselves by inter marriage with local community members.

It should be noted that here it was difficult to differentiate Mizo entrepreneurs who hail from other parts of the country or Myanmar. These respondents were counted as natives due to the ethnic and cultural roots in the state even if the respondents has his origins outside the state.

#### 4.7.1 PLACE OF ORIGIN

It was found, as expected, that a majority of respondents were native to Aizawl town and its suburbs (including Zemabawk and Durtlang) with the definition of native being that the family had stayed in the town for at least one generation. They accounted for 70% of the respondents. A further 11% were from rural areas within the district of Aizawl. Of the respondents approximately 18% of the respondents were not from Aizawl district with 4.2% being form outside the state. This distribution is unsurprising as a majority of the established businesses have a two or three generation presence in Aizawl (Table 4.13)

**Table 4.13:** Origin of Incumbents of MFBs

<b>Area of Origin</b>	<b>No. of MFBs</b>	<b>Percent</b>
Aizawl Town	51	70.83
Aizawl Rural	8	11.11
Other Districts	10	13.89
Outside Mizoram	3	4.17
<b>Total</b>	<b>72</b>	<b>100</b>

*Source:* Primary Research Data

#### 4.7.2 RELIGIOUS PERSUASION

In terms of religious orientation, more than 95% of the respondents were Christians of one denomination or another. Of these, 92% were from protestant churches. Reflecting that fact Aizawl and the north of Mizoram is dominated by the Presbyterian church, more than 80% of the respondents belonged to this denomination (Table 4.14). Non-Christian businesses accounted for about 4% of the businesses.

**Table 4.14:** Religious Background of incumbents of MFBs

<b>Religious Background</b>	<b>No. of MFBs</b>	<b>Percent</b>
Presbyterian (PCM)	58	80.56
Salvation Army	3	4.17
Catholic Church	2	2.78
UPC	3	4.17
Seventh Day Adventist	1	1.39
Other Christian	2	2.78
Non Christian	3	4.17
<b>Total</b>	<b>72</b>	<b>100</b>

*Source:* Primary Research Data

## 4.8 CONCLUSIONS

The socio-economic profile of incumbent Mizo family business heads reflects the combined effects of the historical and cultural factors which exert themselves on these businesses as well as present day social and management related compunctions. In terms of age, the incumbents surveyed were relatively young reflecting an intergenerational shift in ownership in the called “established” firms the third and fourth generation heirs taking up, as well as the fact the incumbent heads of the newer family businesses are run by relatively young founders.

In terms of gender, the profile reflects the progressive nature of modern Mizo society with its high participation rate of women counterbalancing cultural norms in what is a traditionally patriarchal and patrilineal society. Participation rates of women in MFBs are even higher partly due to the fact that the family business setting provides the right environment for women to take up and maintain leadership roles and in part because the desire to maintain family control means female heirs are taking up ownership roles in families which are becoming increasingly smaller.

In terms of human capital, although there is little organized grooming of family members in the business (as will emerge in Chapter 7), current incumbents are much better equipped



educationally than their predecessors to run their businesses. The inclination to educate succeeding generations has kept up with the improving opportunities to be educated. Consequently a majority of incumbent managers are better educated than the preceding generation. This education is more and more related to the business as more and more take up commerce or management with an aim to running the business. Specialized functions like accounting are still taken up by non-family specialists.

In terms of cultural identity, the racial and ethnic profile of Mizo businesses reflects various socio-political factors. The protection of Mizos, by such policies as the Inner Line Permit system, have allowed native families to establish themselves. The primacy of major cities like Aizawl have meant that families originally from smaller towns and rural hinterland have migrated to these centers to seek business opportunities. In terms of religious division of incumbents, the profile reflects the general religious distribution of the state.

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Chapter 5  
**CULTURAL DIMENSIONS OF MIZO FAMILY BUSINESSES**

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## **5 CHAPTER**

# **CULTURAL DIMENSIONS OF MIZO FAMILY BUSINESSES**

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There is little doubt that societies differ in a large part due to their core cultures or values. However, just to state that culture is different from another's without empirically studying and comparing facets of culture will not lead to meaningful conclusions. It is important to devise models that study various dimensions that help understand how cultures may be different or similar. This chapter uses empirical evidence to explore some core cultural dimensions that differentiate Mizo Family Businesses (MFBs) from the rest of the country and the world.

### **5.1 CULTURE AND BUSINESS**

The relationship between culture and entrepreneurial activity has been observed by pioneering writers on entrepreneurship from the field of economics (Schumpeter, 1934), sociology (Weber, 1930), and psychology (McClelland, 1961).

Schumpeter (1934) alludes to the existence of a “general culture” that goes beyond and underlines an individual's entrepreneurial thought process. While he does not elaborate on what exact manifestations this “general culture” may have, he does suggest that there are static and dynamic elements that influence an individual's behavior and thought process.

Weber (1930) attributed the growth of entrepreneurial activity in western culture and the development of capitalism to the birth of Protestantism and, in particular, Calvinism. He went

further to suggest that other spiritual religions and the cultures in which they manifest themselves in may not be as conducive to such development.

Psychologist McClelland empirically correlated (entrepreneurial) ambition and the rate of economic growth in two samples of 23 and 41 countries by relating scores in 1925 and 1955, respectively. His conjecture that economic growth partly results from the (entrepreneurial) ambition of human beings, which he elucidates in his book *Achieving Society*, is widely accepted and is the basis for a body of subsequent research. Thus, while there may be varying levels of agreement on the extent to which culture impacts on entrepreneurship, it is generally agreed that some degree of influence always exists.

## **5.2 SIGNIFICANCE OF CULTURE IN FAMILY BUSINESSES**

Culture is by its nature intangible and consists of deeply embedded often unconscious shared values. It is therefore difficult to define. Hofstede (1980) simply defined culture as “the collective programming of the mind which distinguishes the members of one group or category of people from another.” Herbig (1994) elaborated on what this collective programming entailed and defined culture as “an all inclusive system of communications which incorporates the biological and technical behavior of human beings with their verbal and nonverbal systems of expressive behavior.

Culture is thus the sum total of a way of life, including such things as “expected behaviour, beliefs, values, language, and living practices shared by members of a society”. For the purpose of this research a functional definition of culture as the shared attitudes, values, goals, and practices that characterizes an organization will be used.

The argument for linkages between cultural characteristics and entrepreneurship has existed since the study of entrepreneurship began. The relationship between culture and entrepreneurial activity has been observed by pioneering writers on entrepreneurship from the field of economics (Schumpeter, 1934), sociology (Weber, 1930), and psychology (McClelland, 1961).

The study of culture is particularly significant in the context of this research because the family businesses are composites of two components. The “business” component is primarily an economic component and lends itself to the same type of analysis as other types of economic activity. The “family” component, however, is socio-cultural construct which involves the social interaction and emotional linkages between family members and also involves culture specific behaviour and dynamics that varies from community to community.

Entrepreneurs of the same culture share common values and perspectives, and are thus likely to interpret and evaluate entrepreneurial opportunities and situations in similar ways. The manifestation of this is a similar, perhaps predictable, pattern of managerial decisions, management styles and business models. In contrast, members of different cultures may respond differently to the same event in their approach and behaviour.

In addition, cultural values determine the extent to which entrepreneurial behaviors, such as risk taking and independent thinking, are desirable. Cultures that appreciate and reward such behavior will produce an environment where entrepreneurial activity and other forms of innovation can flourish. Conversely cultures that value conformity, community interests, and avoid uncertainty are less likely to encourage entrepreneurial behavior (Herbig, 1994; Hofstede, 1980). Given this, understanding the influence of culture on entrepreneurship is of significant theoretical and practical value.

## **5.3 CULTURAL INFLUENCERS IN MIZO FAMILY BUSINESSES**

The 1.12 million population of Mizoram is dominated by an indigenous minority which is both culturally and politically distinct and isolated from the “mainstream” of India. The nature of Mizo culture, as it exists today, is affected by various historical and socio-cultural factors which are very distinct from other parts of the country. In the context of this research the following factors are important to consider as cultural influencers for Mizo Family Businesses.

### **5.3.1 CLAN/FAMILY BASE**

Though a largely unified Pan-Mizo identity exists today, historically Mizo were divided into distinct tribes which were then divided into clans. Historical commentators of Mizo society and culture (Shakespeare (1912), Lewin (1898)) devoted a large portion of their commentary to identifying the different tribes and clans they encountered.

In the context of this research, this tribal/ clan structure is important because research (Ali, 1990, 1993) has shown that, in general, family norms and values in tribal communities encourage conformity and discourage creativity. Stability and continuity are valued as a matter of course and this may extend to the management of businesses. Further, the business management structure follows the family structure, for example if the father who is the head of the family is also the head of the business, it can reinforce authoritarian management styles. On the other hand, because family bonds can also reduce the distance between superior and subordinate consultative management techniques may also flourish depending on the nature of that family.



### 5.3.2 COMMUNITY ORIENTATION

Due to the nature of Mizoram's terrain and the sparsity of its population, the economy and political structure of the Mizos was historically fragmented. Mizo communities were traditionally organized into independent villages or village clusters led by a chief or 'Lal'. These village units were usually self sufficient in terms of food and other necessities and usually necessitated little trade. Indeed, in many cases, these village units were openly antagonistic to each other and jealously guarded their ranges and territories (Nunthara, 1996). Anecdotal evidence suggests these village rivalries overrode even clan loyalties with members of the same clan warring with each other in support of their villages.

These village loyalties have largely been superseded in modern times as there has been move towards more integration in a wider pan-Mizo identity however the legacy of this still remains. In rural areas this takes the form of strong village/small town identities. In urban areas the loyalty extends to the *veng* (neighborhood unit) which serves as a substitute to the village.

One feature of this loyalty is that individuals are expected to work towards the betterment of their community even at the expense of their own interests. While this is a common aspect for cultures with close community ties the Mizo case is notable in that it is encapsulated in the unwritten ethos of *tlawmngaihna*. Parallels in other cultures can be found in the code of chivalry in medieval Europe and the Bushido code in Japan. However, unlike these cultural constructs, which are very specific and highly codified, *tlawmngaihna* is more a quality or trait emerging from a shared sense of duty which has developed over the years. However, as with the previous comparisons, it does manifest itself in everyday life in the form of rules of etiquette, duties and modes of behavior.

One feature of *tlawmngaihna*, as with other such codes, is that it entails a large degree of generosity and community sharing. This to an extent is in direct opposition with commercial activity which requires some extent profit making and the accumulation of wealth.

### **5.3.3 NON-HIERARCHICAL SOCIETY**

Mizo culture historically has been based on a village based tribal structure. The predominant political system was of chiefs ruling their individual territories which comprised of one or more villages. However while kings in ancient India were autocratic monarch, whose power derived from some form of divine or royal mandate, there is evidence that in many cases in Mizo society the position of the Mizo *Lal* was that of a first among equal. He wielded considerable power but may not have had unlimited and unchecked power. There were various societal structures that placed checks and balances like the *elders* of the village who were the voice of the community, the *zawlbuk*, the communal long house which housed the all village's young bachelors and also individuals of repute and influence like the village *puithiam* (priest/shaman), *thirdeng* (black smith) or *pasal tha* (warrior/hunter of repute).

Although some forms of slavery (*sal*) and indentured servitude existed (*bawi*) the absence of a caste system or class system also ensured that the structure of Mizo society was relatively flat. With the advent of Christianity and increase in education and the opening up of opportunities for employment for all classes with the rise in literacy, society has become even less hierarchical.

### **5.3.4 INFLUENCE OF CHRISTIANITY AND THE “PROTESTANT WORK ETHIC”**

This phenomenon known as the *Protestant Work Ethic* or alternatively the *Puritan Work Ethic* is based upon the belief by Calvinist Christians that hard work had to be a component

of a person's service to God and that worldly success, be it in the form of monetary gain or status, was a visible sign of personal salvation. The eminent German thinker Weber (1930) had linked the growth of entrepreneurial activity in the west to the birth of Protestantism and, in particular, Calvinism.

It encouraged entrepreneurship by transforming economic activity from a simple pursuit of sustenance and wealth to a test of an individual's inner resources and moral worth. According to its tenets the pursuit of monetary gain was no longer to be driven by greed and the pursuit of luxury or self-indulgence, rather money was to be saved, and accumulated.

Consequently commerce in general, and entrepreneurial activity in particular, was elevated to a worthwhile pursuit with intrinsic dignity. This in turn engendered a culture that encouraged individualism, achievement orientation, rationality, frugality, and self-reliance. Some commentators argue that this one of the cornerstones of national prosperity for countries like Britain, Holland and the United States.

Christian missionaries entered Mizoram in the late 1800s and established their missions in various parts of what is now Mizoram. Despite initial resistance by some sections of the local population, in particular the tribal chiefs, by the turn of the 20<sup>th</sup> century a majority of Mizos had converted to Christianity. According to the 2011 Census of India, there were 772,809 Christians in Mizoram, accounting for 86.97% percent of the total population.

Significant for this research is the fact the missionaries that came to Mizoram were mainly from the *Calvinist* or *Reform churches* and consequently a majority of Mizos (85-90%)

belong to churches like the Presbyterian church and the Baptist church and its sub denominations.

It can be conjectured that the influence of the Calvinistic values regarding commercial activity and work ethics have transferred themselves to Mizo society through these churches. It is without question that economic activity increase after the conversion and settlement of Mizos during the British period. How much of this is due to the reasons above however is not clear.

## **5.4 THEORETICAL BASIS**

The theoretical basis for empirical study of culture is the generally accepted view that groups of people (societies) are different due, in part, to their underlying cultures or values. If these values could be quantified in some way there would be a proper means of assessing cultural difference(s). In this regard various researchers have developed models to assess how two or more cultures may be different or similar. These models include various dimensions attempting to quantify the core cultural indicators that differentiate one culture from another. However this remains a challenge without the existence of universally accepted definitions, dimensions, scales, and measures (Earley, 2006).

Hofstede (1980) conducted detailed interviews with hundreds of IBM employees in 53 countries with the objective of patterns of "thinking, feeling, and acting that are well-established by late childhood across cultures". Through data analysis of this large data set, he formulated his theory that world cultures vary along consistent, fundamental dimensions. Hofstede initially identified five dimensions of culture:

- i. **Uncertainty Avoidance** – the extent to which a culture feels threatened by ambiguous, uncertain situations and tries to avoid them by establishing more

structure. Cultures with high *uncertainty avoidance* scores prefer to avoid uncertainty and dissent as a cultural value and desire consensus.

- ii. **Masculinity-Femininity** – the degree to which a culture values “masculine traits” such as assertiveness, achievement, acquisition of wealth believe in achievement and ambition, in ostentatious manliness or “feminine traits” such as caring for others, social supports and the quality of life.
- iii. **Power Distance** – the degree to which a culture believes how institutional and organizational power should be distributed (equally or unequally) and how the decisions of the power holders should be viewed (challenged or accepted). People in high *power distance* cultures are more comfortable in status compared to low *power distance* cultures
- iv. **Collectivism** – describes the degree to which a culture relies on and has allegiance to the self or the group.
- v. **Future Orientation** – describes the degree to which a culture relies has an affinity to planning for future eventualities and the extent to which a society gives priority on living in the present.

## 5.5 GLOBE STUDY

The main theoretical base used in this research to study the cultural dimensions of Mizo Family Businesses is the *Global Leadership and Organizational Behavior Effectiveness Research Project (GLOBE)*. *GLOBE* project is a multi-phase, multi-method cross-cultural research project with researchers around the world studying various aspects and linkages between societal culture, organizational culture, and organizational leadership (House et al, 2004). Many scholars consider the GLOBE project as the single most important piece of

cross-cultural research in a quarter of a century (Javidan, et al. 2004). Prominent social scientist Harry Triandis calls it the ‘Manhattan Project’ of cultural studies (Triandis 2004).

GLOBE was set up by a group of social scientists and management scholars who study cross-cultural leadership in 1993 under the supervision of Robert J. House at the University of Pennsylvania (House [et al.] 2004). The primary focus of the GLOBE study was to make a comparative study of leadership in the context societal and organizational norms, values, and beliefs of the societies in which the leaders operated and is as such a complex multidimensional study. The GLOBE scales are designed to psychometrically test cultural attitudes across dimension at the organizational and societal levels. The initial GLOBE Project directly collected data from 17,300 middle managers in 951 organizations across 62 countries. One hundred seventy social scientists and management scholars representing various parts world are engaged in this long-term cross-cultural leadership studies under this project.

Expanding on Hofstede's work the GLOBE researchers identified nine cultural dimensions.

These are:

- i. **Uncertainty Avoidance:** The extent to which members of the society or organization strive to avoid uncertainty by relying on established social norms, rituals and bureaucratic practices.
- ii. **Performance Orientation:** The degree to which society or organization encourages and rewards group members for performance improvement and excellence.
- iii. **Future Orientation:** The degree to which individuals in societies or organization engage in future oriented behaviors such as planning, investing in future and delaying individual and collective gratification.

- iv. **In-group Collectivism:** The degree to which individuals express pride, loyalty and cohesiveness in their organizations or families.
- v. **Institutional Collectivism:** The degree to which societal or organizational practices encourage and reward collective distribution of resources and collective action.
- vi. **Humane Orientation:** The degree to which individuals in societies or organization encourage and reward individuals for being fair, altruistic, friendly, generous, caring and kind to others.
- vii. **Gender Egalitarianism:** The degree to which a society or organization minimizes gender role differences while promoting gender equality.
- viii. **Power Distance:** The degree to which members of a society or organization expect and agree that power should be stratified and concentrated at higher levels of government or organization.
- ix. **Assertiveness:** The degree to which individuals in societies or organizations are assertive, confrontational and aggressive in social relationships.

## 5.6 EMPIRICAL STUDY OF MIZO CULTURAL INDICATORS

This research concentrates and draws on the nine GLOBE Cultural Competencies. These then generate scores for a culture or cluster of cultures and the collective scores of all are used to generate a "world mean" of each scale.

To get the scores for Mizoram an instrument was designed consisting of a battery 37 questions based on the standard questionnaire design of the GLOBE survey. To ensure that the data was captured accurately, the instrument was translated into Mizo, the *lingua franca* for the state. Respondents were given an option of either English or Mizo to complete. The instruments were administered either by the researcher or his research assistant. A total of 72 responses were received and tabulated.

Collective data based on the scores for the nine dimensions of culture were derived by taking a weighted average of each of the responses on a seven point scale. The results of the sample businesses in Mizoram compared with that of India and the World (GLOBE Sample), compiled from House [et al.] (2004) are shown in the table below.

**Table 5.1:** Summary of Comparison with India Scores on Cultural Dimension

<b>Cultural Value</b>	<b>Mizoram</b>	<b>India</b>	<b>World</b>	<b>Comparison with world.</b>
Uncertainty avoidance	5.3	4.15	4.62	High
Performance orientation	4.3	4.58	5.94	Low
Future orientation	4.20	4.19	5.48	Low
In-group collectivism	5.8	5.92	5.66	High
Institutional collectivism	5.2	4.38	4.73	High
Humane orientation	5.5	4.57	5.42	Medium
Gender egalitarianism	4.8	2.90	4.51	Medium
Assertiveness	3.9	3.73	3.82	Medium
Power distance	4.2	5.47	2.75	High

*Source:* Scores for World and India from House [et al.] (2004). Score for Mizoram from Primary Research

## 5.7 UNCERTAINTY AVOIDANCE

*Uncertainty avoidance* is the extent to which a culture feels threatened by ambiguous, uncertain situations and tries to avoid them by establishing more structure. It is defined by House et al., as “the extent to which life is structured, predictable, orderly, and consistent, and the rules and regulations to regulate social practices are emphasized”.

Cultures with high *uncertainty avoidance* scores prefer to avoid ambiguity and dissent and as a cultural value and desire consensus. Uncertainty is a cause for higher anxiety than those from low uncertainty avoidance cultures. Consequently, these types of cultures prefer formal rules and strictures to control social behavior. Though there is no empirical proof, as a rule, high *uncertainty avoidance* cultures are those that are beginning to modernize and are in a



state of flux. Conversely, cultures with high *uncertainty avoidance* scores have a high tolerance for uncertainty and ambiguity, and are more comfortable with the unknown. These cultures not only accept but often nurture and encourage dissenting views. High scores in *uncertainty avoidance* are often correlated with risk taking, innovation and the acceptance of new ideas. High *uncertainty avoidance* cultures tend to have reached the level of modernization and have more stable or predictable in their rate of change

### 5.7.1 UNCERTAINTY AVOIDANCE IN MIZO FAMILY BUSINESSES

The study found that Mizos have high uncertainty avoidance scores compared to both India and the average for the world (Table 5.2). On a seven point scale MFBs score a full point higher than the country average and nearly 0.6 of a point above the world average.

**Table 5.2:** Comparison of GLOBE scores for *Uncertainty Avoidance*.

S. No	Country/Culture	Uncertainty Avoidance Score	Compared to Mizo Family Businesses
1	Mizo Family Businesses	5.3	-
2	Rest of India	4.15	Significantly Lower
3	Australia	3.99	Significantly Lower
4	Brazil	5	Lower
5	Colombia	4.92	Lower
6	Canada	3.37	Significantly Lower
7	United States	3.99	Significantly Lower
8	China	5.34	At Par
9	Korea (South)	4.74	Lower
10	Germany	3.38	Significantly Lower
11	England	4.17	Significantly Lower
12	Kuwait	4.65	Lower
13	Thailand	5.71	Higher
14	Malaysia	4.81	
15	Russia	5.26	At Par
16	Nigeria	5.45	At Par
17	Zambia	4.45	Significantly Lower
<b>World Average</b>		<b>4.62</b>	<b>Significantly Lower</b>

*Source:* Scores for World and India from House [et al.] (2004). Score for Mizoram from Primary Research

The scores for MFBs is particularly high compared to countries in the developed world like those from western Europe (Germany, England) and North America (US, Canada). The scores align closely to the scores for organizations in East Asia (China, Korea) and some countries of South East Asia.

The reason for this high score may be related to a number of factors. For one modern Mizo society and economy as it exists today is still relatively in a state of development and flux. Cultures that exist in this situation tend want to mitigate the uncertainty and bring about more predictability and control.

According to (Hofstede 2001) members of high uncertainty avoidance cultures feel a stronger threat from uncertain and unknown situations than do member of low uncertainty avoidance nation. Because of this sense of threat, high uncertainty avoidance countries have a stronger need to have rules, traditions and rigid cultural structures (Beamish, Bhardwaj, and Dietz, 2007). Thus according to the framework, MFBs would be more risk averse and would thrive in an environment with high regulation and structure. In term so operational issues, High Uncertainty avoidance manifested in mistrust in financial institutions, less emphasis on long term strategizing compared to a high level of tactical planning.

While this would seem a negative factor, House [et al.] (2004) in an analysis of nations across the survey, found that “the higher the level of *uncertainty avoidance* practices in a society, the more its economic prosperity”. Additionally, a study conducted by Wennekers et. al(2010) found a positive correlation between the presence of business ownership and *uncertainty avoidance* (2007). The conjecture is that high uncertainty avoidance promotes more prudent and stable business practices promoting the longevity and prosperity of

businesses. While intuitively high uncertainty avoidance would suggest strictures to innovation and entrepreneurship, in practice the trade off is a safe environment for business.

In the Mizo context, as noted in chapter 2, the growth of businesses occurred after the stability that came with annexation by the British and the colonial administration that came with it. In this respect the pattern suggested holds true. In addition, anecdotal and observational impressions suggests that Mizos remain tied strongly to their traditional practices and customary norms despite adopting the trappings the modern world. It can be concluded that these forces continue to influence the operation and decision making processes of MBFs today.

## **5.8 PERFORMANCE ORIENTATION**

The *performance orientation* dimension in the GLOBE study draws from various works including D. C. McClelland's 1961 book *The Achieving Society*, the works of Max Weber and Confucius (House [et al.] (2004). *Performance orientation* quantifies a society's level of encouragement toward innovation, high standards, and performance improvement.

In this respect, as in all the dimensions it should be kept in mind that low or high scores do not indicate negative or positive characteristic of a culture but rather differences in the values and norms of that society. According to the GLOBE framework high *performance orientation* societies have distinct characteristics such as a high priority to training and development, a celebration of competitiveness and materialism and the appreciation of clear, direct and explicit communication. The value of actions rather than the rank and social standings of an individual is celebrated.

In low *performance orientation* societies, the focus is on the maintenances of societal and family relationships. These societies value societal harmony and respect an individual's standing in society more than his deeds. Subtle communication that avoids direct confrontation is valued in such societies.

### 5.8.1 PERFORMANCE ORIENTATION IN MIZO FAMILY BUSINESSES

The scores collected for MFBs indicate that *performance orientation* is lower than the rest of the country and nearly two points lower than the world average (Table 5.3).

**Table 5.3:** Comparison of scores for *Performance Orientation*

S. No	Country/Culture	<i>Performance Orientation</i> Score	Compared to Mizo Family Businesses
1	Mizo Family Businesses	4.3	-
2	Rest of India	4.58	Higher
3	Australia	5.99	Significantly Higher
4	Brazil	5.98	Significantly Higher
5	Colombia	6.15	Significantly Higher
6	Canada	6.13	Significantly Higher
7	United States	6.14	Significantly Higher
8	China	5.72	Significantly Higher
9	Korea (South)	5.41	Significantly Higher
10	Germany	6.27	Significantly Higher
11	England	6.03	Significantly Higher
12	Kuwait	5.89	Significantly Higher
13	Thailand	5.96	Significantly Higher
14	Malaysia	5.76	Significantly Higher
15	Russia	5.68	Significantly Higher
16	Nigeria	5.99	Significantly Higher
17	Zambia	6.08	Significantly Higher
<b>World Average</b>		5.94	<b>Significantly Higher</b>

*Source:* Scores for World and India from House [et al.] (2004). Score for Mizoram from Primary Research

The scores for this cultural dimension is much lower compared to all sample countries from various regions. The differences are particularly high when compared to developed countries from western Europe.

These scores may be explained considering the observations made in the previous section regarding the orientation toward social relationships. The value systems among the Mizo remain traditional and community oriented embodying the characteristics of a low Performance Orientated culture.

It is observed that in view of historical factors and also, due to the protected nature of Mizoram either through geographical isolation or because of protectionist policies like the Inner Line Permit system, the level of competition is understandably low. As a consequence, there is no great drive or momentum towards competition and high performance.

## **5.9 FUTURE ORIENTATION**

In the GLOBE project a *future-oriented* culture is one that values the sacrifice of short-term pleasures and satisfactions in favor of long-term success and prosperity that is "the degree to which it encourages and rewards *future-oriented* behaviors such as planning and delaying gratification" (House et al, 2004). According to the framework people in high *future orientation* societies tend to save now for the future and work towards long-term success. In such societies organizations tend to be flexible and adaptive. The GLOBE project found that *future-oriented* societies around the world showed a higher gross domestic product and members of these societies were also found to be more competitive and assertive (House et al, 2004).

In low *future orientation* societies individuals tend to spend in the short term rather than save and immediate gratification is valued and expected. In such societies individuals separate material success and spiritual fulfillment and view them as goals requiring trade off.

### 5.9.1 FUTURE ORIENTATION IN MIZO FAMILY BUSINESSES

The scores on *future orientation* collected from MFBs are in line with the average for the rest of the country. However this is significantly lower than the world average. In the scores for this cultural dimension the MFBs align closest to countries from East Asia.

**Table 5.4:** Comparison of Scores for *Future Orientation*

S. No	Country/Culture	<i>Future Orientation</i> Score	Compared to Mizo Family Businesses
1	Mizo Family Businesses	4.2	-
2	Rest of India	4.19	Higher
3	Australia	5.21	Significantly Higher
4	Brazil	5.6	Significantly Higher
5	Colombia	5.52	Significantly Higher
6	Canada	5.34	Significantly Higher
7	United States	5.34	Significantly Higher
8	China	4.7	Significantly Higher
9	Korea (South)	5.83	Significantly Higher
10	Germany	5.06	Significantly Higher
11	England	5.15	Significantly Higher
12	Kuwait	5.62	Significantly Higher
13	Thailand	5.84	Significantly Higher
14	Malaysia	6.26	Significantly Higher
15	Russia	5.6	Significantly Higher
16	Nigeria	5.8	Significantly Higher
17	Zambia	5.76	Significantly Higher
<b>World Average</b>		5.48	<b>Significantly Higher</b>

*Source:* Scores for World and India from House [et al.] (2004). Score for Mizoram from Primary Research

This suggests that MFB managers have a low affinity to long term planning and are more focused on immediate tactical decision making. It is also unlikely that they will invest in businesses and projects that have a long payoff period. This may also reflect in the succession process of these firms. Firms with low *future orientation* societies tend not to have selected and/or groomed successors to the business. Even where a successor has been identified the process of transition is not formalized and planned in a time bound manner. This is reflected in the succession processes of MFBs.

## 5.10 COLLECTIVISM

*Collectivism* describes the degree to which a culture relies on and has allegiance to the self or the group. Cultures with high *collectivism* tend to be group-oriented and make strong distinctions between insiders and outsiders. Insiders are expected to have loyalty to their group especially when in conflict with outsiders. The desire to preserve the community fabric and keep the social dynamic of a group is high in such society. In a conflict situation within a group in collectivistic cultures, the issues are dealt with by avoidance, the use of intermediaries, or other face-saving techniques.

In the individualistic cultures the individual is the focus and consequently the definition of insider or outsider becomes less important. These cultures value self-expression and the expression of a member's individuality or difference. In case of conflicts, such cultures encourage speaking out or other confrontational strategies when dealing with interpersonal problems.

High *collectivist* attitudes may have both positive and negative consequences. In the positive spectrum, *collectivism* usually engenders stability and loyalty in family business structures. A collectivist attitude may also point towards family firms having continuity and thus time to develop and grow. On the negative side, collectivist values tend to hinder innovation and forays into new areas and new management practices. This may affect growth opportunities and may reduce efficiency and competitiveness in the long run if such firms are reluctant to adopt new techniques and technologies. The GLOBE model divides Hofstede's *collectivism* into two measures namely *in-group collectivism* and *institutional collectivism*.

*In-group collectivism* describes the extent to which a culture distinguishes insiders and outsiders. It is "the degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families" (House et al, 2004). In societies with *high in-group collectivism* duties and obligations are important determinants of social behavior.

Based on this there is generally strong distinction between *in-groups* and *out-groups*. Those in the *in-group* tend to emphasize relatedness with groups.

In societies with *low in-group collectivism* personal needs and attitudes are important determinants of social behavior. The individual is the focus so there is little need to distinguish between *in-groups* and *out-groups*.

*Institutional collectivism* measures the extent of trust people have in the community and institutions and their desire to conform to the norms of such institutions. It is "the degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action" (House et al, 2004).

In societies with high *institutional collectivism* individuals recognize their interdependence with organizations, institutions and the community. Group loyalty is encouraged and the interest of the collective is paramount. Rewards are based on loyalty and seniority. Critical decision are made in through consensus among stakeholders.

In *low institutional collectivism* societies individuals celebrate their independence from organizations. Rewards are based on performance and success even at the expense of the collective. Critical decisions may not be made by consensus. Members assume that they are largely independent of the organization.



### 5.10.1 COLLECTIVISM IN MIZO FAMILY BUSINESSES

In terms of *in-group collectivism* the MFBs surveyed were found to be more collectivist than the world score but marginally lower than the scores in the rest of India (Table 5.1) However, there was not a huge difference in scores across the board.

**Table 5.5:** Comparison of scores for *In Group Collectivism*.

S. No	Country/Culture	<i>In Group Collectivism</i> Score	Compared to Mizo Family Businesses
1	Mizo Family Businesses	5.8	-
2	Rest of India	5.92	At Par
3	Australia	5.82	At Par
4	Brazil	5.17	Lower
5	Colombia	5.99	At Par
6	Canada	5.94	At Par
7	United States	5.79	At Par
8	China	5.12	Lower
9	Korea (South)	5.5	Lower
10	Germany	5.46	Lower
11	England	5.66	At par
12	Kuwait	5.32	Lower
13	Thailand	5.77	At Par
14	Malaysia	5.73	At Par
15	Russia	5.9	At Par
16	Nigeria	5.31	Lower
17	Zambia	5.64	At Par
<b>World Average</b>		5.66	<b>Lower</b>

*Source:* Scores for World and India from House [et al.] (2004). Score for Mizoram from Primary Research

The scores for MFBs align to those for countries in North America and Western Europe but also to countries of South East Asia with whom there is cultural affinity. The most significant difference in score is when compared to countries in East Asia.

The high *in-group collectivism* score is unsurprising given the earlier observations on the community orientation and tribal roots of Mizo society. Mizo society remains based on

various levels strong social relationship ranging from the family unit, to the clan, to the *veng* (neighborhood), to the *kohran* (congregation). In business operations this may manifest itself in strong bonds between co-workers, as well as between the owner and his employees. There may be strong loyalty bases even with non family members who have long associations with the firm. Conversely, entry for new stakeholders or employees may be difficult as high scores represent barriers to entry as an insider.

In terms of *institutional collectivism* it was found that MFBs scored much higher than both the rest of India and the world.

**Table 5.6:** Comparison of scores for *Institutional Collectivism*.

S. No	Country/Culture	<i>Institutional Collectivism</i> Score	Compared to Mizo Family Businesses
1	Mizo Family Businesses	5.2	-
2	Rest of India	4.38	Significantly Lower
3	Australia	4.47	Lower
4	Brazil	5.57	Higher
5	Colombia	5.27	At Par
6	Canada	4.2	Significantly Lower
7	United States	4.2	Significantly Lower
8	China	4.52	Significantly Lower
9	Korea (South)	3.84	Significantly Lower
10	Germany	5.07	At Par
11	England	4.39	Lower
12	Kuwait	5.04	At Par
13	Thailand	4.78	Lower
14	Malaysia	5.08	At Par
15	Russia	4.01	Significantly Lower
16	Nigeria	4.86	Lower
17	Zambia	4.55	Lower
<b>World Average</b>		4.73	<b>Lower</b>

*Source:* Scores for World and India from House [et al.] (2004). Score for Mizoram from Primary Research

In terms of the inter-country comparisons the score for MFBs align closest with west European countries like Germany as well as countries in South East Asia and South America.

In terms of *institutional collectivism* the high score here is also not surprising given the number of overarching social-cultural and political institutions like the YMA (Young Mizo Association) and the church. In Mizo society conformity to social and cultural norms is not only still applauded but is expected of individuals. In terms of business, a high score in this dimension also reflects the confidence that individuals have in the government and social institutions.

## **5.11 HUMANE ORIENTATION**

*Humane orientation* refers to the level of empathy and care that society gives to its members. It is the degree to which society encourages and rewards acts of altruism, generosity, kindness, and caring by individuals as well as organizations. It is "the degree to which an organization or society encourages and rewards individuals for being fair, altruistic, friendly, generous, caring, and kind to others" (House et al, 2004)

In societies with high *humane orientation*, the interest of others and their well being is of importance and individuals tend to be sensitive to the wellbeing of others. Such things as child labor and gender or racial discrimination are less prevalent. In such societies individuals are motivated by their sense of belonging

In societies with low *humane orientation*, the identity and wellbeing is important. The main driving force and motivator is material possessions, position and power. Issues like child labor and discrimination are of a lower priority issue.

### **5.11.1 HUMAN ORIENTATION IN MIZO FAMILY BUSINESSES**

MFBS scored favorably compared to the world average and significantly higher than the scores for the rest of India.

**Table 5.7:** Comparison of scores for *Humane Orientation*.

<b>S. No</b>	<b>Country/Culture</b>	<b><i>Humane Orientation</i> Score</b>	<b>Compared to Mizo Family Businesses</b>
1	Mizo Family Businesses	5.5	-
2	Rest of India	4.57	Significantly Lower
3	Australia	5.6	At Par
4	Brazil	5.52	At Par
5	Colombia	5.43	At Par
6	Canada	5.58	At Par
7	United States	5.51	At Par
8	China	5.34	At Par
9	Korea (South)	5.61	At Par
10	Germany	5.63	At Par
11	England	5.52	At Par
12	Kuwait	5.06	Lower
13	Thailand	5.43	At Par
14	Malaysia	5.05	Lower
15	Russia	5.62	At Par
16	Nigeria	5.71	At Par
17	Zambia	5.37	At Par
<b>World Average</b>		<b>5.42</b>	<b>Lower</b>

*Source:* Scores for World and Indian from House [et al.] (2004). Score for Mizoram from Primary Research

The scores for the MFBs align closest to the developed countries of North America and Western Europe. They are most divergent compared to the rest of the country and also some middle-eastern cultures.

This may be a result of the close knit nature of the Mizo community and the expansiveness of family ties across the community. It may also be a manifestation of the Mizo ethos of *tlawmngaihna* which institutionalizes the putting of others before self in deed and in thought.

## **5.12 GENDER EGALITARIANISM**

House et al, (2004) simply define *gender egalitarianism* in the context of cultures dimensions as "the degree to which a collective minimizes gender inequality". They postulated that *gender egalitarianism* is related to both attitudinal relating to values and beliefs as well as

behavioral relating to related to laws, policies and practices in any given culture. According to their definition, cultures can be divided into high *gender egalitarianism* cultures and low *gender egalitarianism* cultures.

According to their definition, in high *gender egalitarianism* cultures there are more women in positions of authority and power. Women have more decision making power in community and political affairs. There is also less segregation of roles in the workplace along gender lines. Education levels for males and females are comparable. Women have greater decision making power in business, society and politics.

Conversely, in low *gender egalitarian* Cultures, fewer women hold positions of authority and have less decision making roles especially in community affairs. In these cultures there is more occupational gender segregation. That is, certain genders are expected to take up certain occupations. There is also a lower level of female educational attainment, compared to that of males.

### **5.12.1 GENDER EGALITARIANISM IN MIZO FAMILY BUSINESSES**

MFBs score higher than the world average and significantly more than the score for the rest of the country. *Gender egalitarianism* score for Mizo Family Businesses is significantly higher than the score for the rest of the country. India's society continues to be male-dominated and number of women in the higher echelons of all professions is small. The scores are also higher for MFBs compared to scores for South East Asian (Thailand and Malaysia) and East Asian Countries (China & Korea) even though these cultures would be assumed to be aligned with the Mizos. The scores are more in line with those of the countries of North America and Western Europe.

**Table 5.8:** Comparison of scores for *Gender Egalitarianism*

<b>S. No</b>	<b>Country/Culture</b>	<b>Gender Egalitarianism Score</b>	<b>Compared to Mizo Family Businesses</b>
1	Mizo Family Businesses	4.8	-
2	Rest of India	2.9	Significantly Lower
3	Australia	5.02	At Par
4	Brazil	4.91	At Par
5	Colombia	4.85	At Par
6	Canada	5.04	At Par
7	United States	5.03	At Par
8	China	3.73	Significantly Lower
9	Korea (South)	4.23	Significantly Lower
10	Germany	5.06	Lower
11	England	5.2	Lower
12	Kuwait	3.5	At Par
13	Thailand	3.72	At Par
14	Malaysia	4.12	Significantly Lower
15	Russia	4.34	Lower
16	Nigeria	4.16	Significantly Lower
17	Zambia	4.27	Lower
<b>World Average</b>		<b>4.51</b>	<b>Lower</b>

*Source:* Scores for World and India from House [et al.] (2004). Score for Mizoram from Primary Research

This may be a reflection of the inclusiveness of women in Mizo society as a direct result of higher literacy and the more egalitarian structure of society. While Mizo society is without doubt still a very patriarchal society, it is comparatively more gender equal than many other societies. In this research, for example a large number of firms were run and/or owned by women.

### **5.13 ASSERTIVENESS**

*Assertiveness* cultural parameter is "the degree to which individuals are assertive, confrontational, and aggressive in their relationships with others" (House et al, 2004). In cultures with high *assertiveness*, competition, success, and progress are highly valued. Individuals are expected to take control of their social and physical environment.

Communication is expected to be direct and unambiguous. Individuals are expected to and are encouraged to take initiatives at their level in their endeavors.

In cultures with low *assertiveness scores* cooperation and warm relationships are valued. Individuals are expected to be in harmony with their social and physical environment. As such communication is indirect and indirect. Loyalty is engendered and expected from employees and other insiders in a group

### 5.13.1 ASSERTIVENESS IN MIZO FAMILY BUSINESSES

MFBs have a fairly high assertiveness score marginally higher than the world average. But in line with the scores for the rest of the country (Table 5. 8)

**Table 5.9:** Comparison of scores for *Assertiveness*

S. No	Country/Culture	<i>Assertiveness Score</i>	Compared to Mizo Family Businesses
1	Mizo Family Businesses	3.9	-
2	Rest of India	3.73	At Par
3	Australia	3.83	At Par
4	Brazil	3.06	Significantly Lower
5	Colombia	3.45	Lower
6	Canada	4.15	Higher
7	United States	4.36	Higher
8	China	5.52	Significantly Higher
9	Korea (South)	3.69	Lower
10	Germany	3.21	Lower
11	England	3.76	Lower
12	Kuwait	3.61	Lower
13	Thailand	4.73	Higher
14	Malaysia	3.43	Lower
15	Russia	2.9	Significantly Lower
16	Nigeria	3.14	Significantly Lower
17	Zambia	4.24	At Par
<b>World Average</b>		<b>3.8</b>	<b>At Par</b>

Source: Scores for World and India from House [et al.] (2004). Score for Mizoram from Primary Research

The scores are most divergent compared the countries in North America and China where *assertiveness* is valued and rewarded. Compared to these countries the scores for MFBs are very low. On the other end of the spectrum the scores are significantly higher compared to countries like Russia and Brazil.

This is in line with Mizo culture where individuals are expected to be in harmony with community and brashness is not seen as a positive trait. In Mizo society communication is indirect and indirect with conflicts being minimized and mitigated through negotiation.

## **5.14 POWER DISTANCE**

*Power distance* is the degree to which a culture believes institutional and organizational power should be distributed (equally or unequally) and how the decisions of the power-holders should be viewed (challenged or accepted).

People in high *power distance* cultures are more comfortable differences in status and therefore willing to accept authority, rules and regulations compared to low *power distance* cultures. In the context of family businesses, this may translate into more authoritarian leadership styles with the family head also being the business head either directly or by proxy. In such societies power seen as providing social order and upward social mobility in this order is limited. Power and resources are concentrated.

### **5.14.1 POWER DISTANCE IN MIZO FAMILY BUSINESSES**

The survey conducted shows that the MFBs exhibit a significantly higher level of *power distance* compared to the world average but significantly lower than the Indian score. This reflects that while Mizo society is much more egalitarian and flat compared to cultures of



mainland India there is still a significant power imbalance compared to other countries, particularly the liberal economies of the west.

**Table 5.10:** Comparison of scores for *Power Distance*.

<b>S. No</b>	<b>Country/Culture</b>	<b><i>Power Distance</i> Score</b>	<b>Compared to Mizo Family Businesses</b>
1	Mizo Family Businesses	4.2	-
2	Rest of India	5.47	At Par
3	Australia	2.77	Significantly Lower
4	Brazil	2.59	Significantly Lower
5	Colombia	2.21	Significantly Lower
6	Canada	2.73	Significantly Lower
7	United States	2.88	Significantly Lower
8	China	3.01	Significantly Lower
9	Korea (South)	2.39	Significantly Lower
10	Germany	2.66	Significantly Lower
11	England	2.82	Significantly Lower
12	Kuwait	3.02	Significantly Lower
13	Thailand	2.75	Significantly Lower
14	Malaysia	2.74	Significantly Lower
15	Russia	2.73	Significantly Lower
16	Nigeria	2.66	Significantly Lower
17	Zambia	2.37	Significantly Lower
<b>World Average</b>		<b>2.75</b>	<b>At Par</b>

*Source:* Scores for World and India from House [et al.] (2004). Score for Mizoram from Primary Research

This *power distance* is likely emergent from the fact that Mizo culture is at its origin an Asian family based structure where respect for elders, teachers and leaders is a cornerstone value. The ethos of *tlawmngaihna*, for example, expects deference and respect to elders.

## 5.15 CONCLUSIONS

The cultural dimensions of Mizo Family Businesses (MFBs) reflect a community rooted in strong community traditions, endowed with progressive social development and in a stage of flux towards a more developed society. In some indicators such as *community collectivism*

and *power distance* the measures reflect the influence of tradition and strong desire for social conformity. In others, however they reflect the fact that education, modernization and economic growth are having a strong influence on how MFBs in general are organizing, being structured and being run.

In many indicators, the cultural profile of MFBs on the basis of the GLOBE score deviate from the scores recorded for the rest of India and align more to scores for in East Asian and even western countries. This is likely the result of the result of the historically distinct culture, values and social make up of the people of Mizoram which is in many ways are akin to those of south east Asia. This combined with the influence of Christianity brought in by missionaries and the general willingness to embrace certain western values has created a distinct a unique cultural profile.

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**SUCESSION IN MIZO FAMILY BUSINESSES**

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## 6 CHAPTER

# SUCCESSION IN MIZO FAMILY BUSINESSES

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In management, the term *succession* refers to the planned or unplanned transfer of leadership from the incumbent head of a business family to a successor. This chapter highlights some of the succession processes among the Mizo Family Businesses (MFBs) with the objective to identify the unique cultural characteristics of the Mizo tribe that determine the succession patterns among MFBs. Using primary data collected from incumbent family business heads (Refer Chapter 1) it established the current succession and succession planning processes for contemporary MFBs .

### 6.1 SUCCESSION IN FAMILY BUSINESSES

While the management of succession is a crucial process for all types of businesses, it is particularly so for family businesses. Studies have shown that worldwide only 30% of family businesses survive to the second generation, while fewer than 14% make it beyond the third generation (Bjuggren and Sund, 2001; Matthews, Moore and Fialko, 1999). In this context the failure to resolve the process of succession is one of the greatest threats to the survival of the family business (Venter and Boshoff, 2005; Venter, 2003; Bjuggren and Sund, 2001; Malinen, 2001; Seymour, 1993 and Lansberg, 1988).

The process of succession is particularly complex for family businesses because they are composites of two components. The “business” component is primarily an *economic* component which is overlain by the “family” component, a *socio-cultural* construct which involves the social interaction and emotional linkages between family members. Thus



succession not only has to address the administrative need of the business to ensure continuity, it also has to address the social prerogative to satisfy the family's needs.

The process of succession in family business, unlike other businesses, may include the simultaneous transfer of business ownership and management responsibilities along with the mantle of the family's functional head. Due to the latter, family members are an important factor, directly and indirectly in the process of succession. This is complicated further by the fact that this process may include the transfer of vital family assets like the family ancestral home and/or major properties.

Thus, successful transition, especially in the long term lies in integrating effective ownership and management transition with maintenance of family harmony. Processes that concentrate too much on the technical and legal transfer of power while ignoring family issues such as sibling rivalries, equitable transfer of assets, power dynamics within the family may lead to family conflicts that damage the business. On the other hand addressing only familial concerns at the expense of business prudence may result in damage to the business process.

Overarching these processes, the succession patterns in any family business will be influenced by the social structure and cultural milieu of which it is a part. This is because culture determines the nature of the family dynamics and the social norms and practices that bind a family business together. Thus any study of succession needs to identify the culture specific behaviour and dynamics that are endemic to the community or group being studied. Further any succession planning for business continuity will need to incorporate these culture specific characteristics.

## **6.2 BARRIERS TO SUCCESSION**

Despite the fact that succession is a fundamental part of the life cycle of a family business, there are many factors that hinder this process. De Massis, Chua, and Chrisman (2008) identified five interdependent categories of antecedent factors that acted as barriers to successful succession which they classified as (1) individual factors, (2) relation factors,(3) process factors,(4) context factors and (5) financial factors.

### **6.2.1 INDIVIDUAL FACTORS**

Individual factors relate to the individuals involved in the succession process and as such can be divided into two categories namely factors relating to the incumbent(s) and those relating to the potential successor (s).

In terms of the potential successor the first factors that would hinder succession is when the potential successor lacks the requisite qualification or skills to succeed the incumbent, Studies by Barach and Gantisky (1995) show that the successors ability to take over is a vital factor in a successful succession process. The second factor is if the successor lacks the motivation or will to take up the mantle of leadership. In the research conducted among Mizo families it was found that many second or third generation family members desired to either start their own businesses or follow different career paths. Chrisman, Chua and Sharma (1998) in their study of attributes of successors in 485 family firms in Canada found that the will and commitment of the successor were important for succession to be successful. The final barrier could occur due to the death, illness or conviction of successors. In these cases secondary successors have to be selected and groomed. This bring about complications as this often requires circumvention of local practices and traditions.

In terms of factors related to the incumbent, a common issue is the inability of the incumbent to relinquish control. This occurs when the concerned incumbent is so emotionally and materially invested in the firm he/ she is unable to transfer the mantle of responsibility (Sharma et al., 2001). This is particularly true of the incumbent is the founder of the business. The second factor is if the incumbent passes away before the process of succession can be initiated. If the process of succession is not formalized and successor clearly identified there may be conflicts among potential rival successors. In addition the death of the patriarch of a family will change the power dynamics of that family and as such the candidates for succession may change. Yet another factor is when divorces or remarriages occur. This again changes family dynamics as potential heirs are added or removed from the equation.

### **6.2.2 RELATION FACTORS**

The relationship dynamics of the family members and coalition of family members is an important factor in deciding to whom, when and how the mantle of succession is passed (Lansberg, 1988). As such relationship based factors are extremely important in succession. In this regard relationship with non family members like employees, partners and other stakeholders may also come into play.

Conflicts in this regard may occur in many directions. These may include conflicts and rivalries between potential successors in their relationship to their parents and conflicts that occur between siblings. Family members or even non-family members may lack trust or question the suitability of a candidate or may not be committed to a potential candidate for various reasons. This may have far fetching consequences as it may drive away family members who have vital leadership roles in the business. There may also be existing conflicts between the successor or the incumbent and family or non-family stakeholders (De Massis,

Chua, and Chrisman, 2008). Even if no conflict occurs, there may be lack of loyalty or trust for the new candidate. Existing trust relationships with the incumbent may not transferred to the successor.

### **6.2.3 PROCESS FACTORS**

Process factors relate to barriers that occur in the systems and procedures of the firm in relation to the process of selecting and preparing a successor. Firstly not clearly defining the roles of the incumbent and the potential successor both in the succession process as well as in relation to the leadership role in the business may result in an unstable and potentially harmful transition period. In relation to this incorrectly assessing the readiness, willingness and/ or ability of a successor may cause problems to successful transition. Similarly the failure to expose the successor to the business and prepare him/her will result in less than optimal transition.

Failure to share the decision making and transparently communicate the outcome may bring about internal conflicts in the family. Since all family members are affected directly or indirectly by the decision, lack of transparency may cause conflicts in the family unit. Dyer (1986) and Ward (1987) observed that if attention is not paid to creating a consensus succession may not be successful. With regard to selection, the absence of clear criteria and/or objectives to the selection process will also affect family dynamics as this addresses issues of fairness and equity.

### **6.2.4 CONTEXT FACTORS**

Context factors that hinder succession are those factors that emerge from the business environment and business processes of the firm. These externalities may be beyond the

control of the firm but nevertheless play an important part in its processes. Pfeffer and Salancik (1978) in their study of external control of organizations contend that "organizational activities and outcomes are accounted for by the context in which the organization is embedded." They observe that because firms, because they are an open system engage in exchange and transactions with other entities. These externalities impact on the processes in the firm affecting "the distribution of power and control within firms and this distribution, in turn, influences selection and replacement of successors"(De Massis, Chua, and Chrisman , 2008). These externalities may include the loss of key customers due to transfer of power away from the incumbent. This is especially true in cases where skills or experience of individuals have a direct impact on business such as in the cases of law firms, architectural firms but also applies generally where the incumbent has unique skills or experience in the industry. The customers may not have any direct issue with the successor but may move to competitors nevertheless. Another factor is business performance, where slow down in business growth or instability in business operations may act as disincentive for the process of secession. In such situations, the incumbent is less likely to hand over the reins of business to a less experienced successor. Conversely, research by Stavrou (1999) suggests that successor is much more keen on joining organizations that are growing and stable. Decline in firm performance reduces the incentive for a successor to join the firm and may result in them seeking other opportunities outside the firm (Sharma et al., 2001).

### **6.2.5 FINANCIAL FACTORS**

Financial factors refer to those barriers that emerge from the financial impact of succession. De Massis, Chua, and Chrisman (2008) identify various such externalities including the impact of liquidating the shares of family members and or non-family members who for whatever reason may choose to leave the firm after the succession process. As their shares are

liquidated this has a negative impact on the firms finances which may be a disincentive to proceed with succession. In addition they highlight the impact on the firms resources in absorbing the costs of hiring professional managers or consultants to enable succession.

### **6.3 SUCCESSION PLANNING**

One of the most significant factors determining the continuity of the family business from one generation to the next is whether the succession process is planned (Neubauer and Lank, 1998). Succession planning is a process for identifying and developing incumbent employees with the potential to fill key leadership positions in the company. Succession planning increases the availability of experienced and capable employees that are prepared to assume these roles as they become available.

Succession planning is one of the most important tasks facing family business managers because it is the process by which continuity of the family's stake in the company is maintained. The failure to plan for succession is one of the greatest threats to the survival of the family business (Venter and Boshoff, 2005; Venter, 2003; Bjuggren and Sund, 2001; Malinen, 2001; Seymour (1993) and Lansberg (1988)). International studies and literature suggest that family are more prone to succession difficulties. Worldwide only 30% of family businesses survive to the second generation, while fewer than 14% make it beyond the third generation (Bjuggren and Sund, 2001; Matthews, Moore and Fialko, 1999).

Ideally succession planning is a controlled process of making changes in the top leadership of the business, a process which begins when younger family members first join the business and which ends with their accession to leadership and top management authority advise that

succession should not be an event, but ought to be a carefully planned process that takes place overtime. It has been found that formal succession planning is believed to increase the probability of a successful succession (Sharma et al., 2001).

## **6.4 INFLUENCES ON SUCCESSION PATTERNS AMONG MIZO**

### **FAMILY BUSINESSES**

As highlighted in previous sections, because the family business is partially a social construct, the characteristics of the succession processes are influenced by the social and cultural milieu to which that family belongs. Thus, the operational characteristics of MFBs are influenced by Mizo cultural and social practices and norms. These influences are particularly strong in the process of succession as this process, as noted earlier, have a major social component at its core, namely the potential passing of leadership responsibilities to a new generation.

#### **6.4.1 THE CONCEPT OF THE MIZO FAMILY**

Family bonds in Mizoram, as in other parts of India, are particularly strong. It is not uncommon for three of four generations of a family to share a common household and to share familial as well as business responsibilities and rewards.

Further the definition of family is very wide among Mizos, extending not only to direct descendents and siblings but to cousins, second cousins and even further to clan associations. Indeed, non-family members who have a long-term association with the core family may be counted in the family fold and this association may continue to an extent to the descendents of these family retainers or allies. This makes the issue of inheritance or succession very complex.

### **6.4.2 SHARED PROPERTY AND COMMUNITY ORIENTATION**

Traditional Mizo communities were based on village units which were usually self sufficient in terms of food and other necessities. Within these communities, families would pool their resources to clear the land, harvest crops, fish, and hunt and gather resources. The fruits of these efforts would then be shared among the members of the community. While the *Lal* had authority of the land within his jurisdiction land was not owned by any person and shared property was the norm. This ethos of equity and shared ownership is encapsulated in "sem sem, dam dam" (everyone gets their share) and persist to this day.

In the context of family businesses the idea of shared property can manifest itself in the failure to designate a family members share or define his or her roles and responsibility in a family business. In succession, the desire for equitable distribution of property can manifest itself in the division of the family businesses among heirs where it is often better to maintain it as a single entity.

### **6.4.3 TRADITIONAL INHERITANCE SYSTEMS**

Mizo inheritance systems evolved from a largely rural and agrarian culture for the transfer of static property like land and can result in complications when adopted for the transfer of ownership in the process of succession in modern MFBs.

In traditional Mizo practice inheritance the youngest male heir was the main beneficiary of family property. The reasoning behind this is that the role of the youngest was to maintain the family hearth and look after the welfare of the incumbent family head in his old age (Malsawma, 2002). Thus inheritance had an element of quid pro quo, contingent on the heir also fulfilling his duties and obligations. In addition, the transfer of property to the youngest



heir operated with the assumption that the older siblings had left the home but were settled and self sufficient, the responsibility for this falling on the parents.

#### **6.4.4 GENDER ROLES**

Mizo society remains a largely patrilineal and patriarchal society. This means that, not only is the father or eldest male is head of the family (and thus the primary decision maker and arbitrator) but also that descent is traced through the male and that property as well as name passes to the male heirs of a family.

Thus in a MFBs, ownership will pass from the first generation owner (male or female) to a male heir. Even in families with no sons, the mantle of heirship is often taken over by the son-in-law (makpa) to whom ownership or management roles will pass.

This has many wider repercussions especially in terms of business activities. For example obtaining formal credit in the form of loans or other forms of assistance often requires the fulfillment of legal requirements which may include proof of land or property ownership as collateral. Given that land and property passes through male heirs, the successful obtainment of loans would skew thus strongly in preference to male borrowers who would normally inherit and own property compared to female borrowers. The cumulative result of these factors has been a low participation of women in organized economic activities

In addition there may be disincentives on a purely cultural level for women entrepreneurs. In traditional Mizo society, as in other patriarchal societies, the woman's gender role is that of caregiver and homemaker. The attributes that are considered as entrepreneurial values may not match what are traditionally understood as 'feminine' qualities and thus would be discouraged in women. While increased literacy and growth in social awareness has eroded

some of these notions to some extent, they remain entrenched for a majority of the people in Mizoram.

#### **6.4.5 CLAN/TRIBAL BASE**

Though a largely unified Pan-Mizo identity exists today, historically Mizo were divided into distinct tribes which were then divided into clans (Nunthara, 1996). Historical commentators of Mizo society and culture devoted a large portion of their commentary to identifying the different tribes and clans they encountered.

In the context of this research, this tribal/ clan structure is important because research has shown that, in general, family norms and values in tribal communities encourage conformity and value stability and continuity (Ali, 1990, 1993). This has two potential consequences for the succession process. Firstly in such a setting the incumbent leader, who is usually also the head of the family, has power in deciding his successor and can expect compliance from family members. On the other hand it also means that the incumbent is bound, to an extent, by the norms of the community as highlighted above.

#### **6.4.6 INFLUENCE OF CHRISTIANITY AND "WESTERN" VALUES**

The British missionaries that entered Mizoram in the 1890s brought with them, along with Christian religion, their Calvinist values and ideas. These included the idea of the "Protestant Work Ethic" based on Calvinist belief that hard work had to be a component of a person's service to God and that worldly success be it in the form of monetary gain or status, was a visible sign of personal salvation. This in turn engendered a culture that encouraged individualism, achievement orientation, rationality, frugality, and self-reliance.

## 6.5 DESIRE FOR CONTINUITY OF FAMILY OWNERSHIP

The desire to ensure continuity of family control was shown to be strong among Mizo Family Businesses (MFBs). Of the companies studied, more than 82% stated that they wanted the business to continue under the control of the current family (Table 1). Only 11.7% of the respondents suggested they would consider changes in the ownership structure which did not necessarily include continuation of family control. Though among the latter there was expectation that returns to the family in terms of revenue were still expected.

**Table 6.1:** Whether the family desires continuation of Family Control in the firm.

<b>Response</b>	<b>No. of Firms</b>	<b>Percent</b>
<b>Not necessarily</b>	6	11.76
<b>Desires continuity</b>	42	82.35
<b>Did not Respond</b>	3	5.89
<b>Total</b>	<b>51</b>	<b>100</b>

*Source:* Primary Research Data

This is consistent with trends in other parts of the world where there is a tendency towards maintaining family control of the business. However, it is pertinent to note that, as mentioned earlier, the Mizo concept of family has a much broader connotation than other parts of the world and thus the definition of "family control" can have more inclusive meaning.

## 6.6 EXISTENCE OF FORMAL OWNERSHIP TRANSFER PROCESS

Research in succession shows that the optimal selection of a successor should be based on a systematic process operating on objective criteria and rational thought processes (Levinson, 1971), taking into account the business and familial needs of the family firm. Other than ensuring stability such processes will also mitigate the perception among stakeholders that such processes are unfair if these processes were not formalized.

I ideally the succession should be overseen by a team of family or non-family experts who have been identified by consensus. This team would then not only identify the successor but also formulate the succession process. In addition such a group would identify gaps between the skill and experience requirements for the incumbent role with the abilities and qualifications of the potential successor and make systematic plans to close these gaps (Fleming, 2000).

However, it is generally observed that such procedures are not general followed by a majority of family firms across the world. Instead the selection and transition of a successor is done by individual incumbents or by an informal group of family members (Ward, 1987). Such a processes may bring about perceptions of impropriety or unfairness that could bring about conflicts in the firm.

In the case of MFBs it appears that for the most part the latter is true. A majority of the MFBs surveyed did not have structures in place to facilitate the process of succession with only 21.57% having put in place or conceptualized a process for formal transfer of ownership (Table 6.2). The absence of these formal processes means that there any succession would be prone to disputes among succeeding generations and vulnerable to legal challenges. This could make the succession process unstable and weaken the family's hold on the business.

**Table 6.2:** Whether a formal ownership transfer process exists?

<b>Response</b>	<b>No. of Firms</b>	<b>Percent</b>
<b>No</b>	35	68.63
<b>Yes</b>	11	21.57
<b>No Response</b>	5	9.80
<b>Total</b>	<b>51</b>	<b>100</b>

*Source:* Primary Research Data

## 6.7 IDENTIFICATION OF SUCCESSOR

While there was a strong desire to maintain family control in MFBs there were little if any formal or even informal processes in place to ensure this continuity. One primary task in the succession process is the identification of a successor. Studies have shown that the selection of a capable successor and his transition into the leadership role are linked with positive succession outcomes and consequently positive business outcomes (Barach, et al,1988).The presence of a trusted successor prepared to take over the business is an important variable determining whether a family business makes progress, yet it is a choice many families find so difficult and complex that many family business owners choose to avoid the issue of succession entirely (Voeller et al, 2002).

In the MFBs studied, it was found that there was a mismatch between the desire for continuity and the taking of this most primary step in the succession process. Only a little over 31.37% of the MFBs stated that a successor had been identified (Table 6.3).

**Table 6.3:** Whether a successor has already been identified.

<b>Response</b>	<b>No. of Firms</b>	<b>Percent</b>
Successor Not Identified	32	62.75
Successor Identified	16	31.37
No response	6	5.88
<b>Total</b>	<b>51</b>	<b>100</b>

*Source:* Primary Research Data

If viewed in relation to the earlier observation regarding desire for continuity it was found that only 15 out of 51 (29.41%) of the MFBs that stated they wanted continuity had also identified a successor (Table 6.4).

**Table 6.4:** Matrix of identification of a successor and the desire for continuity

Desire for continuity of family control	Successor has NOT been identified		Successor has been Identified		No Response	
		Percent		Percent		Percent
Not necessarily Desires continuity	6	11.76	15	29.41		
No Response	27	52.94			3	5.88
<b>Total</b>	<b>33</b>	<b>64.71</b>	<b>15</b>	<b>29.41</b>	<b>3</b>	<b>5.88</b>

*Source:* Primary Research Data

## 6.8 EXISTENCE OF TIMETABLE FOR SUCCESSION

Another important factor in the succession process is having a clear transitional role for both the incumbent and the successor (Lansberg, 1988). On one hand, the incumbent requires clear transition timetable to move into his role as the incumbent head. In the process, the or she earns the respect and experience to successfully run the business. On the other hand, the road map for divesting responsibilities, ideally in a phased manner is important for the incumbent. In addition for the incumbent his or her continuing role needs to be made clear. Thus a timetable for succession is vitally important for the succession process to succeed.

The lack of structured succession planning among MFBs is also made evident by the absence of any timetable for succession among a majority of them. If all MFBs are considered, 95% admitted that there was no timetable of any kind for succession. Among MFBs that stated that continuity was desired, only 4.17 had a timetable for the process of handing over (Table 6.5).

**Table 6.5:** Matrix of existence of succession timetable and desire for continuity

Desire continuity	Timetable does not exist		Timetable exists		No response	
		Percent		Percent		Percent
Not necessarily Desires continuity	6	12.50	-	-		
No response	40	83.33	2	4.17	3	5.88
<b>Total</b>	<b>46</b>	<b>95.83</b>	<b>2</b>	<b>4.17</b>	<b>3</b>	<b>5.88</b>

*Source:* Primary Research Data

Even among MFBs that had identified a successor, only 2 out of 16 firms had a clear timetable for succession (Table 6.6).

**Table 6.6:** Matrix of existence of succession timetable and identification of a successor

Existence of Time Table	Successor has not been identified		Successor has been identified		No response	
	Count	Percent	Count	Percent	Count	Percent
No Timetable	32	62.75	14	27.45		
Timetable exists	0	0	2	3.92		
No response					3	5.88
<b>Total</b>	<b>46</b>	<b>62.75</b>	<b>16</b>	<b>31.37</b>	<b>3</b>	<b>5.88</b>

*Source:* Primary Research Data

## 6.9 EXISTENCE OF RETIREMENT PLAN FOR OUTGOING

### INCUMBENTS

A good succession process, in addition to having a plan for the continuing role of the outgoing incumbent, and also makes provisions for their future wellbeing and livelihood. Unlike other types of firms or companies the outgoing incumbent remains a part of the family unit and therefore remains a stakeholder in the business as well. This can be an advantage as the family member not only continues to contribute to the family; the firm has access to his skills and experience.

In the case of the MFBs surveyed, very few of the businesses surveyed had plans for retirement for outgoing generations. Only 25.5% of MFBs stated that they had formal plans to provide for the future of outgoing incumbents (Table 6.7). Where provisions were made it took the form of silent shares in the business earnings, designated businesses to earn upkeep income or investments in land and other fixed assets.

**Table 6.7:** Whether there is a retirement plan for the incumbent.

<b>Response</b>	<b>No. of Firms</b>	<b>Percent</b>
<b>No</b>	33	64.70
<b>Yes</b>	13	25.5
<b>No Response</b>	5	9.80
<b>Total</b>	51	100

*Source:* Primary Research Data

## **6.10 CONCLUSIONS**

A majority of Mizo Family Businesses surveyed stated their intentions to maintain family control. However, this strong desire for continuity it emerged that very few businesses had a clear idea of how this would be achieved and even fewer had formally planned processes in place for this. Most businesses had not taken the initial step of identifying successors or set up systems to transfer ownership. Very few MFBs had a clear timetable for succession. In most cases grooming of successors was a family dominated activity rather than one driven by business needs.

It emerges that in terms of succession among MFBs, transfer of business was incidental, occurring due to the infirmity or death of the incumbent owner. In some cases a successor or pool of potential successors are groomed to develop familiarity and competence in the business but their advent as future owners of the business is not bound by a specific timeframe.

However, it is noted that these patterns are not static. As MFBs of all types becoming more modernized and integrated into the "mainstream" economy, they are adopting norms and practices of modern management more and more. Within this context of succession, MFBs are moving away from ad hoc traditional practices and structures and are becoming more systematic and formalized.



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## Chapter 7

### MANAGEMENT PRACTICES OF MIZO FAMILY BUSINESSES

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## 7 CHAPTER

# MANAGEMENT PRACTICES OF MIZO FAMILY BUSINESSES

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While the family firms vary widely in their scope and ambition and style of management, they are unified by the fact that they are an amalgam of two qualitatively different social institutions —the family and the business. These two institutions exist in society for fundamentally different reasons and having fundamentally different characteristics. The need to balance the requirements of these two institutions makes the management of family businesses more complex than other forms of enterprise.

The “business” component of a family business is primarily an economic activity whose management is characterized by rationality and strategic thinking with its fundamental objective being to create value for its stakeholders. Creation of value is achieved through the generation of goods and services through organized activities which run the gamut of management activities that may be found in any organized firm, including marketing, finance, strategic planning and the management of human capital. Like other firms, the management of family firms is guided by decision making processes that facilitate the productive process.

However, overlying this rational organized framework is the “family”, a socio-cultural institution which is by its nature innately emotional and value-based. At its center is the social interaction and emotional linkages between family members. The family's primary social function is to assure the care and nurturance of its members and social relations in the family are structured to satisfy family members' various needs. This brings in culture specific

behaviors and social dynamics that divert decision making away from a purely economic path.

This overlap between family and business in a single entity brings about an inherent complexity. It is no longer enough to make just the right business decisions but also requires the firm to make right social decisions as it pertains to the family. The management of family business requires the balancing of business objectives with the interests of the family. The challenge of managing such businesses may escalate as the business matures, and becomes more organizationally complex. As the firms grow beyond the capacity of just the family members to manage effectively, corporate governance and leadership become increasingly critical. The need to focus on planning and execution for the family business becomes an imperative and require the installation of effective management with appropriate ownership and involvement. To balance the complexity of emotional attachments in family relationships, some firms may choose to employ professionals to achieve the desired economic outcome for their enterprise. However, this may again bring about additional complexities as the interest of non-family stakeholders then have to be balanced with the interest of family stakeholders. It is in this backdrop, this Chapter attempts to identify the management practices of Mizo Family Businesses (MFBs) in terms of Human Resources Management, utilizing the services of family and non-family employees, strategic planning and change management, and financial management.

## **7.1 PERSPECTIVES ON FAMILY BUSINESSES MANAGEMENT**

The common perception is that due to the inherent complexities and the emotional and social aspects of family businesses, the perception in both academia and in general is that these firms are not well managed, have handicapped decision making processes and are consequently are less stable. Some evidence does exist that this is true to an extent. Studies

have shown that worldwide only 30% of family businesses survive to the second generation, while fewer than 14% make it beyond the third generation (Bjuggren and Sund, 2001; Matthews, Moore and Fialko, 1999). According to some other studies smaller businesses are especially vulnerable as a majority survive only for five to ten years.

Many reasons have been cited for this high failure rate of family firms. Some studies have shown that these failures arise from the fact that the family dynamics and objectives often contradict with what is required for the healthy growth of the firm. Rigidities arise in the family business attributed to the family proprietor's desire to restrict firm growth in order to maintain control and ownership within the (Daily and Dollinger, 1993). This is to say that incumbent managers would rather sacrifice business efficiency rather than lose control of the business by bringing in outside investors to increase capitalization or by hiring non-family professional management in critical business areas.

Conflicts in the family, which may arise from personalities and characters, will also adversely affect the growth of a firm even if all the traditional management prerogatives have been addressed. As family businesses become larger, family feuds can develop if family ties are weak. Division of power and transfer of wealth in the family can cause conflicts among members – possibly leading to breakdown in family ties. The family nucleus has to consistently maintain the balance of family ties in family members who are involved in the business – building a strong foundation for the survival and growth of the firm

Family businesses may also be vulnerable to instability because of family break-ups during inter-generational successions. As family businesses age and one generation makes way for another in the family nucleus, issues arise around leadership, management style, succession

and the continued generation and ownership of wealth. The gap between the founding and the succeeding generation of family members in terms of education exposure, communication style as well as relationship dynamics with spouses, children, parents, siblings, grandparents and extended family members may cause complex problems. Without clear planning and direction these issues can lead to tension in the family and threaten the growth, if not the survival of firms.

However, while family businesses are certainly more complex than other forms of business, the evidence that they represent an inferior business models is far from conclusive. If managed well, and if allowed to thrive in the right environment, family firms can also be stable and lasting businesses. A study by Koiranen (2002) of 192 family firms in Finland, for example, found that the average firm had existed for 57 years and that these firms still had family actively involved in different facets of the business. In other countries, some firms have existed for more than 100 years under the control of the same owner family.

Family businesses form the basis of most economies and can represent an efficient business form which can have lower cost of operations and have more effective management than other firms. If the family ties are harmonious and the progress of the firm is guided by a clear vision, family roles are well defined and family values and traditions are preserved, the family component *augments* rather than *hinders* the “business” aspect” of management bringing about stability and multiply family wealth generation. This is particularly true in the formative years of the family business, during which stage the family’s social dynamics are a stabilizing factor. In this stage, supply of crucial skills, resources and manpower may come from the family.

At all stages of a family businesses' life, the *family nucleus*, represented by the founder or founders of the business and the core around which the business is built, is an important factor. Since the family nucleus, is also often the core of the family unit, familial relationship serves to foster commitment and a sense of identification around it. Viewed from the perspective of management, the nucleus represents a single entity (though not necessarily a single individual) which encapsulates both owner and manager, it can be leveraged to establish faster and more decisive decision making systems, better control and motivation and can also bring about more stability.

## **7.2 MANAGEMENT OF MIZO FAMILY BUSINESSES**

There has been no in depth research into the characteristic of management practices of Mizo Family Businesses to establish to what extent the patterns elucidated above also reflected in them. The influences of factors vary from country to country, community to community and family to family. Each family nucleus, that is family member or members who form the core of the business are / is unique and each family member, who is a stake holder is also different. The familial dynamics and social connectedness of each family is also different. This makes it pertinent to study the management practices of firms within the context of their specific cultural, economic and social environment in more detail.

In studying the management practices of MFBs, a number of factors will impose themselves on the business models of these firms. Firstly, the family bonds in Mizoram, as in other parts of India, are particularly strong, particularly in relation to "western" concepts of family dynamics. An individual is defined by his familial antecedents and primacy of family interests is usually the guiding factor in decision making. These decisions may be in direct contradiction to the interest of the business. An example of this is in the distribution of



business interests among descendants upon the death of the founder. In most cases it would be logical to assume that keeping the family business as a single entity would serve the purpose of the business better, but it was found to be a regular practice to break up the business into smaller entities among siblings. Often the reason was given was to "get them on their feet" to ensure a "stable future for their family".

Secondly as observed earlier the scope of what is considered family is very wide in Mizo culture, extending not only to direct descendants and siblings but to cousins, second cousins and even further to clan associations. Indeed, non-family members who have a long-term association with the core family may be counted in the family fold and this association may continue to an extent to the descendants of these family retainers or allies. If the definition of family is not only very wide but is also dynamic in nature, balancing the social needs of the family with the economic needs of the business make management much more complex.

A third factor is the influence of Mizo long held traditional practices in such areas as rules of inheritance (where the youngest son was the beneficiary) or property transfer. These practices evolved from a largely rural and agrarian culture for the transfer of static property like land and may not translate well to the transfer of ownership or the process of succession in what are essentially modern businesses. For example, does a family head transfer ownership of a business to a youngest son as tradition dictates, when an older sibling not only has a longer stake in the business but may be the repository of knowledge and experience which are instrumental to the future growth and prosperity of the business.

Fourth, the types of activities that MFBs are involved in are evolving very fast. While traditionally business was primarily agrarian and/or commodity based, this is changing

rapidly. There has been a huge growth of demand for consumer products at various levels. For example, in Aizawl district, as of January 2012, there were 76,580 registered<sup>1</sup> vehicles in Aizawl district which had a population of 4,04,054 at the time, making the ratio of population to vehicle ownership of around 5:1. MFBs have moved in to tap into such new sectors and as they have done so they have had to adapt their management practices. It is in the context of these and other factors that the management practices of MFBs have to be viewed.

The core data was collected through structured questionnaire administered directly to incumbent managers of MFBs or their designated representative (refer Chapter 1). The questionnaire employed a combination of closed and open-ended questions to specifically probe the management practices of family businesses. As noted in Chapter 1, the questionnaire was designed to specifically target the most successful family businesses in the target area.

### **7.3 HUMAN RESOURCES MANAGEMENT PRACTICES**

Employees are a vital strategic element of the business activity and a source of control and, as with all firms, the management of human resources and human capital is of primary concern to family businesses. In all firms, the management of the selection, training, compensation and control of the formal and informal linkages between the employees and the firm, and across employees is a core activity. In family firms, this is further complicated by the juxtaposition of the family structure on top of these usual linkages and relationships. The effective management of such firms requires the reconciliation of the needs of the family and meeting the businesses' human needs. This makes it particularly pertinent in family businesses to have a well defined human resource system that addresses the requirements of the business while maintaining the characteristics of a family business. However, this is not

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<sup>1</sup> <http://news.webindia123.com/news/articles/India/20120416/1966316.html>

easy in small and medium businesses where the establishment of a HR structure can mean significant investment in time and resources.

In general the majority MFBs are still relatively small, both in terms of turnover as well as number of employee. Of the MFBs studied, over half of enterprises had less than 10 employees and nearly 70% had less than 20 employees (Table 7.1). Less than 12% of the MFBs had more than 40 employees. The *average* number of employees for MFBs stood at just 14 employees per firm.

**Table 7.1:** Number of Permanent Employees Engaged in the MFBs

<b>Number of Employees</b>	<b>No. of MFBs</b>	<b>Percent</b>
Less than 10	26	50.98
10 to 20	10	19.61
20 to 30	5	9.80
30 to 40	2	3.92
40 to 50	2	3.92
more than 50	4	7.84
Did Not respond	2	3.92
<b>Total</b>	<b>51</b>	<b>100</b>

*Source:* Primary Research Data

In this context, the existence or absence of a HR structure becomes a matter of cost effectiveness as such a structure may constitute major investment in time and resources. To add to this MFBs of all types have a very low rate of employee turnover across the board. This translates to limited recruitment, training activities as well as other traditional HR activities like compensation and motivational functions.

Consequently of the businesses studied, only 5.8% had established a dedicated HR/Personnel department (Table 7.2) With only 31.37% had designated a dedicated officer/manager for the human resource (HR) function to oversee the management of personnel within the organization (Table 7.3).

**Table 7.2:** Whether the firm had a formal HR structure?

<b>Response</b>	<b>No. of MFBs</b>	<b>Percent</b>
No	44	86.27
Yes	3	5.88
Did Not respond	4	7.84
<b>Total</b>	<b>51</b>	<b>100</b>

*Source:* Primary Research Data

**Table 7.3:** Whether the firm has a formal HR Manager?

<b>Response</b>	<b>No. of MFBs</b>	<b>Percent</b>
No	31	60.78
Yes	16	31.37
Did Not respond	4	7.84
<b>Total</b>	<b>51</b>	<b>100</b>

*Source:* Primary Research Data

Beyond cost effectiveness and convenience, the management of employees is not entrusted solely to professionals due to factors that relate to the place employees have in the social fabric of the family. For one, if some employees are family members, the dynamic of a non-family member overseeing or supervising them can have complication. There can be a conflict between organizational or administrative power a manager holds and the position of the family member holds in the family set up. Another factor to consider is that in many MFBs the employees can and often do become extended members of the wider family unit. This may be a legacy of the traditional practice of Mizo households, particularly those of family's with standing, to keep family retainers and advisors. These employees may then have roles, responsibilities and rights that can affect the family dynamics. This means the management of employees in some cases, extends beyond just business management and becomes a familial matter.

For these reasons it was found that the normal practice in family businesses was for the HR function to be brief of the incumbent manager (usually the founder) as part of his/her wider

portfolio of functions. Even when a person was designated to be in charge of personnel matters, the role was played by a family member or at the very least a family insider.

### **7.3.1 RECRUITMENT AND SELECTION**

Recruitment in the context of HR management is the process of seeking out suitable candidates for employment and encouraging them to apply for positions in the organisation. Selection involves process by which these candidates are then screened to identify the most suitable persons for the organization. In effect, this process determines the composition of the organization's work force and as such can be a complex activity to maintain in a family business.

In the formative years, family business requires the involvement of family members at various levels. This initial core group of employees is usually derived from the immediate and extended family. It is typical, for relatives feel both responsible as well as entitled to be involved in the family business and they may demand absorption into the business regardless of their competence and experience. On the other hand, the founder or family nucleus, motivated by familial loyalty as well as the desire to maintain family control, may also feel obligated to employ a disproportionately large number of employees from the family fold. This is not necessarily a negative outcome because, as earlier highlighted, the family ties that bind members can be leveraged to facilitate better cohesion and quicker decision-making especially in the formative years of a company.

However, as the business grows and the demands of the firm increase, it becomes less and less feasible to make the trade-off between familial obligations and management efficiency. At this stage, the employment of incompetent individuals (whether they are "family" or not)

can threaten the effectiveness and possibly even the survival of the business. The business decision would be to induct more non-family employees to fill the need in skills and experience, and conversely reassigning or releasing family employees. However, due to the fact that such actions will have effects on the fabric of the family, it is more than a management issue. The incumbent managers may have to choose between removing family members to benefit the business at the cost of disrupting family dynamics or conversely preserving the family relationship at the expense of efficiency and growth in the business. For this, it is often important to have clearly defined selection and recruitment policies governed by well defined processes and clear criteria.

### **Recruitment and Selection in Mizo Family Businesses**

In this context, only 45.1% of the family businesses were found to have formal selection and recruitment procedures (Table 7.4). Among these, very few had clearly defined and codified processes. Most of the MFBs studied, hired on ad-hoc basis depending on the incidental needs of the company rather than any planning or in adherence to growth policy. This practice was true even for larger and established MFBs.

The MFBs that most commonly conducted formal selection procedures were those that were required to do so due to their partnership with third parties like the large telecom companies which require adherence to some recruitment processes. In such cases, the partner company provided experts to assist the business in selection.

**Table 7.4:** Whether the firm had a formal recruitment and selection processes?

<b>Response</b>	<b>No of MFBs</b>	<b>Percent</b>
No	25	49.02
Yes	23	45.10
Did Not respond	3	5.88
<b>Total</b>	<b>51</b>	<b>100</b>

*Source:* Primary Research Data

When viewed in relation to firm's size, it was found that larger MFBs were more likely to have established procedures. Of the 23 businesses that had formal selection processes, 16 had turnovers of more than Rs.50 lakhs a year.

The predominance of informal linkages in the recruitment process in Mizoram is evident in the methods employed to identify potential candidates. While 49% of businesses had employed some form of modern media in their recruitment process, more than 50% stated that they still relied on word-of-mouth as their *primary* source of recruitment (Table 7.5). In these cases, employees were primarily identified through networking within the family and acquaintance circle.

**Table 7.5:** Primary recruitment medium

<b>Recruitment Medium</b>	<b>No. of MFBs</b>	<b>Percent</b>
External agency	3	5.88
Newspaper	14	27.45
T V Ad	6	11.76
Word-of-Mouth	26	50.98
Contacted Colleges/ Polytechnics etc	2	3.92

*Source:* Primary Research Data

Even accounting for the fact that 75% of the companies stated that they used multiple methods and media for recruitment, the reliance on the informal networks is telling.

In terms of the selection, the process was found to be controlled closely by the incumbent family members. Among all MFBs studied, 66% of the MFBs (Table 7.5) did not consult non-family members when hiring new employees. Even among those MFBs that had an established selection process, 41% of the MFBs did not consult the outsiders. A majority of MFBs put priority in intra family consultation and collective decision-making.

**Table 7.6:** Involvement of non-family members in selection process

Whether a Formal Selection Process in Place	Non-Family members not involved		Non-Family members involved		No Response	
		Percent		Percent		Percent
No	21	41.2	4	7.9		
Yes	13	25.5	10	19.6		
No Response					3	5.8
<b>Total</b>	<b>34</b>	<b>66.7</b>	<b>14</b>	<b>27.5</b>	<b>3</b>	<b>5.8</b>

*Source:* Primary Research Data

The involvement of non-family members in selection occurred mainly when the posts to be filled were technical in nature and selection is beyond the skill level of family members alone. In addition, non-family members may be involved when there are partnership agreements with larger MFBs and these MFBs require the fulfillment of certain norms and standards.

### 7.3.2 COMPENSATION

Compensation or the process of remuneration for both family and non-family employees who work in the firm is also a complex issue. The factors underlying the giving and getting of rewards in a family business transcend purely financial or organizational incentives and are tied in deeply with the family dynamics in the firm. Norms and principles that regulate the process of reward in the family are qualitatively different from the norms and principles that regulate the same process in a milieu independent of familial considerations.



The compensation system that operates in a non-family firm is regulated by economic principles that explicitly factor in individuals contribution in terms of the market value of the goods and services and the time frame within which these have benefitted the firm. In contrast, the distribution as rewards in a family is guided by principles that focus each person's needs and long-term well-being as a member of the family, rather than on the specific value of the goods and services being exchanged. This means that there is a large element which cannot be maintained, controlled and reviewed compared to standard compensation theories and practices.

Another complex issue faced by MFBs in the area of compensation is the different norms of fairness that operate when family and non-family employees are being compensated. In the context of the family, the concept of need is a primary issue. That is to say it is normally seen as a moral obligation to allocate family resources so that the needs of dependent family members are met. This is particularly acute in so called "vertical family" relationships, that is the relationship between parents and their children. In the case of sibling or horizontal relationships, equality in allocation of share of resources and opportunities is a primary issue of fairness. Due to the social compulsion that govern the management of a family business, allocation of reward that reconciles both the need to reward productivity and contribution as well as the need to satisfy the norms of fairness within the family becomes very complex.

### **Compensation in Mizo Family Businesses**

From this study it emerges that expenditure that wages and salaries do not constitute a major component of the operation expenditure of MFBs. Of the MFBs surveyed it was found that 42.8% of the MFBs spent less than Rs. 50000 in wages and salaries to employees. More than 77% of the MFBs stated that they spent Rs. 1 Lakh or less per month in wages. On average, for all MFBs the average expenditure on wages and salaries stood at Rs. 91326.53 Even

accounting for the relatively small size of MFBs and the limited number of employees in most this figure is low. If the earlier figure of 14 employees per firm is taken into account the average salary for employees of all classes stands at approximately Rs. 6500 per employee per month.

**Table 7.7:** Monthly expenditure on wages and salaries in one month.

<b>Monthly expenditure on wages (In Lakh Rupees)</b>	<b>No. of MFBs</b>	<b>Percent</b>
Less than 0.5	21	41.18
0.5 to 1	17	33.33
1 to 1.5	4	7.84
1.5 to 2	1	1.96
2 to 2.5	2	3.92
2.5 to 3	1	1.96
3 to 3.5	0	0.00
3.5 to 4	1	1.96
More than 4	2	3.92
No Response	2	3.92
<b>Total</b>	<b>51</b>	<b>100.00</b>

*Source:* Primary Research Data

In terms of the percentage of the monthly budget that wages and salaries constitute in the business, it emerged that it constituted 10% or less for more than 50% of the businesses surveyed. On average, wages and salaries constituted just 9.77% of the monthly operation costs of MFBs.

**Table 7.8:** Monthly expenditure on wages and salaries in one month

<b>Percentage of Annual budget spent on wages</b>	<b>No of MFBs</b>	<b>Percent</b>
Less than 5	12	23.53
5 to 10	14	27.45
10 to 15	7	13.73
15 to 20	9	17.65
More than 20	2	3.92
Did Not respond	7	13.73
<b>Total</b>	<b>51</b>	<b>100</b>

*Source:* Primary Research Data

The norm for the percentage of wages to operating cost varies from industry to industry but if taken at face value this figure is relatively low. In industrialized economies this figure can be as high as 50% in service industries. In manufacturing and primary industries this figure stands at 22% of the operating expenditure. In wholesale and retail the figure stands at approximately 18% of wages. The low figure likely reflects the fact that a majority of the MFBs surveyed were engaged in primarily in retail and distribution. This couples with the relatively low labour costs in general in Mizoram compared to the western norms quoted above may explain the low wage levels.

As with recruitment and selection most MFBs did not follow professional compensation systems as one might find in formal corporations or government PSU. However, 74% of the MFBs followed at the very least rudimentary scales of equivalency to maintain equity among employees of similar skill, experience or functional roles. A majority of MFBs stated that they based compensation on the *local* norms for the industry they were operation in. These norms could either be market norms set by established practices in the market or alternatively norms set by the associations that govern the markets in which these family businesses operated. These norms however only act as guideline, and a majority used them as a basis which could be adjusted depending on the needs and as well as the resource availability in the firm.

The compensation for managerial and skilled staff appears to be dependent on various factors but a primary factor was the management structure of the business. If the founder or the core nucleus of the family were active in the day to day operational activities of the firm, then the role of the manager was relegated to a secondary support role. Managers in this type of role earned significantly less with income as little as Rs 4000 per month even in some established

companies surveyed. However, where the family involvement was more limited and operational management has been entrusted to professional managers the compensation was much more generous.

Due to the inherent conflict in mixing the principles of compensation in a family and that in a business, there is often difficulty in codifying and reconciling terms of compensation for relatives and non-family employees. If this is not managed properly, it can cause conflicts and dysfunctional processes in the firm.

Among the MFBs surveyed, very few had clear codification of the basis on which the compensation of family members were compensated. Only 15.69% of MFBs stated that they had codified how family members would be compensated (Table 7.9). Even among these it was not clear how issues of equity between family and non-family employees were resolved.

**Table 7.9:** Whether a formal compensation system for family members was in place?

<b>Response</b>	<b>No. of MFBs</b>	<b>Percent</b>
No	37	72.55
Yes	8	15.69
Did Not respond	6	11.76
<b>Total</b>	<b>51</b>	<b>100</b>

*Source:* Primary Research Data

The ambiguous nature of compensation system results in two opposing effects. On one hand, the influence of the family in some businesses leads to rewards and privileges for family members which they would not be entitled on the basis of merit and competence. There is clear disproportionate compensation for relatives and family insiders in relation to their work output.

On the other hand, some MFBs were found to under-reward relatives who work in the firm. This contradiction is a result of a perspective that family members "have an obligation to help out" in the business and that compensation is derived from the collective reward to the family for the successful running of the business. The normal refrain by owners in this regard is "*An ta vek alom*" or "It's all theirs." suggesting that being part of the ownership will entitle the family employees (especially children) to future benefits in the for which they have to work for in the present. Such a rationale would force a policy to diverge from the normal principles of exchange that should operate in the context of the firm.

### **7.3.3 APPRAISAL**

Appraisal is the objective assessment of an individual's contribution and worth that forms the basis of information upon which compensation, promotions and role definitions for an employee is decided. The process of appraisal addresses how well an individual fulfils the requirements of a system whose primary function is economic productivity. The overlap between family and business makes this process more complex than other firms. Difficulties emerge when trying to evaluate the performance of a relative where the assessor and the employee being assessed share existing familial bonds. These bonds may affect the objective assessment of an individual both positively and negatively based on the existing social relationships. This is of particular importance when children or siblings are the subject of assessment.

The root of this problem lies in different perspectives by which a firm and a family view an individual. For the firm, an employee is a part of the organization assigned a specific role or tasks. The assessment of that individual can then be based on how successfully he or she has fulfilled his or her role. In the family context individual is an end in himself/herself. The

family exists to sustain and propagate that member. An individual's identity and standing are derived by who the individual "is" than by what the individual "does." In a good organization these criteria are codified and the measurement for assessment are established.

### **Appraisal in Mizo Family Businesses**

Among the core HR functions, the process of appraisal was least formalized among the businesses surveyed. While over 35% of the MFBs surveyed stated that they had an appraisal system in place this has to be qualified by the fact that the definition of appraisal system is taken in the loosest definition of the word (Table 7.10). A majority of MFBs have not formal appraisal and assessment methods devised based on industry norms or any clear criteria. A majority of MFBs follow heuristics methods which depend on the incumbent managers overall assessment of the employee.

**Table 7.10:** Whether a formal Appraisal or Performance Review System exist in the Firm

<b>Response</b>	<b>No. of MFBs</b>	<b>Percent</b>
No	27	52.94
Yes	18	35.29
Did Not respond	6	11.76
<b>Total</b>	<b>51</b>	<b>100</b>

*Source:* Primary Research Data

Even if the existence of an appraisal system is taken at face value the linkages to it and the wider management of human resources is limited. If the existence of an appraisal system is taken in the context of whether the system links directly to compensation and promotion, it was found that the link is tenuous.

**Table 7.11: Link between Appraisal and Reward systems**

Whether the firm has a formal Appraisal system	Appraisal is NOT linked to reward	Percent	Appraisal is linked to reward	Percent	No Response	Percent
No	25	49.0	2	3.9		
Yes	8	15.7	10	19.6		
No Response					3	5.8
<b>Total</b>	<b>34</b>	<b>64.7</b>	<b>14</b>	<b>23.5</b>	<b>3</b>	<b>5.8</b>

*Source: Primary Research Data*

Of the MFBs that stated that they had an appraisal system in place over 15% of the MFBs stated there was no direct formal link between the appraisal and the reward system of the business in terms of promotions and compensations (Table 7.11).

### **7.3.4 TRAINING**

The clash between family and business requirements also impacts the effective management of the training and development, especially when employees are family members. As with other issues, the difficulty is the separation of individual needs from organizational needs. For the business, training should emphasize learning experiences that will increase the individual's ability to attain organizational goals. However, when a relative is involved the view on training shifts to areas which may be good for the individual with the family perspective on nurturing and better that individual. These may not necessarily coincide with what is required for the firm.

Relatives may be over trained or trained in areas that are in themselves useful but may be of less relevance to the firm. In addition, in terms of resource allocation, MFNs are frequently willing to invest organizational resources in areas that may be risky and even incompatible with the organization's requirements, if it allows relatives, especially offspring, an opportunity to grow and develop.

### **Training in Mizo Family Businesses**

The training system among the business surveyed was dominated by informal on-the-job training. In most cases the development of skills was organic, new employees with generalists over years of service developed specific skills and make their own niches. In most cases the skill sets to be imparted to employees were not clearly defined.

In some cases the businesses were tied to corporate partners that required specific skills imparted by the company to comply with their norms. For example, businesses with service contracts for car companies require the service mechanics to undergo company specific training. However, in most cases formal training occurs incidentally in a stop start manner as the need emerges.

The absence of formal training structures is evident from the fact that only over 54% of the MFBs had job descriptions for their various posts (Table 7.12). Of these only a small proportion had clearly codified skills requirements and consequently formal training requirements for the post.

**Table 7.12:** Whether job descriptions for various posts existed?

<b>Response</b>	<b>No. of MFBs</b>	<b>Percent</b>
No	20	39.22
Yes	28	54.90
Did Not respond	3	5.88
<b>Total</b>	<b>51</b>	<b>100</b>

*Source:* Primary Research Data

On the issue of training for family members only 47% of the businesses stated that they had planned training programs for family members (Table 7.13). Where this has occurred it again is due to compunctions related to specific skill sets or qualification required by partner companies or because of statutory requirements.



**Table 7.13:** Whether training was carried out for family members?

<b>Response</b>	<b>No. of MFBs</b>	<b>Percent</b>
No	23	45.10
Yes	24	47.06
Did not respond	4	7.84
<b>Total</b>	<b>51</b>	<b>100</b>

*Source:* Primary Research Data

## **7.4 FAMILY AND NON-FAMILY EMPLOYEES**

As firms grow larger and the demands on management become more acute firms begin to rely on outside managers in technical areas such as operations management, specific production skills or accounting. However, strategic decisions are still taken by the nucleus of the family business and do not expand beyond the ‘trusted’ group except in rare cases. While this has traditionally been seen as a weakness for family firms it is contrasted by the research of Morck et al. (1988) where it was shown that family members can also bring positive value enhancing expertise to the firm and it is possible that additional training and redirection could enhance these benefits. While insider managers may be less efficient and competent than outside professional managers, they bring about various benefits that serve the specific needs of family firms that may improve performance albeit in a different way to hiring outsider professionals in their management. Morck et al (1988) and Anderson et al. (2003) found that the continued presence of owner managers can bring innovation to a firm, bring about cohesion and loyalty in family members and also enhance the reputation of the firm.

However, in the general case, especially when the firm is mature, there is usually a correlation between firm’s performance and the incidence of outside managers being not only part of the top management but also incorporated in decision-making. The main reason for this is usually there is a higher level of competence, less entrenchment than owner managers. These outsiders also perform a disciplining role through objective management unfettered by

familial relations improving ‘efficiency’ of the firm. These efficiency improvements are particularly evident in less well-knit family groups where the benefits of cohesion are not as evident or effective.

#### 7.4.1 FAMILY PREFERENCES IN MIZO FAMILY BUSINESSES

In MFBs surveyed there was some dichotomy in the stated policy of the management and actual practices. A majority of incumbent managers stated that they knew that the hiring of family members involved inherent disadvantages and complexities. Over 62% of the MFBs stated that they would not give preference to family members when filling positions (Table 7.14).

**Table 7.14:** Whether the firm gives preference to family members in recruitment?

<b>Response</b>	<b>No of MFBs</b>	<b>Percent</b>
No	32	62.75
Yes	15	29.41
Did Not respond	4	7.84
<b>Total</b>	<b>51</b>	<b>100</b>

*Source:* Primary Research Data

This seems to be borne out by the number of family employees in the MFBs across businesses. More than 60% of the MFBs surveyed employed less than 3 family members in the MFBs (Table 7.15)

**Table 7.15:** Number of Family Member Employees

<b>Number of Family Members</b>	<b>No. of MFBs</b>	<b>Percent</b>
Less than 3	31	60.78
3 to 6	15	29.41
6 to 9	1	1.96
9 or more	2	3.92
No Response	2	3.92
<b>Total</b>	<b>51</b>	<b>100</b>

*Source:* Primary Research Data

It is further reinforced if stated policy is viewed in the context of pattern of actual employment. Of the MFBs that stated that they did not prefer family members, 41.18% employed less than 3 family members (Table 7.16).

**Table 7.16:** Relationship between stated policy of preference for family members and actual pattern of employment of the same

Family members employed	Family members are NOT given preference	Percent	Family members are given preference	Percent	No Response	Percent
Less than 3	21	41.18	8	15.69		
3 to 6	10	19.61	5	9.80		
6 to 9			1	1.96		
9 or more	1	1.96	1	1.96		
<b>Grand Total</b>	<b>32</b>	<b>62.75</b>	<b>15</b>	<b>29.41</b>	<b>4</b>	<b>7.84</b>

Source: Primary Research Data

Across all MFBs on average about 3 family members were employed in the firm. Though this number seems low, it has to be viewed in the context of the small number of employees in MFBs. Considering that the average number of employees in an MFB is about 14 (See section 7.3), this means that 24.5% of the average workforce in an MFB are family members. That is to say those, on average, nearly a quarter of employees in an MFB were family members.

**Table 7.17:** Matrix of Number of total employees to family members employed

Family members Employed	Total Number of Employees						Total
	Less than 10	10 to 19	20 to 29	30 to 39	40 to 49	more than 50	
Less than 3	21	8	1	2	1		33
3 to 6	6	2	3			4	15
6 to 9					1		1
9 or more		1	1				2
<b>Total</b>	<b>27</b>	<b>11</b>	<b>5</b>	<b>2</b>	<b>2</b>	<b>4</b>	<b>51</b>

Source: Primary Research Data

This becomes more evident in Table 7.17 which shows that a majority of MFBs that employed less than 3 family members were small MFBs with less than 10 employees.

#### 7.4.2 OUTSIDE EXPERTISE IN MIZO FAMILY BUSINESSES

The inclusion of non-family employees occurs mainly for specialized jobs like accountants, skilled artisan, *mistiris*, mechanics and head cooks and bakers. While the preference would be given family members if they were available, the overwhelming feeling was that family members were probably not available in these skill areas. Secondly, the incumbent managers felt that the induction of family members in these areas was of a lower priority compared to the strategic roles. In these roles, there was a clear stress in obtaining the most skilled candidates as they formed a core function of the family business. However, even here outsiders are included sparingly when the role involved sensitive functions. For example, only 15.6 % of the MFBs had non-family members as professional accountants (Table 7.18).

Table 7.18: Whether the firm employed a Professional Accountant

<b>Response</b>	<b>No. of MFBs</b>	<b>Percent</b>
No	39	76.47
Yes	8	15.69
No Response	4	7.84
<b>Total</b>	<b>51</b>	<b>100</b>

*Source: Primary Research Data*

There is a clear preference to the selection of family members in key strategic areas of the business which involve decision making on a strategic level. Less than 18% of the MFBs employed non-family managers to oversee their operations (Table 7.19).

**Table 7.19:** Whether non-family Professional Managers are employed for key management positions?

<b>Response</b>	<b>No. of MFBs</b>	<b>Percent</b>
No	39	76.47
Yes	9	17.65
No response	3	5.88
<b>Total</b>	<b>51</b>	<b>100</b>

*Source: Primary Research Data*

Outsiders with limited tenure were employed for imparting of skills to shore up the requirements of the business. These include trainers employed for a limited time to bring skill levels up to the required level. Among the MFBs surveyed, 29.41% stated that they had at one time or another employed consultants to advise them on overall or specific aspects of their business (Table 7.20).

**Table 7.20:** Whether a professional consultant has been employed by the firm?

<b>Response</b>	<b>No. of MFBs</b>	<b>Percent</b>
No	29	56.86
Yes	15	29.41
No Response	7	13.73
<b>Total</b>	<b>51</b>	<b>100</b>

*Source:* Primary Research Data

## **7.5 STRATEGIC PLANNING AND CHANGE MANAGEMENT**

Strategic planning refers to the process of developing a strategy for profitable growth as well as sustainability of the firm over a given time period drawing on insights on the company and the environment in which the company operates. Strategic planning provides a systematic way of assessing past business practices and opening the way for choosing new alternatives. The purpose of the planning process is to determine various core issues for the overall functioning of the business including markets the firm will compete in, direction of future growth, the operational strategy and the allocation of corporate resources. Business planning may also address specific tasks and objective areas like improving customer satisfaction, increasing profit, and revitalizing and preparing the company for succession. The core assumption of planning is that growth occurs only if specific steps are taken to enable growth.

Formal planning helps family businesses to meet their strategic potential by articulating tasks and milestones. It provides techniques that help managers to assess the company's rate of reinvestment and assure that the business is retaining sufficient cash for a solid future. In

addition, planning encourages commitment from family members as a part of the process. Planning requires a variety of people to be involved and of the immediate and the extended family will be involved in the family strategic plan at a formal or informal level. In particular, the planning process increases business knowledge for the family and provides outstanding training for succeeding generation, who will take up the mantle of leadership of the family business in the future.

To keep a family business moving forward requires a spirit of reinvestment: a confident eagerness to commit funds for the sake of future family benefits. Motivating the family requires a compelling vision—a commitment to a family dream—that everyone shares. When such a commitment has been made, the family can aggressively invest family funds in a business strategy.

In addition to the normal business requirements that are addressed by all family firms must consider the other dimension related to the family as a social unit. The task thus extends to preparation both a business strategic plan as well as a family strategic plan charting out long-term personal and professional objectives for family members as well as the family as a whole.

### **7.5.1 STRATEGIC MANAGEMENT IN MIZO FAMILY BUSINESSES**

Strategic planning in the truest sense of the word is not well developed among MFBs. However, while structured planning is only implemented on a limited scale, it is evident that need for some long term strategic planning is recognized by the MFBs surveyed. Of the businesses studied, over 70% expected to expand significantly in the medium term (5-10 years), as shown in (Table 7.21).

**Table 7.21:** Whether the business expects expansion?

<b>Response</b>	<b>No of Businesses</b>	<b>Percentage</b>
No	12	23.53
Yes	36	70.59
No Response	3	5.88
<b>Total</b>	<b>51</b>	<b>100</b>

*Source:* Primary Research Data

Further, more than 37% of the MFBs also stated that they expected to diversify into other areas other than their core business (Table 7.22). These MFBs planned to diversify both to take advantage of emerging opportunities as well as to hedge against the risks of depending on only one area in a market.

**Table 7.22:** Whether the firm planned to diversify?

<b>Response</b>	<b>No. of MFBs</b>	<b>Percent</b>
No	27	52.94
Yes	19	37.25
No Response	5	9.80
<b>Total</b>	<b>51</b>	<b>100</b>

*Source:* Primary Research Data

Of these a majority were MFBs with a higher turnover which had achieved some level of stability and had achieved a certain level of saturation in their existing market. Of the MFBs that were planning to diversify, about 52% had turnovers of 50 Lakhs or more (Table 7.22). In the case of these MFBs the main motivation is to reinvest funds in new areas of growth and take advantage of new opportunities which smaller MFBs may not be able exploit. Finally it was observed that amongst all MFBs, about 33% expected to both expand as well as planned to diversify in the medium term.

Table 7.23: Matrix of expansion and diversification

Expansion expected	Do not expect to Diversify		Expect to Diversify		No response	
		Percent		Percent		Percent
Do not expect to expand	8	15.7	2	4.0		
Expect to expand	19	37.2	17	33.3		
No Response					5	9.8
<b>Total</b>	<b>27</b>	<b>52.9</b>	<b>19</b>	<b>37.3</b>		<b>9.8</b>

Source: Primary Research Data

From this it is clear that most MFBs have some objectives in mind for their organizations and that some forethought is given for the direction the firm will take. Among the MFBs surveyed, over 37% said some sort of diversification plan was in place, though in the course of this study the scope of what this entailed was extended to the most general terms (Table 7.23).

Table 7.24: Whether long term planning in carried out in the firm?

Response	No. of MFBs	Percent
No	26	50.98
Yes	20	39.22
No Response	5	9.80
<b>Total</b>	<b>51</b>	<b>100</b>

Source: Primary Research Data

In most cases plans were not formally articulated and no processes are put into place to meet planning objectives. Only about 39% of MFBs indicated they had a Family Vision or plan that the business was pursuing (Table 7.24). Further, only one third of MFBs stated that they regularly review and assess the progress of the firm in pursuit of its goals (Table 7.25). Among those MFBs that stated that they carried out some form of formal long term strategic planning, only 50% of them stated that systematic reviews of their plans was carried (Table 7.26).

Table 7.25: Whether plans are reviewed and assessed?

Response	No. of MFBs	Percent
No	28	54.90
Yes	17	33.33
No Response	6	11.76
<b>Total</b>	<b>51</b>	<b>100</b>

Source: Primary Research Data



**Table 7.26:** Whether Strategic plans are assessed?

<b>Whether plans are assessed.</b>	<b>Company does not make Strategic Plans</b>	<b>Percent</b>	<b>Company makes Strategic Plans</b>	<b>Percent</b>	<b>Total</b>
No	18	40.00	10	22.22	28
Yes	7	15.56	10	22.22	17
<b>Total</b>	<b>25</b>	<b>55.56</b>	<b>20</b>	<b>44.44</b>	<b>45</b>

*Source:* Primary Research Data

Where reviews occurred these were carried out by a core group of the family nucleus occasionally in consultation with experts or trusted advisors.

An important factor which limits planning is that the process of strategic planning requires the possession of some specific skills and competencies if it is to be implemented effectively. Given that 92% of the incumbents and founding managers have no formal education in management, or commerce, the process of planning would require either intense re-skilling or training for the incumbent or the hiring of outsiders to complete the task. It was found that in most cases MFBs did not have time or resources for specialized imparting skills in their employees, so the employment of outside consultants becomes the best option available to the firm. Consultants are often exposed to more businesses over time, and they may have more experience with sophisticated planning systems. Of all MFBs surveyed, it was found that 29.4% had employed consultants for long term planning (Table 7.27).

**Table 7.27:** Whether consultants are employed?

<b>Response</b>	<b>No of MFBs</b>	<b>Percentage</b>
No	29	56.86
Yes	15	29.41
No Response	7	13.73
<b>Grand Total</b>	<b>51</b>	<b>100</b>

*Source:* Primary Research Data

## 7.6 FINANCIAL MANAGEMENT

The management of firm's financial resources is a core activity and is an important aspect of any research of business activity. However, the present study, this is the area where data is the most difficult to obtain. Private MFBs have been traditionally reluctant to divulge specific financial details about source and allocation, volume of sales, value of assets among other things. This study does not focus on the specific financial operations of the MFBs but seeks to identify certain financial management practices followed by the MFBs under the study.

A summary of the distribution of MFBs in terms of annual turnover are shown in (Table 7.28). Nearly 55% of the MFBs reported annual turnover of more than Rs. 50 lakhs. About 18% of the MFBs have a turnover of Rs. 10.20 lakhs.

**Table 7.28:** Turnover of MFBs

<b>Annual Turnover (in Lakhs of Rupees)</b>	<b>No of MFBs</b>	<b>Percent</b>
Less than 10	1	1.96
10 to 20	9	17.65
20 to 30	5	9.80
30 to 40	1	1.96
40 to 50	2	3.92
more than 50	28	54.90
No response	5	9.80
<b>Total</b>	<b>51</b>	<b>100</b>

*Source:* Primary Research Data

### 7.6.1 FINANCIAL PLANNING

Among the MFBs studied, over 60% indicated that some financial planning was carried out and that medium or long term financial goals were laid out (Table 7.29).

**Table 7.29:** Whether there is financial planning?

<b>Response</b>	<b>No. of MFBs</b>	<b>Percent</b>
No	19	37.25
Yes	29	56.86
No Response	3	5.88
<b>Total</b>	<b>51</b>	<b>100</b>

*Source:* Primary Research Data

Financial planning was more prevalent in the larger MFBs where the flow of funds and the different allocations were more complex. Among MFBs that carried out financial planning 68.9% (20 of 29) were MFBs with turnovers above 50 Lakhs. These constituted 41.66% in terms of all the MFBs surveyed (Table 7.30).

**Table 7.30:** Incidence of financial planning in relation to turnover

<b>Annual Turnover (in Lakh Rupees)</b>	<b>No Financial Planning</b>	<b>Percent</b>	<b>Financial Planning present</b>	<b>Percent</b>
Less Than 10	1	2.08		0
10 to 20	5	10.41	3	6.25
20 to 30	1	2.08	4	8.33
30 to 40			1	2.08
40 to 50	1	2.08	1	2.08
more than 50	8	16.66	20	41.66
No response	3	6.25		
<b>Grand Total</b>	<b>19</b>	<b>39.58</b>	<b>29</b>	<b>60.41</b>

*Source:* Primary Research Data

## 7.6.2 SOURCES OF FUNDS

In terms of sources of funds both operational and long term capital, 70.6% of the MFBs stated that they had availed of some form of bank loans to finance their business. The family MFBs especially well established ones under the study found no difficulty in getting bank credit. This may be because family-owned businesses are seen by institutional lenders as being less risky investment due to the in credit worthiness and credibility. In addition, to this the relatively conservative investment choices and managerial abilities of family-owned were may be considered important factors by lenders.

**Table 7.31:** Sources of Funds of MFBs

<b>Sources</b>	<b>Number</b>	<b>Percent</b>
Bank Loans	36	70.59
Own Funds	20	39.22
Other Loans	1	1.96
Friends relatives	8	15.69

*Source:* Primary Research Data

Among larger and more established MFBs there was a higher dependence on own funds especially to cover shorter term requirements. Over 15% of the MFBs borrow from their friends and relatives. Over 70% of MFBs stated that they were not availing of government subsidies and about 16% of the MFBs stated that they were being subsidized under one government scheme or another (Table 7.32).

**Table 7.32:** Whether the MFBs availed of government subsidies of any kind?

<b>Response</b>	<b>No of MFBs</b>	<b>Percent</b>
No	36	70.59
Yes	8	15.69
No Response	7	13.73
<b>Total</b>	<b>51</b>	<b>100</b>

*Source:* Primary Research Data

### 7.6.3 FINANCIAL REPORTING

This study attempted show the extent to which MFBs regularly report financial statements not only due to statutory requirements but for the purpose of management and planning. Among the MFBs surveyed, 74.5% of the MFBs reported that they publish regular periodic reports on the finances of the company (Table 7.33). Of these 54.9% consisted of larger MFBs with turnovers of over Rs.50 lakhs.

**Table 7.33:** Link between financial reporting and Firm size

<b>Outlay (in Lakhs of Rupees)</b>	<b>No periodic reports</b>		<b>Publishes periodic reports</b>	
	<b>No periodic reports</b>	<b>Percent</b>	<b>Percent</b>	<b>Percent</b>
Less than 10			1	1.96
10 to 20	7	13.73	2	3.92
20 to 30			4	7.84
30 to 40			1	1.96
40 to 50			2	3.92
more than 50			28	54.90
No Response	6	11.76		
<b>Total</b>	<b>13</b>	<b>25.49</b>	<b>38</b>	<b>74.51</b>

*Source:* Primary Research Data

In terms of the types of reports, about 45% of the MFBs stated that they used their balance as the primary basis for their financial planning. The most common form of report was the firm's own report formats designed specifically for the businesses in question which accounted for 47 % of MFBs (Table 7.34). Most of the MFBs studied used multiple forms of reporting to serve their planning needs

**Table 7.34:** Types of reports employed

<b>Type of Report</b>	<b>No. of MFBs</b>	<b>Percentage</b>
Balance Sheet	23	45.10
Owner Report	24	47.06
P/L Account	10	19.61
Cash Flow	5	9.80
Others	1	1.96

*Source:* Primary Research Data

In the study, the MFBs were asked to review their financial performance in any broad criteria based on the various reports generated by them. It was found that 27.45% of the MFBs felt that over the last five years their performance had exceeded their expectations (Table 7.35). Over 31% of the MFBs could meet their expectations, but not exceeded. Nearly 10% of the MFBs could not meet their expectations.

**Table 7.35:** Self Assessment of Performance of MFB

<b>Performance Assessment</b>	<b>No. of MFBs</b>	<b>Percent</b>
Exceeded	14	27.45
Met but not exceeded	16	31.37
Not met expectations	5	9.80
Don't measure	11	21.57
No Response	5	9.80
<b>Total</b>	<b>51</b>	<b>100</b>

*Source:* Primary Research Data

While it is too simplistic to correlate firm's size with positive performance, it was found that in this study that larger more established MFBs generally had a more positive assessment of their performance. This may be in part due their ability to leverage their existing funds and

market share to both stabilize and also expand their businesses. More than 85% (12 of 14) of the MFBs that had a positive assessment of their performance were larger MFBs (Table 7.36).

**Table 7.36:** Matrix of turnover to self assessment of performance

<b>Firms Assessment of Own Performance</b>				
Outlay of firm (in Lakh Rupees)	Felt that Performance Exceeded Expectations	Met but not exceeded Expectations	Felt they had not met expectations	No opinion/ No response
<b>Less than 20</b>		4	2	3
<b>20 to 30</b>	1	1	1	2
<b>30 to 40</b>	1			
<b>40 to 50</b>			2	
<b>more than 50</b>	12	11		11
	<b>14</b>	<b>16</b>	<b>5</b>	<b>16</b>

*Source:* Primary Research Data

## 7.7 CONCLUSIONS

The main observations that can be noted about management practices in MFBs is that they are in a state of evolution. Patterns of management are developing under the influence of various factors, some common to family businesses in general, others specific to the context of Mizoram. In terms of the former, Mizo Family Businesses have to address the duality of managing businesses of this type, namely reconciling the objective, "bottom line" needs of the business with the social demands of the family it is built around. In this, the challenges of effective management are made complex by the unique characteristics of doing business in Mizoram. These include the very strong social and community linkages among Mizo, a market that is in constant flux and the handicap of being in the geographic and economic periphery of the nation. The management practices that exist today are a result of the constraints that are defined by social and economic realities of Mizoram. In this regard, many managing practices may seem less well-developed compared to modern norms. While this may be true to some extent, and there is certainly room for optimization even in the current

context, the current systems exist because they work for the organizations that employ them and are adequate for their current needs. In terms of specific areas of management practices, a number of observations can be made.

Human Resource Management in MFBs is characterized by informal systems and the setting up of formal HR structures is still in its nascent state. Because MFBs are still relatively small and also because the management of people has deep ramifications in the Mizo context, its management is usually taken up by the incumbent head of the family as one of family business. However, as businesses begin to grow both in terms of scope and sophistication, formal systems are emerging in some companies, albeit to a limited scale.

One of the HR areas where families tend to exert most direct control is in recruitment and selection. This is because the addition of new employees can have a very direct effect on the structure and dynamics of the family unit, this is because new employees in MFBs are in effect new additions to the wider family unit. In seeking out new employees, MFBs still rely on their informal networks to identify and vet potential employees.

Compensation systems are varied across different types of businesses but are generally more formalized than other HR areas. Statutory requirements and market norms are an important factor in this formalization.

Appraisal systems are not well-developed and are dominated by the employment of heuristic systems rather than modern systems with well-structured criteria and processes for assessment. In many instances, there were no linkages between appraisals and rewards. Similarly training in the businesses studied as dominated by informal unstructured transfer of

skills and occurred mainly in an ad hoc manner. Only in specific industries and among a limited number of MFBs was formal, scheduled training a standard practice.

MFBs expressed a stated policy not to show preference to family members in filling its employment needs, however a closer study showed that this was not consistent with actual employment patterns. On average a quarter of the workforce were family members. In addition, most vital management positions were held by family members. This may, however, be due mainly to practical reasons rather than a clear agenda of family control as many MFBs are small and the family is a reward pool of skills. Non-family employees were prevalent where the work entailed specific experience or talent.

The research showed that while most MFBs have a clear future outlook, there was limited strategic planning to meet future goals. A majority of businesses expected expansion and many planned diversification in the medium term but few had clear plans or timetables to achieve this. However, most MFBs required the need for planning and had taken steps like the hiring of consultants in this regard.

A majority of MFBs stated their intentions to maintain family control of the business however very few had put any type of formal or informal succession planning systems in place. Most MFBs had not taken the initial step of identifying successors or set up systems to transfer ownership. Very few businesses have a clear timetable for succession. In most cases grooming of successors was a family dominated activity rather than one driven by business needs.



There was limited scope to study the financial practices of MFBs, as most businesses were secretive about their specific activities. It was found that due to statutory requirements as well as the internal need to manage resources most MFBs had fairly well developed financial systems. Many generated one or more regular financial reports and financial planning was a feature of most of the established MFBs.

In making the above observation it needs to be noted that sweeping generalizations cannot be made about MFBs. The population of businesses studied was heterogeneous both in size and scope of activity. Observations need to be tempered by correlating with industry, age of the firm as well as its leadership's structure.

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**Chapter 8**  
**FINDINGS AND RECOMMENDATIONS**

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## CHAPTER 8

# FINDINGS AND RECOMMENDATIONS

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In this concluding chapter the main findings of this study are brought together and summarized in *Sections 8.1 to 8.6*. These findings relate to various aspects of Mizo Family Businesses ranging from their origins, to their cultural characteristics, their management and the succession systems that prevail in them. In *Section 8.7* a brief summary of the conclusions that emerge from the findings is highlighted. In *Section 8.8* recommendations are given regarding the management and sustainability Mizo Family Businesses.

### **8.1 EMERGENCE OF MIZO FAMILY BUSINESSES**

Chapter 2 traces the origin of Mizo Family Businesses (MFBs) from their origins in the traditional trades in the Mizo village in pre-colonial times to the present. From historical records left behind by the first British contacts with the tribes of the Lushai Hills, it emerges there were many factors that limited the emergence of commercial activity. First, the traditional economy of the Mizo's was a slash and burn based subsistence economy which probably produced little tradable surplus to encourage any large-scale trade and commerce. Second, natural geographical isolation due to the topography and the terrain would have limited contact between Mizo settlements among themselves as well as with non-Mizo tribes and kingdoms. Added to this, the seasonal migration of Mizo settlements would have hindered established trade. Third, the lack of centralized rule among Mizos, who were ruled by independent chieftains with jurisdictions over a single or a small cluster of villages, hindered an established pattern of trading, trade agreements or the establishment of trading infrastructure. Finally, the warring nature of the Mizos, whose raids against rival tribes is extensively documented by the British, discouraged commerce especially with outsiders.

Despite these barriers there is evidence that trade did take place to some extent as evidenced by various cultural artifacts with foreign origins or influence. These include traditional jewelry made from cowry shells with marine origins, French made tower muskets and ammunition probably traded with the Burmese as well as gongs and metal artifacts with strong South East Asian influences. These were probably gained from sporadic and opportunistic trade or on the occasion of festivals (*kuts*) where tribes could meet in relatively peaceful context.

The organized trade only emerged and grew with the intervention of the British who abandoned their policy of non-intervention in the area in the late 1800's. This was due to ever more persistent raids and hostile action by the Mizo tribes on so called 'British Subjects' which consisted mainly of members of pacified races and tribes under British rule. The British used trade and commerce as part of a three pronged strategy to pacify the Mizos, complementing their military campaign as well as their push to 'civilize' the Mizos through education and mission work. The establishment of Tipaimukh Bazar on the banks of the Barak, the Sonai Bazaar on the Sonai (*Tlawng*) river and Changsil Bazaar on the Dhaleswar and later more Bazaars in Demagiri (*Tlabung*) in the south and Sairang in the north are a central feature of this strategy. By giving the Mizo chiefs a stake in the Bazaars by allowing them to levy taxes the British ensured certain amount of peace and stability in these areas.

## **8.2 ORGANIZATION OF MIZO FAMILY BUSINESSES**

It is difficult but to create a single unified model to represent all family business. However, it is possible to build a conceptual framework within which different types of family businesses

can be studied. The three circle model is based on the premise that the family business is a unique dynamic system comprised of sub-systems where rational decision-making processes take place. Tagiuri and Davis (1982) postulated that there are three overlapping sub-systems in a family business namely the Family, the Business(es), and the Ownership.

Mizo Family Businesses (MFBs) have to be categorized into three main groups. The first are the "established" family businesses that were founded early in the history of Mizoram. These businesses have existed for decades and are in many cases in the third or fourth generation of ownership. These MFBs fall under the *cousin consortium* classification with a large number of cousins and even second cousins actively involved in the business. Among the businesses surveyed, this group made up only around 8% of the total number of businesses but were significantly larger than the other businesses surveyed. Among MFBs of this type the core founding business from which the consortium grew often acts as a holding company. It lends its name and identity to the umbrella business but under this holding company cousins of various branches of the family pursue enterprises of their own in areas that may or may not be related to the core business. Due to the fact that there is such diversification control may not be very centralized, though an alliance of second generation heirs (the parent generation) may exercise may act as an overseeing body to ensure cohesion and resolve conflicts and guide the business.

The second group of businesses are composed of the f businesses that were formed in later in Mizoram's history, many after the 1990s along with the wave of liberalization across the country in that period. These companies are younger and are in their first or second generation of ownership. Unlike the "established businesses" these MFBs are far less diversified, concentrating on a narrow range of related operations. They are still run by their

owners or a partnership of owners or first generation heirs and strongly exhibit the characteristics of the *controlling owner model* discussed above. These businesses usually have a clear leadership structure and hierarchy. Because these businesses were set up in a period when Mizo family sizes had become smaller, succession lines are also often clearer. Like the established family businesses, family control ownership is a priority and outside partnerships are limited.

The third group are the small family businesses which have specialized in one area and have not grown very much over the years. These businesses are usually owned by one dominant owner and are usually small in scope analogous to the so called "mom and pop" businesses. These may be involved primarily in retail, or agri-based businesses with a sustainable market but with limited opportunity to grow.

Mizoram is still in the primary stage of industrialization focusing on primary production with a particular bias to agriculture which was the traditional base of Mizo economy. According to the 2012-13 Economic survey of Mizoram about 60% of the population still depends upon agriculture and allied sector contributing to 20% of the GSDP. Mizoram is still classified a "No Industry Zone" due to absence of large or medium industries. Tertiary/Service sector contributes about 60% of the total GSDP acting as the primary driver in the economy of Mizoram.

This is reflected in the primary areas of operation of the surveyed family businesses with over 73% of the MFBs belonging to retailing as their primary activity. A further 13% stated that their primary business was relating to distribution / wholesaling for certain types of products.



Only 5.5% of the businesses identified manufacturing as their primary activity with these limited to areas like furniture, tailoring and food production.

While notable Industrial Development in Mizoram started in the 1990's following the general wave of liberalization in the country and the GSDP of Mizoram is estimated to grow at 9%, it is from a very small base. Micro and Small Industries dominate the economy with 8,088 enterprises registered up to 2011.

This is reflected in the size of the MFBs surveyed when asked about the investment in the business. Over 48% of MFBs had investments of less than Rs.15 lakhs only. 16% had layout of more than Rs.45 lakhs . It should be noted however that these larger businesses consisted of the established family businesses and their layouts were significantly higher running into crores of rupees in many cases.

This pattern is also reflected in the number of permanent employees employed by Mizo Family Businesses. More than 50% of the MFBs surveyed had 10 or less permanent employees.

### **8.3 SOCIO ECONOMIC PROFILE OF MIZO FAMILY BUSINESSES**

To understand any entrepreneurial activity it is important to draw a clear picture of the actors involved in that activity. So it is important to know socio-economic profile of the individuals responsible for the conceptualization, foundation and day-to-day running of the businesses under the study.

In this regard, age is an important element of study as various conjectures have been drawn about the relationship age has with entrepreneurial success, risk taking and firm stability. There is evidence that an individual's decision to engage in entrepreneurial activity is influenced by that individual's age and that, age is among the clearest influence factors on measures of entrepreneurship (Parker 2004). Age distribution of incumbent members of family businesses in the study group showed a relatively young population the average age being 38.35 years. Respondents below the age of 40 years comprised 62.5 % and constituted the largest age group. Of these, 38.9% were in the age group of 30-40 years. This age structure appears to be a reflection of the handing over of ownership and management to second and even third generation members of the family. The first generation entrepreneurs no longer take active part or have reduced their involvement in the day to day management of the businesses with these duties being taken over by second or third generation family members who are much younger. In this respect only 18.1% of the family businesses surveyed had older managers above the age of 60 years.

The young age profile of incumbent firm owners and managers overall, also reflect the large number of businesses which were started in the period between after the mid 1990s coinciding with of the economic growth in the rest of the country following liberalization. The survey shows that 68% of all the businesses surveyed had operated for less than 15 years.

When the age distribution is compared between MFBs and non-family businesses it emerges that incumbent managers in MFBs are relatively younger with the average age was 35.79 years. Among non-family businesses surveyed, 76.8% of the respondents were below the age of 40 with 46.4% being between the ages of 30-40 years. In comparison, the number of respondents above the age of 50 comprised only 4.3%. This pattern reflects the fact that many

of the original entrepreneurs who founded these family businesses, which are older and more established than other types of business, are ageing and are ready to pass the reign to the next generation of family members.

Gender has been found to have a strong impact on the establishment and performance of firms. Mizoram State Census shows that the state has a roughly equal gender ratio of 970:1000 for the general population, one of the highest in the country. However, this proportion is not reflected in the gender structure of entrepreneurs in Mizoram. From the total businesses surveyed, only 34.75% were owned or run by women. This may be because entrepreneurial opportunities and skills are greatly influenced by the socio-cultural and socio-economic norms in a society and Mizo society remains a largely patrilineal and patriarchal society. In family businesses this cultural pressure on women may manifest itself by influencing various key aspects of business including levels of disapproval by wider society, heirship of property and business as well as authority in controlling family members.

Despite this, the study found that 40.3% of businesses studied had incumbent women managers or owners. This is much higher than the 29% of non-businesses family businesses in which the incumbent manager or owner was a woman. This finding is in line with research which found that women from family businesses worked for longer periods than the women in other types of businesses and also enjoyed higher status, job security and flexibility (Cromie and O'Sullivan, 1999). The percentage of women entrepreneurs are much higher in smaller businesses.

A study of the relationship between investment outlay and gender shows that for businesses with an outlay of less than Rs.15 lakhs, 44.6 % of the total businesses of this size were

women run or operated. In comparison, for businesses with outlays of Rs.40 lakhs or more, the percentage of women owned or run businesses of this size drops to just 13.6%. Women traditionally enter in businesses with a smaller starting base like groceries, tailoring to quote as examples and tend not to enter in sectors which have seen large growth in Mizoram like IT, automobiles, high technology and schools. A majority of family businesses run by women are in the retail area focused on apparel and other forms of clothing, grocery shops, beauty salons and stationery among others. In many cases, such businesses supplemented the family's income with the spouse either engaged in government service or running an unrelated businesses activity.

Human capital can be gained through talent, prior experience and also informal learning like apprenticeships but formal education remains an important determinant of success of businesses. In this context, the 2011 Census of India shows that with a literacy rate of 91.33% Mizoram has one of the highest literacy rates in the country behind only Kerala and Lakshwadeep. Aizawl District had a literacy rate of 97.89%, with male and female literacy rates at 98.11% and 97.67% respectively.

This is reflected in the educational profile of the study group, with all respondents from both family and non- family businesses having at least a primary level education and over 77% had studied high school level or above. The research found that education levels are higher for younger managers. In the age group ranging from 25-45 years, it emerged that 64.4% of the respondents had a graduate level education or higher compared to just 23.5% for those above 45 years of age. Further, it was found that among managers belonging to 25-45 age group, about 20% of the respondents had a postgraduate degree or higher compared to 11.7% for those who were over 45 years of age.

It also emerged that younger entrepreneurs, specifically second generation entrepreneurs were better educated than both parents. All the respondents from family businesses who had postgraduate degrees surpassed their father's education level. Similarly 92.3% of those who had a graduate degree and 76.4% of those who had a high school education surpassed their father's education level.

This pattern of the younger generation surpassing the education level of the parents may be to some extent due to the fact that the resources to pursue a higher level of education may be more readily available to the younger generation of entrepreneurs. In addition to this, the opportunities and infrastructure to study at a higher level are now also better locally as well across the country.

In terms of education levels in relation to gender, it was found that male incumbent managers had generally higher levels of education than female incumbents. More than half of male incumbents had an education level of graduation level or higher. In contrast, more than half of female incumbents had education levels lower than high school level. Around 23.3% of the male respondents had education up to postgraduate level while only 7% of female respondents had such qualification.

Another visible trend among those running or owning family business is the fact that a majority of the respondents did not have education in commerce or management. Only 31.9% of family business owners and 30.9% of non-family business owners had formal education in management or commerce.

In the context of race and ethnicity, Mizoram has a fairly homogenous population with 85% of the people belonging to Mizo tribe. Even where there are ethnic or linguistic differences like with the Hmars (1.5%), Lai (3.8%) and Lakher (3.3%) tribes, there is a fair amount of homogeneity in terms of cultural practices and social structure. In the other words, the family structure and family practices with respect to family decision making, the passing on of familial authority and also in terms of the inheritance of property or wealth are fairly uniform across the major ethnic groups in Mizoram.

The data revealed that established family businesses in the Aizawl district were mainly native Mizo, mostly with roots tracing back four or more generations. Ethnic diversity was only seen in the case of a few major families and even here the families had established themselves by inter marriage with local community members.

It was found, as expected, that a majority of respondents were native to Aizawl town and its suburbs (including Zemabawk and Durtlang) with the definition of native being that the family had stayed in the town for at least one generation. They accounted for 70% of the respondents. A further 11% were from rural areas within the district of Aizawl. Of the respondents approximately 18% of the respondents were not from Aizawl district with 4.2% being from outside the state.

In terms of religious orientation, more than 95% of the respondents were Christians of one denomination or another. Of these, 92% were from protestant churches. Reflecting that fact Aizawl and the north of Mizoram is dominated by the Presbyterian church with more than 80% of the respondents belonged to this denomination. Non-Christian businesses accounted for approximately 4% of the businesses.

## 8.4 CULTURAL PROFILE OF MIZO FAMILY BUSINESSES

The study of culture is particularly significant in the context of family businesses because such businesses are composites of two components. The “business” component is primarily an economic component and lends itself to the same type of analysis as other types of economic activity. The “family” component, however, is socio-cultural construct which involves the social interaction and emotional linkages between family members and also involves culture specific behaviour and dynamics that varies from community to community. Entrepreneurs of the same culture share common values and perspectives, and are thus likely to interpret and evaluate entrepreneurial opportunities and situations in similar ways.

The nature of Mizo culture, as it exists today, is affected by various historical and socio-cultural factors which are very distinct from other parts of the country. These include its clan/family base, its community orientation, its non-hierarchical base and the strong influence of Christianity and the “protestant work ethic”.

The theoretical basis for empirical study of culture is the view that that groups of people (societies) are different due, in part, to their underlying cultures or values. If these values could be quantified in some way there would be a proper means of assessing cultural difference(s). In this context, an empirical study was conducted using the GLOBE framework which designed to psychometrically test cultural attitudes across dimension at the organizational and societal levels. The framework empirically scores cultures on a seven point scale on nine key cultural dimensions namely *Uncertainty Avoidance*, *Performance Orientation*, *Future Orientation*, *In-Group Collectivism*, *Institutional Collectivism*, *Humane Orientation*, *Gender Egalitarianism*, *Assertiveness* and *Power Distance* (House et al 2004).

*Uncertainty avoidance* is the extent to which a culture feels threatened by ambiguous, uncertain situations and tries to avoid them by establishing more structure. The study found that Mizos have high *uncertainty avoidance* scores compared to both India and the rest of the world . On a seven point scale, the MFBs score 5.3, which is a higher than the country average of 4.15 and also above the world average of 4.62. High *uncertainty avoidance* cultures feel a stronger threat from uncertain and unknown situations and have a stronger need to have rules, traditions and rigid cultural structures (Beamish, Bhardwaj, and Dietz, 2007). Thus according to the framework, MFBs would be more risk averse and would thrive in an environment with high regulation and structure. In terms of operational issues, high *uncertainty avoidance* manifested in mistrust in financial institutions, less emphasis on long term strategising compared to a high level of tactical planning. On the other hand, high *uncertainty avoidance* promotes more prudent and stable business practices promoting the longevity and prosperity of businesses.

*Performance orientation* quantifies a society's level of encouragement toward innovation, high standards, and performance improvement. With a score of 4.3 for MFBs, *performance orientation* is lower than the rest India (4.58) and nearly two points lower than the world average (5.94). This is not surprising considering the observations made about Mizo society regarding the orientation toward social relationships and community. Low *performance orientation* societies focus on the maintenances of societal and family relationships. These societies value societal harmony and respect an individual's standing in society more than his deeds. The value systems among MFBs remain traditional and community oriented embodying the characteristics of a low *performance oriented* culture.



*Future orientation* describes the degree to which a culture relies on planning for future eventualities and the extent to which a society gives priority on living in the present. The score on *future orientation* for MFBs of 4.20 is in line with the average for the rest of the country (4.19) which is significantly lower than the world average (5.58). Individuals in low *future orientation* societies tend to spend in the short term rather than save and immediate gratification is valued and expected. In such societies individuals separate material success and spiritual fulfillment and view them as goals requiring trade off. This suggests that MFBs managers have a low affinity to long term planning and are more focused on immediate tactical decision making. It is also unlikely that they will invest in businesses and projects that have a long payoff period. This may also reflect in the succession process of these firms. Firms with low *future orientation* tend not to have selected and/or groomed successors to the business.

*Collectivism* describes the degree to which a culture relies on and has allegiance to the self or the group. *In-group collectivism* describes the extent to which a culture distinguishes insiders and outsiders. It is "the degree to which individuals express pride, loyalty, and cohesiveness in their organizations or families" (House et al, 2004). With a score in *in-group collectivism* of 5.8 the MFBs surveyed scored higher than world score (5.66) but lower than the scores in the rest of India (5.92). However, there was not a huge difference in scores across the board. The high *in-group collectivism* score is unsurprising given the earlier observations on the community orientation and tribal roots of Mizo society. Mizo society remains based on various levels of strong social relationship ranging from the family unit, to the clan, to the veng (neighborhood), to the Kohran (congregation). In business operations this may manifest itself in strong bonds between co-workers, as well as between the owner and his employees.

There may be strong loyalty bases even with non-family members who have long associations with the firm.

*Institutional collectivism* measures the extent of trust people have in the community and institutions and their desire to conform to the norms of such institutions. It is "the degree to which organizational and societal institutional practices encourage and reward collective distribution of resources and collective action" (House et al, 2004). With a score of 5.2 in *institutional collectivism* it was found that MFBs scored much higher than both the rest of India (4.38) and the world (4.73). The high score here is also not surprising given the number of overarching social-cultural and political institutions like the YMA (Young Mizo Association) and the church. In Mizo society conformity to social and cultural norms is not only still applauded but is expected of individuals. In terms of business, a high score in this dimension also reflects the confidence that individuals have in the government and social institutions.

*Humane Orientation* refers to the level of empathy and care that society gives to its members. It is "the degree to which an organization or society encourages and rewards individuals for being fair, altruistic, friendly, generous, caring, and kind to others" (House et al, 2004). With a score of 5.5, MFBs scored favorably compared to the world average (5.42) and significantly higher than the scores for the rest of India (4.57). This may be a result of the close knit nature of the Mizo community and the expansiveness of family ties across the community. It may also be a manifestation of the Mizo ethos of *tlawmngaihna* which institutionalizes the putting of others before self in deed and in thought.

*Gender egalitarianism* refers to the level in which the genders are integrated and the treatment of women is positive. *Gender egalitarianism* is "the degree to which a collective minimizes gender inequality" (House et al, 2004). With a score of 4.80, MFBs score higher than the world average (4.51) and significantly more than the rest of the country (2.90). This may be a reflection of the inclusiveness of women in Mizo society as a direct result of higher literacy and the more egalitarian structure of society. While Mizo society is without doubt still a very patriarchal society, it is comparatively more gender equal than many other societies. In this research, for example a large number of firms were run and/or owned by women.

*Assertiveness* is "the degree to which individuals are assertive, confrontational, and aggressive in their relationships with others" (House et al, 2004). MFBs have a fairly high *assertiveness* score of 3.9 which is marginally higher than the world average (3.82) and that of the rest of India (3.73). In cultures with high *assertiveness*, competition, success, and progress are highly valued. Individuals are expected to take control of their social and physical environment. Communication is expected to be direct and unambiguous. Individuals are expected to and are encouraged to take initiatives at their level in their endeavors.

*Power Distance* is the degree to which a culture believes institutional and organizational power should be distributed (equally or unequally) and how the decisions of the power-holders should be viewed (challenged or accepted). With a score of 4.2, MFBs exhibit a significantly higher level of *power distance* compared to the world average (2.70) but significantly lower than the Indian score (5.47). This reflects that while Mizo society is much more egalitarian and flat compared to cultures of mainland India, there is still a significant power imbalance compared to other countries, particularly the cultures of the west. This

power distance is likely emergent from the fact that Mizo culture is at its origin an Asian family based structure where respect for elders, teachers and leaders is a cornerstone value. The ethos of *tlawmngaihna*, for example, expects deference and respect to elders.

## **8.5 SUCCESSION IN MIZO FAMILY BUSINESSES**

The term succession refers to the planned or unplanned transfer of leadership from the incumbent head of a business family to a successor. While the management of succession is a crucial process for all types of businesses, it is particularly so for family businesses. Studies have shown that worldwide only 30% of family businesses survive to the second generation, while fewer than 14% make it beyond the third generation (Bjuggren and Sund, 2001; Matthews, Moore and Fialko, 1999). The process of succession is particularly complex for family businesses because they are composites of two components. The “business” component is primarily an *economic* component which is overlain by the “family” component, a *socio-cultural* construct which involves the social interaction and emotional linkages between family members.

The operational characteristics of MFBs are influenced by Mizo cultural and social practices and norms. These influences are particularly strong in the process of succession as this process, as noted earlier, have a major social component at its core, namely the potential passing of leadership responsibilities to a new generation. The first factor is that the definition of family is very wide among Mizos, extending not only to direct descendents and siblings but to cousins, second cousins and even further to clan associations. Even non-family members who have a long-term association with the core family may be counted in the family fold and this association may continue to an extent to the descendents of these family retainers or allies. Second, the strong emphasis on *shared property* and *community*

*orientation* in Mizo society can affect the process of inheritance and property distribution. Third, traditional inheritance norms evolved from a largely rural and agrarian culture for the transfer of static property like land and can result in complications when adopted for the transfer of ownership in the process of succession in modern MFBs. Fourth, the patrilineal and patriarchal nature of Mizo society means that, not only is the father or eldest male the head of the family (and thus the primary decision maker and arbitrator) but also that the family line is traced through the males of the family and that property as well as name passes to the male heirs of a family. The final cultural catalyst is the influence of introduced western Christian (protestant) values and beliefs which engendered a culture that encouraged individualism, achievement orientation, rationality, frugality, and self-reliance.

The desire to ensure continuity of family control was shown to be strong among MFBs with more than 87% stating that they wanted the business to continue under the control of the current family. Only 12.5% of the respondents suggested they would consider changes in the ownership structure which did not necessarily include continuation of family control.

The optimal selection of a successor should be based on a systematic process operating on objective criteria and rational thought processes taking into account the business and familial needs of the family firm (Levinson, 1971). However, in the case of MFBs such procedures are not general followed. Only 23.9% of the businesses surveyed had put in place or conceptualized a process for formal transfer of ownership. The absence of these formal processes means that any succession would be prone to disputes among succeeding generations and vulnerable to legal challenges. This could make the succession process unstable and weaken the family's hold on the business.

While there was a strong desire to maintain family control there were little if any formal or even informal processes in place to ensure this continuity. Only 33% of the MFBs surveyed stated that a successor had been identified. Only 36% of the businesses that stated they wanted continuity had also identified a successor.

The lack of structured succession planning among MFBs is also made evident by the absence of any timetable for succession among a majority of them. If all businesses are considered, 95% admitted that there was no timetable of any kind for succession. Among businesses that stated that continuity was desired less than 5% had a timetable for the process of handing over. Even among businesses that had identified a successor, only 14% had a clear timetable for succession.

Very few of the businesses surveyed had plans for retirement for outgoing generations. Only 28% of businesses stated that they had formal plans to provide for the future of outgoing incumbents. Where provisions were made it took the form of silent shares in the business earnings, designated businesses to earn upkeep income or investments in land and other fixed assets.

## **8.6 MANAGEMENT PRACTICES OF MIZO FAMILY BUSINESSES**

In general the majority MFBs are still relatively small, both in terms of turnover as well as number of employees. Of the firms studied, over half had less than 10 employees and nearly 70% had less than 20 employees. Less than 12% of the firms had more than 40 employees. The *average* number of employees for firms stood at just 14 employees per firm.

Given the size of the businesses studied, it is unsurprising that only 5.8% had established a dedicated HR/Personnel department. With only 31.37% had designated a dedicated officer/manager for the human resource (HR) function to oversee the management of personnel within the organization.

Recruitment in the context of HR management is the process of seeking out suitable candidates for employment and encouraging them to apply for positions in the organisation. Selection involves a process by which these candidates are then screened to identify the most suitable persons for the organization. In family businesses this has to be done keeping in mind not only the business interests of the firm but also the family dynamics. Thus, it is important to have clearly defined selection and recruitment policies governed by well defined processes and clear criteria. However, only 45.1% of the Mizo Family Businesses had formal selection and recruitment procedures. Among these, very few had clearly defined and codified processes. Most of the firms studied, hired at an ad-hoc basis depending on the incidental needs of the firm rather than any planning or in adherence to growth policy. Larger family businesses were more likely to have established procedures. Of the businesses that had formal selection processes, 69% had turnovers of more than Rs.50 lakhs a year.

The predominance of informal linkages in the recruitment process in MFBs is evident in the methods employed to identify potential candidates. While 49% of businesses had employed some form of modern media in their recruitment process, more than 50% stated that they still relied on word-of-mouth as their *primary* source of recruitment. Even accounting for the fact that 75% of the firms stated that they used multiple methods and media for recruitment, the reliance on the informal networks is a strong indicator that traditional familial and social networks remain important.

Further, it was found that the process of selection was controlled closely by the incumbent family members with 70% of the businesses stating they did not consult non family members when hiring new employees. Even among those firms that had an established selection process, 56% of the firms did not consult with outside experts. Non-family members were usually involved in the selection when the post to be filled are technical in nature and selection is beyond the skill level of family members alone.

Compensation in a family business or the process of remuneration for both family and non-family employees who work in the firm is complex due to the social compulsion that govern the management of a family business. Allocation of reward needs to reconcile both the need to reward productivity and contribution as well as the need to satisfy the norms of fairness within the family.

It emerges that expenditure in terms of wages and salaries do not constitute a major component of the operation expenditure of MFBs. Of the firms surveyed, it was found that 42.8% of the firms spent less than Rs. 50000 in wages and salaries to employees. More than 77% of the firms stated that they spent Rs. 1 Lakh or less per month in wages. On average, for all firms the average expenditure on wages and salaries stood at Rs. **91326.53** per month. The average salary for employees of all classes stood at approximately Rs. 6500 per employee per month.

In terms of the percentage of the monthly budget that wages and salaries constitute in the business, it emerged that it constituted 10% or less for more than 50% of the businesses surveyed. On average, wages and salaries constituted just 9.77% of the monthly operation



costs of MFBs. The low figure likely to reflect the fact that a majority of the firms surveyed were engaged in primarily in retail and distribution. This coupled with a relatively low labour costs in general in Mizoram may explain the low wage levels.

As with recruitment and selection most MFBs did not follow professional compensation systems as one might find in formal corporations or government PSU. However, 74% of the firms followed at the very least rudimentary scales of equivalency to maintain equity among employees of similar skill, experience or functional roles.

The compensation for managerial and skilled staff in MFBs appears to be dependent on various factors but a primary factor was the management structure of the business. If the founder or the core nucleus of the family were active in the day- to- day operational activities of the firm, then the role of the manager was relegated to a secondary support role. Managers in this type of role earned significantly less with income as little as Rs 4000 per month even in some established companies surveyed. However, where the family involvement was more limited and operational management has been entrusted to professional managers the compensation was much more generous.

Due to the inherent conflict in mixing the principles of compensation in a family and that in a business, there is often difficulty in codifying and reconciling terms of compensation for relatives and non-family employees. Only 17% of MFBs stated that they had codified how family members would be compensated.

Appraisal is the objective assessment of an individual's contribution and worth that forms the basis of information upon which compensation, promotions and role definitions for an

employee is decided. Among the core HR functions the process of appraisal was least formalized among the businesses surveyed. While over 35% of the MFBs surveyed stated that they had an appraisal system in place this has to be qualified by the fact that the definition of appraisal system is taken in the loosest definition of the word. A majority of MFBs follow heuristics methods which depend on the incumbent manager's overall assessment of the employee. Further, of the firms that stated that they had an appraisal system in place, over 44% of the firms stated there was no direct formal link between this and the reward system of the business in terms of promotions and compensations.

The training system among the MFBs surveyed was dominated by informal on-the-job training. In most cases, the development of skills was organic, new employees with generalists over years of service developed specific skills to make their own niches. In such cases, the skill sets to be imparted to employees were not clearly defined. Only 54% of the MFBs had job descriptions for various posts which is a primary component of designing training programs. Of these only a small proportion had clearly codified skill requirements and consequently formal training requirements for the post. Only 47% of the businesses stated that they had planned training programs for family members who were employees.

As family businesses grow larger and the demands on management become more acute as they begin to rely on outside managers in technical areas such as operations management, specific production skills or accounting. However, strategic decisions are still taken by the nucleus of the family business and does not expand beyond the 'trusted' group except in rare cases. In businesses surveyed, there was some dichotomy in the stated policy of the

management and actual practices. A majority of incumbent managers stated that they knew that the hiring of family members involved inherent disadvantages and complexities. Over 62% of the MFBs stated that they would not give preference to family members when filling positions, however, family members represented 24.5% of the average workforce or nearly a quarter of the total employees.

Outsiders are included sparingly when the role involved sensitive functions. For example, only 17% of the MFBs had non-family in house book keepers or accountants and only 18% of the MFBs employed non-family managers to oversee their operations.

Strategic planning refers to the process of developing a strategy for profitable growth as well as sustainability of the firm over a given time period drawing on insights on the company and the environment in which the company operates. Strategic planning provides a systematic way of assessing past business practices and opening the way for choosing new alternatives. Strategic planning in the truest sense of the word is not well developed among MFBs. However, while structured planning is only implemented on a limited scale, it is evident that need for some long term is recognized by the companies surveyed. Among the MFBs surveyed, 41% said some sort of planning process was in place, though in the course of this study the scope of what this entailed was extended to the most general terms. Only 35% of MFBs indicated they had a Family Vision or plan that the business was pursuing. Further, only 38% of MFBs stated that they regularly reviewed and assessed the progress of the MFBs in pursuit of its goals. Among those that stated that systematic planning took place, only 50% of these carry out systematic reviews of their plans.

Of the businesses studied, 75% expected to expand significantly in the medium term (5-10 years). Further, more than 41% of the MFBs also stated that they expected to diversify into

other areas other than their core business. Of these, a majority were MFBs with a higher turnover which had achieved some level of stability and had achieved a certain level of saturation in their existing market. Of the MFBs that were planning to diversify 52% had turnovers of Rs.50 Lakhs or more. Amongst all MFBs, 37% had plans to both expand as well as to diversify in the medium term. Given that 92% of the incumbents and founding managers have **no** formal education in management, or commerce, 31% had employed consultants for long term planning.

The management of the company's financial resources is a core activity and is an important aspect of business research. Among the MFBs studied, over 60% indicated that some financial planning was carried out and that medium or long term financial goals were laid out. In terms of sources of funds, both operational and long term capital, 70.6% stated that they had availed of some form of bank loans to finance their business reflecting the fact that MFBs have greater access to bank credit especially in the case of the established families. A majority of MFBs stated that they were not availing of government subsidies with only 18% stating that they were being subsidized under one government scheme or another.

Among the MFBs surveyed, 84% reported that they publish regular periodic reports on the finances of the company. Of these, 62.2% consisted of larger MFBs with turnovers of over Rs.50 lakhs. In terms of the types of reports, a majority stated that they used their balance as the primary basis for their financial planning. The most common form of reports were the firm's own report formats designed specifically for the businesses in question. Most of the MFBs studied used multiple forms of reporting to serve their planning needs.

In the study, the MFBs were asked to review their financial performance in any broad criteria based on the various reports generated by them. It was found that 30.43% of the MFBs felt that over the last five years their performance had exceeded their expectations.

## **8.7 SUMMARY OF CONCLUSIONS**

- Mizo family business are and in a stage of flux, rooted in strong community traditions but are also influenced by modernization and endowed with progressive social development of a modernizing society.
- Education, modernization and economic growth are having a strong influence on how family businesses are being structured and being run. In many indicators, the cultural profile of the MFBs differ from the Indian norm and align more to more progressive norms similar to East Asian and even western countries
- In terms of succession, all family businesses had a strong desire for continuity within the family but very few businesses had a clear strategy or plan to achieve this. Fewer still had a formally planned processes in place to achieve this. Transfer of business was incidental, occurring due to the infirmity or death of the incumbent owner.
- Most businesses had not taken the initial step of identifying successors or set up systems to transfer ownership or had a clear timetable for succession.
- Where there was some grooming of successors the priority was in maintaining family balance and meeting family needs rather than one driven by business needs.
- Successors may be groomed to develop familiarity and competence in the business but their advent as future owners of the business is not bound by a specific timeframe.
- The main observations that can be noted about management practices in MFBs is that they are in a state of evolution. Patterns of management are developing under the influence of various factors, some common to family businesses in general, others

specific to the Mizoram. In terms of the former, Mizo Family Businesses have to address the duality of managing businesses of this type, namely reconciling the objective, "bottom line" needs of the business with the social demands of the family it is built around. In this, the challenges of effective management are made complex by the unique characteristics of doing business in Mizoram. These include the very strong social and community linkages among Mizo, a market that is in constant flux and the handicap of being in the geographic and economic periphery of the nation. The management practices that exist today are a result of the constraints that are defined by social and economic realities of Mizoram. In this regard, many managing practices may seem less developed compared to modern norms. While this may be true to an extent, and there is certainly room for optimization even in the current context, the current systems exist because they work for the organizations that employ them and are adequate for their current needs.

- Human Resource Management in MFBs is characterized by informal systems and the setting up of formal HR structures is still in its nascent state. Because MFBs are still relatively small and also because the management of people has deep ramifications in the Mizo context, its management is usually taken up by the incumbent head of the family as one of family business.
- One of the HR areas where families tend to exert most direct control is in recruitment and selection. This is because the addition of new employees can have a very direct effect on the structure and dynamics of the family unit, this is because new employees in MFBs are in effect new additions to the wider family unit. In seeking out new employees, MFBs still rely on their informal networks to identify and yet potential employees.

- Compensation systems are varied across different types of businesses but are generally more formalized than other HR areas. Statutory requirements and market norms are an important factor in this formalization.
- Appraisal systems are not well-developed and are dominated by the employment of heuristic systems rather than modern systems with well-structured criteria and processes for assessment. In many instances there were no linkages between appraisals and rewards. Similarly training in the businesses studied were dominated by informal unstructured transfer of skills and occurred mainly ad hoc manner. Only in specific industries and among a limited number of firms, there was a formal, scheduled training as a standard practice.
- MFBs expressed a stated policy not to show preference to family members to meet its employment needs, however a closer study showed that this was not consistent with actual employment patterns. On average a quarter of the workforce were family members. In addition, most vital management positions were held by family members. This may be, however, due mainly to practical reasons rather than a clear agenda of family control as many firms are small and the family is a pool of skills. Non-family employees were prevalent where the work entailed specific experience or talent.
- The research showed that while most MFBs have a clear future outlook, there was limited strategic planning to meet future goals. A majority of businesses expected expansion and many planned diversification in the medium term but few had clear plans or timetables to achieve this. However, most firms realised the need for planning and had taken steps like the hiring of consultants in this regard.
- A majority of firms stated their intentions to maintain family control of the business, however, very few had put either formal or informal succession planning systems in

place. Most firms had not taken the initial step of identifying successors or set up systems to transfer ownership. Very few businesses have a clear timetable for succession. In most cases, grooming of successors was a family dominated activity rather than one driven by business needs.

- There was limited scope to study the financial practices of firms, as most businesses were secretive about their specific activities. It was found that due to statutory requirements as well the internal need to manage resources most firms had fairly well developed financial systems. Many generated one or more regular financial reports and financial planning was a feature of most of the established firms.
- While making the above observations it should be noted that these patterns and practices of management are not static. As MFBs become more modernized and integrated into the "mainstream" economy they are adopting norms and practices of modern management more and more. Within this context of succession, MFBs are moving away from ad hoc traditional practices and structures and are becoming more systematic and formalized.
- However, as businesses begin to grow both in terms of scope and sophistication, formal systems are emerging in some firms, albeit to a limited scale.

## **8.8 RECOMMENDATIONS**

### **8.8.1 GOVERNANCE**

- MFBs still lack formal governance structures even for most established firms. This will hamper effective business as it robs the organization from having predictable and controllable systems to resolve conflicts, effectively plan for strategic growth and expansion.



- In addition separating the ownership from the management from the family while making effective decisions for the business as a whole is a major issues for all family businesses.
- MFBs need to set up formal governance structures for the three components of the family business namely the family, the ownership and the business management.
- In the family sphere, as mentioned in earlier chapters, family conflicts are a major reason for the failure of family businesses especially in the second generation onwards. Family businesses must recognize that managing the diverse opinions and views of other family members is an important priority for the business. Clearly defined roles in decision-making while having a forum for collective inputs will ensure this is achieved.
- Consequently even the youngest family and smallest businesses need to establish *Family Forums* or *Family Assembly* held at predictable schedules intervals to review the progress of the business and its performance in terms of fulfilling family needs. These forums need to have a wide membership so all the family stakeholders both those who are active and inactive in the business are represented. These forums need to be established so that ideas can be shared productively and the potential for dissonances and conflict is minimized. It should also be a forum in which the values and ideals of the family can be reinforced. This should be backed up by formal reports and review documents so all members are informed and aware of the business equally.
- In larger families the business needs to elect a family council with its most senior and active members to represent the family, this council should have a clear mandate and be selected to represent the requirements of all family members while still keeping the

business interest in mind. The members should be trained or have the necessary experience and motivations to make these decisions.

- In the ownership sphere, the Board of Governors of the firms should evolve from simply being a paper board. The Board should not be just a administrative or legal formality used to rubber stamp the decisions of the owner but rather act as a counterbalance to these bodies so better decision can be made for the firm.
- Even when there is no outside ownership in the business, the Board should contain some non-family members to ensure that differing points of view are presented in the apex level of decision making. These members should of course have the requisite qualifications and/ or experience to make informed decisions but should be able to add a perspective that is unfettered by family loyalty or family vested interest.
- The larger MFBs should additionally have an *Advisory Board* of experienced members to give legal, technical and administrative advice to enhance decision making. If possible members of the government may be involved at an official level to give an added perspective.
- In the business management sphere, there should be senior management meetings at a regular basis to discuss operational issues. If possible, The Board of Management should be constituted with members with technical and business experience as well as those core managers within the company.
- If possible a document should exist to guide the running of the business in the form of rules and also to protect the rights of family stakeholders in the form of a family constitution.

### 8.8.2 SUCCESSION

- Succession systems in MFBs remain ad hoc and unsystematic despite the fact that continuity is desired. While it is healthy and desirable for families to want to integrate the next generation of family members into the business, this is not being done in a systematic manner.
- A majority of family businesses have not identified family members who will be the successors to the business. This must be the first step in ensuring continuity of the business. In larger firms, ideally this may be done in a stage by stage process where a pool of successors are first identified and then screened as they get more and more involved in the business.
- Ideally a systematic system of selecting successors may be put in place. These may be minimum educational qualifications, experience within or outside the company as well as a review of their attitudes and desires. In this regard, the succeeding family members need to be encouraged to join the family business but should not see this as an inherited entitlement which will come to them without any effort on their part. This can be best achieved by having a pool of successors as mentioned earlier to ensure that some competition exists and also to provide the business with a choice of candidates.
- After the successors are identified, mentoring and developing them is crucial for the success of MFBs. If these ascend to leadership positions because of the family connection without the requisite skills and qualities this will make the businesses vulnerable. Therefore, these businesses must train and provide experience to take up effective leadership positions in the business. In addition to technical skills, the candidates should be given formal roles in the business to learn its functioning and intricacies. Ideally they should be mentored in their roles but also assessed in their

performance to give feedback and improve their skills. This should be done by non-family members who are not burdened by any positive or negative family interest with regard to the candidates.

- The skills that are acquired by the candidates should involve different aspects of the business that will allow them to not only understand all aspects of the business but also augment or improve on the skills of their predecessors.
- MFBs have no timetable for handing over of business to successors, with succession being ad hoc resulting from the death or infirmity of an incumbent owner. There should be a clear timetable for succession to take place and a formal process to meet this timetable. This may again be in phases with the successor being given more and more responsibilities and the incumbent being less and less involved till a date of final transition. This will allow the business to adapt to new leadership at all levels.
- There should ideally be a plan in place to provide for the incumbent managers after they retire from their roles. These may be pensions or retirement funds of some sort or a silent share in the business.

### **8.8.3 MANAGEMENT PRACTICES**

#### HUMAN RESOURCES

- Like any other organization, MFBs need to attract and retain the right talent. In a competitive world this is precluded by having systematic and effective human resource practices in place.
- Human resource policies in MFBs are generally informal and done by heuristic or instinctive method or by following unwritten norms in the local industry. This may cause problems as these businesses become bigger and more expansive . This lack of

professionalism may result in talented non-family employees and managers choosing not to work for these businesses.

- In recruitment, the MFBs need to adopt more formal methods to identify and attract the best talent to their businesses. Clear job descriptions with identification of roles and activities for the posts need to be in place to identify the qualification, experience and personal qualities of staff to be employed. Formal channels of attracting candidates like formal media should take precedence over the word-of-mouth method that a majority of business firms employ currently. It is recommended that outside experts be consulted or employed in the recruitment process.
- Selection of new employees in family businesses is overwhelmingly controlled by the family and this may not yield the best results. A majority of MFBs do not involve non-family members in recruiting and those that do tend to do so only at an advisory level. In addition, these processes are informal and not always systematic. A system of screening, testing and finally employing employees needs to be adopted. Moreover, non-family experts including non-family supervisors in the business should be involved in the selection process at some stage, even if the family reserve the right of final selection.
- Ideally selection of family members in the family business should also be formally done to assess their skills and qualities so they are fitted to the right roles and any shortcomings that need to be addressed are identified.
- Training should also be formalized in family businesses with trainers either being employed from outside the business or trainers being designated from within the family business. These trainers apart from being experienced in the family business should themselves be trained in being trainers so they can effectively pass on the required skills and qualities to new employees. Clear documentation should exist

about the skill requirements for each job so that training can be effective. These should be reviewed periodically to keep up with the growth of the business.

- Training systems for family members should also be in place so that they can contribute productively to the firm and not just enter the firm due to their family connections.
- Compensation should be systematically worked out by MFBs. Outside consultants may be employed to make a scale of compensation that suits the needs of that family business.
- Appraisals are often not done systematically in MFBs. This means that compensation and promotions may not be in sync with the performance of employees. A formal appraisal system should be in place to review performance and identify shortcomings or reward good contributions.
- Appraisal of family members who are employees should be carried out objectively to address their shortcomings or to gauge their readiness to take up higher positions in the family business.
- Preference for family members cannot be avoided in a family business due to its nature and family employees have many advantages like loyalty which may be desirable. However, non-family talent could be reluctant to join the family businesses if they would not enjoy the same opportunities and freedoms that the other organizations offer.
- MFBs need to adopt formal policies that balance family and business interests and also give non-family employees to advance and benefit from the firms growth.

## PLANNING

- While most MFBs had a vision for growth and expansion, none had a systematic way of clarifying and implementing these operationally.
- A formally laid down vision and growth strategy needs to be made even for the most modest family business clearly articulating targets and goals and the resources and actions needed to achieve these.
- Based on these plans, family businesses need to assess whether they have the right resources, people and equipment to meet these goals and take remedial measures if necessary.
- Family businesses like their corporate counterparts need to review, assess and if required redefine their strategies and goals at periodic intervals.

## 8.9 CONCLUSIONS

MFBs like other family businesses in other parts of the world need to allow for the reality that family size may outgrow the growth of the business. While the GSDP of Mizoram is growing fast, as observed in earlier chapters, competition within Mizoram is also increasing. So individual family businesses may not be able to give shares in the family business to all family members especially in the third or fourth generations. It may therefore not be desirable or even practically possible for all family members to be involved in the business. MFBs need to ensure only committed, qualified and productive family members are allowed to join the firm.

Family MFBs need to devote more time and resources on entrepreneurship to take advantage of new opportunities that are emerging and to ensure growth and innovation in existing operations.

They need to adopt new technological advancements and management strategies to remain competitive. They need to be aware of the changing industry dynamics in their chosen fields, adapt to the new technological advancements and/or bring in new technologies to enhance the quality of products and services.



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# **ANNEXURES**

## ANNEXURE 1: General Questionnaire (English)

Dear Sir/Madam,

Thank for cooperating with us in conducting this research. This questionnaire has been designed with the purpose of studying the nature of business in Mizoram. It will be part of a doctoral research under the supervision of Mizoram University. We hope that the findings from this research will contribute to improving our knowledge of commerce in Mizoram. We guarantee that this study is not conducted for any commercial purpose and is meant exclusively for academic research

We guarantee that any information you give us will remain strictly confidential and no part of the information you give us will shared with any other individual or organization. We guarantee that no part of this questionnaire will be directly published and no information about you or your organization will be made public without your written consent.

Samuel Lalnunzira  
Research Scholar  
Mizoram University

For Office Use only (Please do not Fill)			
Ref No	GEN-EN-	Date of Issue	
Surveyor ID		Date of Receipt	
Comments/ Observation:			

**SOCIO ECONOMIC INFORMTION****Name of Respondent:****Date of Birth :**

Day

Month

Years

**Gender:** Male  Female**Place of Birth:**

City /Village

District

State

**Native to Mizoram:**  Yes  No**Ethnic Background:****Religion/Denomination** Presbyterian Catholic church Salvation Army Seven Day Adventist Methodist Baptist Church UPC (NE/Mizoram) Other Christian Hindu Muslim Judaism Other: \_\_\_\_\_**Level of Education:** No Education Middle School (Cls.4-9) High School (Class 12) PhD Primary Education (Cls 1-4) Matriculation (Class 10) Graduate (BA,BCOM etc) Post Graduate (MA, M.Sc.)**Have you studied outside Mizoram?**  Yes  No**Commerce /management degree?**  Yes  No**Father's Education:** No Education High School (Class 12) (Class Primary Education (Cls 1-4) Graduate (BA,BCOM etc) Middle School (Cls.4-9) Post Graduate (MA, M.Sc.) Matriculation (Class 10) PhD**Mother's Education:** No Education High School (Class 12) (Class Primary Education (Cls 1-4) Graduate (BA,BCOM etc) Middle School (Cls.4-9) Post Graduate (MA, M.Sc.) Matriculation (Class 10) PhD

## ORGANIZATIONAL INFORMATION

<b>Name of Business:</b>	<b>Address</b>	
<b>Date of Establishment :</b>	<b>Are You the founder of the business?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No	
Day                      Month                      Years	<b>Business Founder:</b>	
<b>Business Type:</b> <input type="checkbox"/> Retail <input type="checkbox"/> Distribution/Agency <input type="checkbox"/> Wholesale <input type="checkbox"/> Manufacturing <input type="checkbox"/> Service <input type="checkbox"/> Other _____		
<b>Main area(s) of Business/ Products:</b> (If you are engaged in more than one business please list down all)		
<b>How did the current owners acquire their ownership interest?</b>		
<input type="checkbox"/> Started the business <input type="checkbox"/> Inherited the business <input type="checkbox"/> Bought the business from a relative <input type="checkbox"/> Bought the business from an (non-family) third party. <input type="checkbox"/> Received the business as a lifetime gift (Marriage etc)		
<b>Which generation currently leads the business?</b>		
<input type="checkbox"/> First Generation <input type="checkbox"/> Second Generation <input type="checkbox"/> Third Generation <input type="checkbox"/> Fourth Generation of later		
<b>As you think about the future of your company, what are the greatest challenges that you face?</b>		
<input type="checkbox"/> Leadership and Management <input type="checkbox"/> Change in Market <input type="checkbox"/> Maintaining Product or service quality <input type="checkbox"/> Availability of Capital <input type="checkbox"/> Competition <input type="checkbox"/> The Slow Economy <input type="checkbox"/> Availability of good employees <input type="checkbox"/> Industry change <input type="checkbox"/> Labor Cost Other: _____		
<b>Indicate which of the roles, if any, are filled by the individuals listed (you can tick more than one):</b>		
You	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other:
Spouse (Husband/Wife)	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other:
Parent	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other:
Grandparents	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other:
Children	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other:
Sibling (Brother Sister)	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other:
In laws	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other:
Cousins	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other:
Aunts/Uncles	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other:
Professionals	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other:
	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other:
	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other:
<b>Who is your most trusted advisor in running the family business?</b>		
<input type="checkbox"/> Accountant <input type="checkbox"/> Spouse <input type="checkbox"/> Manager <input type="checkbox"/> Banker <input type="checkbox"/> Fellow Businessmen <input type="checkbox"/> Parents    Others: _____		

## ANNEXURE 2: General Questionnaire (Mizo)

Ka pi/ka pu,

He research hlawhtlinna atan hian in mi puihna a hmasa in ka ngen a ni. Heng zawhna-te hi Mizoram chhunga sumdawwna kan kal pui dan chiang leh zawk a phawkchhuak tur a ruah hman leh **Mizoram University** kaihruaina hnuai a doctorate degree nei tur a ka thil zir mek a ni e. Heng kan research hna te hi mimal hlawkna tur ni lovin, Mizoram a sumdawwna thazawk a kal pui dan zawn chhuah tumna tan liau liauvaa ruahman a ni tih min hriatpui tur in ka duh bawk a che u a ni.

Heng zawhna in rawn chhanna te hi **CONFIDENTIAL** anga treat a ni anga, in phalna leh remtihna la hmasa lo chuan tu hnenah ah mah mimal information pekchhuah emaw publish(chhut chhuah) a ni lovang.

Samuel Lalnunzira  
Research Scholar  
Mizoram University  
Department of Commerce

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Ref No	GEN-MZ-	Date of Issue	
Surveyor ID		Date of Receipt	
Comments/ Observation:			

## SOCIO ECONOMIC INFORMATION

**Chhangtu Hming:**

**Pianni/thla leh kum:**

Ni                      Thla                      Kum

**Chhangtu nihna:**

Mipa    Hmeichhia

**Pian leh murna:**

Khua                      District                      State

**Mizoram a awmrei hun chung:**

Kum 1 tlinglo       Kum 1 atanga 5       Kum 5 atanga 10       Kum 10 atanga 20  
 Kum 20 atanga 30       Kum 30 ai a tam

**Mizoram mi leh sa/ ram leilung**

**fa I ni em?:**    Ni    Ni lo

**Category:**

ST  
 SC  
 OBC  
 General

**Hnam:**

**Eng Sakhua/Kohran nge I nih?**

Presbyterian       Catholic church       Hindu       Sikh  
 Baptist Church       UPC (NE/Mizoram)       Muslim       Jain  
 Salvation Army       Methodist       Buddhist       Judaism  
 Seven Day Adventist       Kohran Dang: \_\_\_\_\_       Sakhua Dang: \_\_\_\_\_

**Eng tia rei nge eizawng in hna  
I thawh tawh?**

Kum 1 tlinglo       Kum 1-5  
 Kum 5-10 yrs       Kum 10-20  
 Kum 20-30       Kum 30 aia tam

**Khawi hmun ah nge  
I thawh tawh?**

**Lehkha thiansan zawng:**

Lehkha zir lo hrim hrim       High School (Class 12)  
 Primary Education (Cls 1-4)       Graduate (BA,BCOM etc)  
 Middle School (Cls.4-9)       Post Graduate (MA, M.Sc.)  
 Matriculation (Class 10)       PhD

**Mizoram Pawn a zir thin I ni em?**

Ni    Ni lo

**Commerce/ management ah Degree I nei em?**

Nei    Nei Lo

**I Pa(Father) Lehkha thiansan zawng:**

Lehkha zir lo hrim hrim       High School (Class 12) (Class  
 Primary Education (Cls 1-4)       Graduate (BA,BCOM etc)  
 Middle School (Cls.4-9)       Post Graduate (MA, M.Sc.)  
 Matriculation (Class 10)       PhD

**I Nu(Mother) Lehkha thiansan zawng:**

Lehkha zir lo hrim hrim       High School (Class 12)  
 Primary Education (Cls 1-4)       Graduate (BA,BCOM etc)  
 Middle School (Cls.4-9)       Post Graduate (MA, M.Sc.)  
 Matriculation (Class 10)       PhD

## ORGANIZATIONAL INFORMATION

<b>Name of Business:</b>	<b>Address</b>	
<b>Date of Establishment :</b>  Day                      Month                      Years	<b>Are You the founder of the business?</b> <input type="checkbox"/> Yes <input type="checkbox"/> No <b>Business Founder:</b>	
<b>Business Type:</b> <input type="checkbox"/> Retail <input type="checkbox"/> Distribution/Agency <input type="checkbox"/> Wholesale <input type="checkbox"/> Manufacturing <input type="checkbox"/> Service <input type="checkbox"/> Other _____		
<b>Main area(s) of Business/ Products:</b> (If you are engaged in more than one business please list down all)		
<b>How did the current owners acquire their ownership interest?</b> <input type="checkbox"/> Started the business <input type="checkbox"/> Inherited the business <input type="checkbox"/> Bought the business from a relative <input type="checkbox"/> Bought the business from an (non-family) third party. <input type="checkbox"/> Received the business as a lifetime gift (Marriage etc)		
<b>Which generation currently leads the business?</b> <input type="checkbox"/> First Generation <input type="checkbox"/> Second Generation <input type="checkbox"/> Third Generation <input type="checkbox"/> Fourth Generation of later		
<b>As you think about the future of your company, what are the greatest challenges that you face?</b> <input type="checkbox"/> Leadership and Management <input type="checkbox"/> Change in Market <input type="checkbox"/> Maintaining Product or service quality <input type="checkbox"/> Availability of Capital <input type="checkbox"/> Competition <input type="checkbox"/> The Slow Economy <input type="checkbox"/> Availability of good employees <input type="checkbox"/> Industry change <input type="checkbox"/> Labor Cost Other: _____		
<b>Indicate which of the roles, if any, are filled by the individuals listed (you can tick more than one):</b>		
You	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other: _____
Spouse (Husband/Wife)	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other: _____
Parent	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other: _____
Grandparents	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other: _____
Children	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other: _____
Sibling (Brother Sister)	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other: _____
In laws	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other: _____
Cousins	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other: _____
Aunts/Uncles	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other: _____
Professionals	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other: _____
	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other: _____
	<input type="checkbox"/> Director <input type="checkbox"/> Owner <input type="checkbox"/> Manager <input type="checkbox"/> Employee <input type="checkbox"/> Silent Partner <input type="checkbox"/> None	Other: _____
<b>Who is your most trusted advisor in running the family business?</b> <input type="checkbox"/> Accountant <input type="checkbox"/> Spouse <input type="checkbox"/> Manager <input type="checkbox"/> Banker <input type="checkbox"/> Fellow Businessmen <input type="checkbox"/> Parents Others: _____		



### ANNEXURE 3: Cultural Value Questionnaire (English)

Dear Sir/Madam,

Thank for cooperating with us in conducting this research. This questionnaire has been designed with the purpose of studying the nature of business in Mizoram. It will be part of a doctoral research under the supervision of Mizoram University. We hope that the findings from this research will contribute to improving our knowledge of commerce in Mizoram. We guarantee that this study is not conducted for any commercial purpose and is meant exclusively for academic research

We guarantee that any information you give us will remain strictly confidential and no part of the information you give us will shared with any other individual or organization. We guarantee that no part of this questionnaire will be directly published and no information about you or your organization will be made public without your written consent.

Samuel Lalnunzira  
Research Scholar  
Mizoram University

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Ref No	CQB-EN-	Date of Issue	
Surveyor ID		Date of Receipt	
Comments/ Observation:			

# Cultural Value Questionnaire

## Introduction

In the following pages, you are asked to choose a number of statements that reflect your beliefs, your values and your perceptions. This is not a test so there are no right or wrong answers but we are very interested in ascertaining your views and opinions about various aspects of society. Please note that your views will never be publicized or linked to you, so you are encouraged to answer as candidly as you can.

## Instruction

The type of question asked in this section how much you agree or disagree with a particular statement. An example of this kind of question could be:

Question	Strongly Agree	Agree	Some what Agree	Do Not Agree or Disagree	Some what Disagree	Disagree	Strongly Disagree
The weather in Aizawl is better than the weather in Delhi.	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

In this example there is no right or wrong answer but you probably have an opinion about this question. If you are completely convinced that the weather in Aizawl is actually better than in Delhi then you will tick the box under “Strongly Agree”. If you are not very sure you might tick “Do Not Agree or Disagree”. If you feel that the weather in delhi better then you would tick “Strongly Disagree”.

It is estimated that this part of the survey will take around 20 minutes to complete.

	Question	Strongly Agree	Agree	Some what Agree	Do Not Agree or Disagree	Some what Disagree	Disagree	Strongly Disagree
1	Orderliness and consistency should be stressed, even at the expense of experimentation and innovation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	In business people should be encouraged to be aggressive.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	To be successful it is more important to plan ahead rather than to react to situations	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	A person should have more authority if he has talent and ability rather than experience.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	In this organization, people should be encouraged to be assertive.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Loyalty to an organization is more important even if an individual has to suffer.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7	Meetings and committees should be planned in advance (2-3 weeks) and not ad hoc.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8	People should be encouraged to be concerned about others.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9	Employees should take pride in the achievements of their boss.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10	Bonus and benefits should be designed to benefit the organization more than the individual.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11	People should be encouraged to be tough and disciplined.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12	In organization, employee should obey their boss without question.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13	Employees should be ready to continuously change and improve.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14	Structured and predictable work is better than constant change and excitement.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15	Professional development and training is more important for men rather than women.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
16	In Promotions and benefits seniority should be looked at before talent and ability.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17	Job requirements and activities should always be spelled out beforehand.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18	Innovation and change should be rewarded above everything else.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19	In an organization, people should be generally sensitive to others,	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Question	Strongly Agree	Agree	Some what Agree	Do Not Agree or Disagree	Some what Disagree	Disagree	Strongly Disagree
20	People should take pride in the achievements of others in their group.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21	Managers should allow subordinates to make decisions and share authority rather than telling them what to do.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22	Organizations would be better managed if more women were involved.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23	It is right that people with rank and position should have special privileges and benefits.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24	People should always be loyal to their organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25	Being accepted by others is an important issue for people in organizations.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26	It is very important that people in other organizations look favorably on your organization	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27	People should worry more about solving crises in the present rather than planning for the future.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28	It is very bothersome is someone from outside makes negative statements about your organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29	People in organizations should be tolerant of mistakes.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
30	People should set challenging goals for themselves rather than settling for stability and comfort.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
31	Managers and not employees should make important decisions about an organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
32	It is a waste of time to try to make find a consensus in my organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
33	When there is a disagreement between managers and employees, the organization should go with what the manager says.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
34	People should take great pride in working for an organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
35	In organizations more management opportunities should be available to men than women.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
36	In organizations people work better on tasks in groups rather than concentrating and focusing their efforts as individuals.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
37	It's worse for man to fail in his job than for a woman to fail in her job.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### ANNEXURE 3: Cultural Value Questionnaire (Mizo)

Ka pi/ka pu,

He research hlawhtlinna atan hian in mi puihna a hmasa in ka ngen a ni. Heng zawhna-te hi Mizoram chhunga sumdawwna kan kal pui dan Chiang leh zawk a phawkchhuak tur a ruah hman leh **Mizoram University** kaihhruaina hnuai a doctorate degree nei tur a ka thil zir mek a ni e. Heng kan research hna te hi mimal hlawkna tur ni lovin, Mizoram a sumdawwna thazawk a kal pui dan zawn chhuah tumna tan liau liauvaa ruahman a ni tih min hriatpui tur in ka duh bawka a che u a ni.

Heng zawhna in rawn chhanna te hi **CONFIDENTIAL** anga treat a ni anga, in phalna leh remtihna la hmasa lo chuan tu hnenah ah mah mimal information pekchhuah emaw publish(chhut chhuah) a ni lovang.

Samuel Lalnunzira  
Research Scholar  
Mizoram University  
Department of Commerce

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Ref No	CQB-MZ-	Date of Issue	
Surveyor ID		Date of Receipt	
Comments/ Observation:			

## Cultural Value Questionnaire

### Thuhmahruai:

Heng kan zawhna te hi mimal ngaihdan leh pawmdan ani a, dikber a awm lova diklo a awm hek lo; amaherawhchu, nangma ngaihdan I rawnpholan hi kan hriat duh ber chu a ni tih hria a I rilru putdan dik taka min rawn chhan sak turin ka ngen a che a ni. Heng I chhanna te hi tu hnenah mah hriattir a ni lovang.

### Kaihhruaina:

Heng I chhanna te hi dik nia I hriat dan leh pawm theih chin emaw I pawm loh dan he tiang hian chhan tur a nia e.:

Question	Za-ah-za ka pawm	Ka pawm	Ka pawm deuh tho	Ka pawm lova ka pawmlo hek lo.	Pawm chiah lo	Pawm lo	Pawm lo bur
Aizawl khawchin (weather) hi Delhi ai chuan a tha/nuam zawk:	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Entirna ang hian I ngaihdan leh pawm dan ang in box ah I tick(thai) mai dawn nia. Minute 20 chhung vel a chhan zawh theih tur a ruahhman a ni e

Question	Za-ah-za ka pawm	Ka pawm	Ka pawm deuh tho	Ka pawm lova ka pawmlo hek lo.	Pawm chiah lo	Pawm lo	
						Pawm lo	bur
1 Hna chu felfai leh tihdan phung pangai chhunzawma thawhtur. Enchhin leh thilthar hmuhchuhah tum ai pawn.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2 Sumdawna ah chuan chuhhelh, chuhchak leh awmkhauh nih a ngai.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Hlawhtling tur chuan chawpchilh a thil buaipui chuk chuk aiin lo ruahman lawkna felfai tak neih a tha zawk.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Hnathawktu chu mi dang te aia talent leh ability (theihna leh thilthiambik) a neihchuan midang experience (tawnhriat) lo neizawk te ai pawn thuneihna a neitam zawk tur a ni.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Sumdawna a thawkte chu mahni inrintawka,rilru paukhauhna nei leh namnul mai mai theih loh ni turin fuihna leh zirtirna pek tur a ni.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6 Hnathawhna hmun leh mahni ruaitu lak a rin awm hi hnathawktu tan chuan a pawimawhber atana hremna,tuarna leh channa thlen theihna thil pawh ni mahse.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7 Meeting-te leh Committee-te chu karhnih-thum hmalam ah lo ruahman fel dim diam tur; chawpchilh tak a ruat chawp loh tur.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8 Hnathawkte chu an thian,thawhpui leh midangte hmakhua ngai turin fuihna pek tur.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9 Hnathawkte chuan an Pu ber (boss) hlawhtlinna leh thiltih te an chhuang tur a ni.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10 Lawmman chuangliam(bonus) leh eng emaw hamthatna dang awm thei te hi mimal kut a lut lovin Company hmasawn nan ruahman zawk tur.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11 Hnathawkte chu discipline nei thatur leh tuarchhel turin zirtirna leh fuihna dawntir tur.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12 Sumdawna hmun(company) ah chuan Pu ber(Boss) chu all-in-all, a thu chu thu tawp a ni.Hnathawkte chuan Pu ber thusawi apiang chu engmah zawt lovin an zawm mai tur a ni.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13 Hnathawkte chu engmai pawh in rilru in hawng takin thil a lo danglam anga inthlak danglam leh hmasawntum hmalak an in huam tur a ni.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14 Ruahman lawk sa leh a bu ang thlap a hnathawh hi chidang deuh, hlimawm zawk leh chin dan thar tha awlsam zawk a awm pawn a tha zawk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
15 Eizawna leh hnathawhna atan a hmasawna tur a training hrang hrang neih te hi hmeichhia te tan aiin mipa te tan a pawimawh zawk.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Question	Za-ah-za	Ka	Ka	Ka	Ka	Pawm	Pawm
		ka pawm	pawm	pawm deuh tho	pawm lova ka pawmlo hek lo.	chiah lo	lo	lo bur
16	Kaisanna leh hamthatna tur thil ah chuan mibik leh thilthiambik neite ai pawn hnathawk senior zawk te kan ngaipawimawh zawk tur a ni.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
17	Hnathawhdan tur, hna in a mamawh leh hna kalhmang te chu hna tan tak tak hma in hrilhfhah/ sawi vek zel tur.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
18	Thilthar hmuchhuak thei leh thil a tha zawng a thlak danglam thei te chu an theihna leh hlawhtlinna te thil dang zawng aiin kan dah pawimawhsak a, lawmman tha tak kan siam sak fo a tha.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
19	Sumdawna hmun a thawkte chuan midang te hmakhua an ngai in an ngaihnan leh duhdan a dawn fo tura ni.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
20	Mi tupawh a bula mite/team mate/group a mi te hlawhtlinna ah a lawmthiam in a chhuang thiam tur a ni.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
21	Manager-te pawh in a an hnuai mite remruatna leh rawtna tha takte a lo awm chang chuan an pawmthiam in chungthu tlukna(decision) te chu an pawm ve thin a tul a ni.Thu pek reng ai chuan atangkai zawk fo.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
22	Hnathawktu ah te hian hmeichhe tam zawk ruai l la chu sumdawna leh company(Organizations) te pawh hi an lo felfai zawkin enkawl(manage) an lo awl zawk ngei a rinawm.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
23	Hnathawktu te zingah hian nihna sangzawh nei te leh chanvo pawimawh zawk nei te chu mi dang te aiin duhsakna leh hamthatna pek tam zawk an phu a ni.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
24	Hnathawktu chu chu a hnathawhna leh thawhna hmunah emaw an pawl tan a rilru zawng zawng a pe in a rinawm tur a ni.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
25	Company leh eizawna hmun office ani emaw hmun dang a nih pawn hnathawk dang ten min lo pawmna leh hmelhriatna hi thil pawimawh ber te zing ami a ni.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
26	Company dang thawkte emaw kan elpui(competitor) ten kan hnathawhna hmun an rawn ngaihpawimawh/ngaihlut chuan thil lawm awm tak a ni ang.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
27	Tun hun a harsatna leh buaina sutkian hi nakin hun tur thil lo ruahman lawk vak vak ai chuan a pawimawh zawk.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
28	Mahni hnathawhpui ni lo pawnlam miten kan hnathawhna hmun(company) mawilo tak a an sawisel hian a zahthlak duhin a ninawm duh hle.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
29	Hnathawkte leh mi hnuai thawk te chu a thil tih diklohte/tihchiatte an pawmzam thiam in an enghelh em em tur a ni lo.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



	Question	Za-ah-za	Ka	Ka	Ka	Pawm	Pawm	Pawm
		ka pawm	pawm	pawm	lova ka pawmlo hek lo.	chiah lo	lo	lo bur
30	Mahni inbenbel leh in thlamuan a thil te nau a in tih lungawi ai chuan hmasawn tum a hmachhawp har tak tak leh tihpuitlin tur in ruahman chhoh zel hi a tha zawk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
31	Hnathawkte nilovin manger chauhvin Company/Sumdawna atan a thutlukna pawimawh a siam tur a ni.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
32	Sumdawna/company ah chuan mizawng zawng ngaihndan lak leh duhdan hriat tum chu hun khawhral na mai mai a ni.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
33	Manager-te leh hnathawktu te inkarah inhriatthiamlohna a lo awm chuan Company chuan Manager-te duhdan leh ngaihndan chu a pawm zawk tur a ni.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
34	Hnathawktute chuan an hnathawhna hmuna thawh leh an hnathawh an chhuang tur a ni.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
35	Hnathawhna hmun/company ah chuan mipa ten thuneihna leh chanvo an nei tam zawk tur a ni.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
36	Sumdawna hmun(organized sector) ah chuan mahni remhriatna leh ruahmanna a thil kal pui tum ai chuan ahuhova(group/team work) hnathawhho na in thil tha/hmasawna a thlen zawk.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
37	Hmeichhia te aiin mipa te tan mahni hnathawh a hlawhchham hi a zahthlak zawk.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

## ANNEXURE 4: Business Practice Questionnaire

Dear Sir/Madam,

Thank for cooperating with us in conducting this research. This questionnaire has been designed with the purpose of studying the nature of business in Mizoram. It will be part of a doctoral research under the supervision of Mizoram University. We hope that the findings from this research will contribute to improving our knowledge of commerce in Mizoram. We guarantee that this study is not conducted for any commercial purpose and is meant exclusively for academic research

We guarantee that any information you give us will remain strictly confidential and no part of the information you give us will shared with any other individual or organization. We guarantee that no part of this questionnaire will be directly published and no information about you or your organization will be made public without your written consent.

Samuel Lalnunzira  
Research Scholar  
Mizoram University

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Ref No	BPS-EN-	Date of Issue	
Surveyor ID		Date of Receipt	
Comments/ Observation:			

# Business Practice Survey

## Introduction

The questions in the following pages aim to get an insight into your management style and organizational characteristics. Please answer candidly as none your responses will be directly published without your permission

Human Resources			
<b>How many employees are employed in your company?</b> <input type="checkbox"/> 10 or Less <input type="checkbox"/> 10-19 <input type="checkbox"/> 20-29 <input type="checkbox"/> 30-39 <input type="checkbox"/> 40-49 <input type="checkbox"/> 50 or more		<b>What percentage of your budget is used spent on labour costs?</b> <input type="checkbox"/> 1-5% <input type="checkbox"/> 6-10% <input type="checkbox"/> 11-15% <input type="checkbox"/> 16-20% <input type="checkbox"/> More than 20%	
<b>How many family members are directly employed in your company?</b> <input type="checkbox"/> 2 or less <input type="checkbox"/> 3-5 <input type="checkbox"/> 6-8 <input type="checkbox"/> 9-11 <input type="checkbox"/> 12-14 <input type="checkbox"/> 15 or more		<b>In rupee terms how much is spent on labour cost per month?</b> <input type="checkbox"/> less than 50000 <input type="checkbox"/> 50001-1lakhs <input type="checkbox"/> 1lakh +-1.5lakhs <input type="checkbox"/> 1.5lakh+ to 2lakhs <input type="checkbox"/> 2 lakh+ to 2.5lakhs <input type="checkbox"/> 2.5lakh+ to 3lakhs <input type="checkbox"/> 3 lakh+ to 3.5 lakh <input type="checkbox"/> 3.5lakh+ to 4lakhs <input type="checkbox"/> more than 4lakh	
General		Recruitment and Selection	
Does your organization have a personnel or HR department?	<input type="checkbox"/> Yes <input type="checkbox"/> No	What methods do you use recruit new employees? <input type="checkbox"/> Newspaper Ad <input type="checkbox"/> T V Advert. <input type="checkbox"/> Word of Mouth <input type="checkbox"/> External recruiting agency <input type="checkbox"/> Other Specify: _____	
Do you have a designated employee/ manager to handle personnel or HR Issues?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Do you have formal selection method/system?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you prefer family members holding key management positions?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Do non-family members sit in the selection process?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you think family members should work in the business only if they possess the appropriate qualifications or experience to fit the job requirement?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Do you give preference to family or family friends when recruiting?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Appraisals and Compensation		Training	
Is there a formal process to review each person's contribution to the business?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Do you have a formal training system for your employees?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Does the appraisal determine the salary and promotion of family members?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Is there a formal way to allocate duties and responsibilities within your organization (do you have job descriptions)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	<input type="checkbox"/> Yes <input type="checkbox"/> No	Are family members required to undertake the same training as employees?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Are there clear rules for establishing pay for family members?	<input type="checkbox"/> Yes <input type="checkbox"/> No	How much money do you spend training in a year?	-----

## Social Impact

Does the company systematically contribute to philanthropic or charitable causes?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Does the company support specific groups/ organizations?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you allocate a part of your budget for charitable or philanthropic causes?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Does the company have its own charitable organization or fund?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Does your company provide medical benefits for its workers?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Do your employees have a welfare organization?	
Which areas does the company contribute to:			
<input type="checkbox"/> Religious <input type="checkbox"/> AIDS Related <input type="checkbox"/> Children's Welfare <input type="checkbox"/> Women's Issues <input type="checkbox"/> General Social Development <input type="checkbox"/> Poverty Alleviation <input type="checkbox"/> Drug and Alcohol <input type="checkbox"/> Sports Others: _____			

## Strategic Planning

Do you expect to expand your business in the immediate future?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Do you expect to diversify your business in the immediate future?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Does your business have a written strategic plan?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Have you formally assessed the business's capacity to fulfill your strategic plan?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you hold regular family meetings to address and resolve family and family/ business issues?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Do you have a family business vision to which all adult family members subscribe?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Do you employ outside consultants to set strategic goals?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Do you have a documented statement of the business vision?	<input type="checkbox"/> Yes <input type="checkbox"/> No

## Technology

Has your company invested in new machines or technology in the last 2 years?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Do you have a company website?	<input type="checkbox"/> Yes <input type="checkbox"/> No
Have you trained your staff to use new technology or techniques in the last 5 years?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Do you use ERP or any other computerized management tools?	<input type="checkbox"/> Yes <input type="checkbox"/> No
How many computers (desktop/laptop/servers) does your company own?	_____	How much has your company invested in new technology in the last 5 years?	<input type="checkbox"/> Less than 1 lakhs <input type="checkbox"/> 1-9 lakhs <input type="checkbox"/> 10-19 lakhs <input type="checkbox"/> 20-29 lakhs <input type="checkbox"/> 30-39 lakhs <input type="checkbox"/> More than 40 lakhs
How important is technology to your business?			
<input type="checkbox"/> Very Important <input type="checkbox"/> Somewhat Important <input type="checkbox"/> not very Important <input type="checkbox"/> Not important at all			

## Finance and Financial Planning

### What is the annual turnover of your business?

- less than 10 lacs     
  10 to 20lacs     
  20+ to 30 lacs     
  30+ to 40 lacs  
 40+ to 50 lacs     
  50 lacs or more

### What is the major source of your finances?

- Bank Loans   
  Own Funds   
  Loans from other sources   
  Outside Investors   
  Other

Do you make financial goals or targets for your company?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Are you availing of state or central subsidies?	<input type="checkbox"/> Yes <input type="checkbox"/> No
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Do you compile periodic information about the financial performance of the business?	<input type="checkbox"/> Yes <input type="checkbox"/> No
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### Which standards of financial performance, if any, do you use to evaluate your business?

- We do not use financial standards   
  Cash flow report     
  Balance Sheet  
 Profit and Loss Statement     
  Own reports     
  Financial Ratios

Other: \_\_\_\_\_

Which statement best reflects your business performance over the past five years?

- Don't measure     
  Not met expectation   
  Just Met expectation   
  Exceeded expectation

### What is the major source of your finances?

- Bank Loans   
  Own Funds   
  Loans from other sources   
  Outside Investors   
  Other

## Succession and Ownership

Has it been agreed that your business will continue in family ownership?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Do you have any written plans regarding the transfer of ownership to the next generation?	<input type="checkbox"/> Yes <input type="checkbox"/> No
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Is there a possibility of extending ownership to non-family members?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Is there a family member who has been identified as the next leader/owner?	<input type="checkbox"/> Yes <input type="checkbox"/> No
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Is there a plan to fund the retirement of the senior generation?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Has a timetable and deadline for successor selection(s) have been established and documented?	<input type="checkbox"/> Yes <input type="checkbox"/> No
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Do you have mechanisms by which owners can liquidate their ownership position in the family business during their lifetime?	<input type="checkbox"/> Yes <input type="checkbox"/> No	Has a family member left the business in the last 5 years?	<input type="checkbox"/> Yes <input type="checkbox"/> No
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