

**A STUDY ON FAMILY BUSINESS AS PERCEIVED BY YOUNG GENERATIONS
WITH SPECIAL REFERENCE TO JAMNAGAR CITY**

By:

**Dr. Snehal Kotak – Principal
Shri G.H.Gosrani Commerce College
snehal.kotak@oshwaleducationtrust.org**

**Mrs. Sneha Sumaria
Assistant Professor,
Shri G.H.Gosrani Commerce College,
sneha.sumaria@oshwaleducationtrust.org**

ABSTRACT

Family managed business have a key share in Indian Economy. The country has seen many businesses turning into giant groups such as Tatas, Birlas, Godrej, Ambanis, Mittals, Mahindra, Adanis, etc. When it comes to Family Managed Business the key concern is creation of personal wealth and its conservation. This leads to high level of dedication and commitment. A robust change is witnessed in the Family Managed Business model as the young generation of each family is well qualified, seeks for international growth, tries to implement professionalization and adapts to the ever-changing demands of the growing economy.

KEY WORDS:

Family Managed Business, Centralization, Delegation of Duties and Responsibilities, Conflicts, Communication, Meetings

INTRODUCTION

Family business management stands for “A family business is a company owned, controlled, and operated by members of one or several families. Many companies that are now publicly held were founded as family businesses. Many family businesses have non-family members as employees, but, particularly in smaller companies, the top positions may be allocated to family members”. Family businesses are fascinating because of the mutual dependence of two ecosystems (family and business) that have inherently conflicting characteristics.

KEY AREAS OF CONCERN:

The dominant patriarchs, lack of professional management, conflict resolution, Inter family disputes, lack of communication amongst the family members, lack of quality controls and to keep pace with the modern techniques and advancements are the key challenges to any family firms in India.

- **Professionalisation of Family Managed Business:**

The need of the hour is truly being addressed. Undoubtedly, the Family Managed Business are changing their approach towards family business management. There are many business houses where the trend is changing especially where the young generation is educated, in India and overseas, and the new generation realizes the value which can be added by the right governance structure, right talent and right delegation. Furthermore, the ideas of listing the company in India and/or overseas and creating value is also on the wish list and dream of the new generation.

- **Resistance towards handing over to young generation:**

The dominant family patriarchs are resistant towards the idea of succession and business planning and show their unwillingness for the shift. They are highly reluctant towards softening of the tight grip on business at their end. Most Indian business families are not ready and willing for this shift. However, the trend is slowly changing and evolving.

- **Approach of the young generation:**

The coming generation is highly equipped with professionalism, exposure to the global standards, ideas, and information. The appropriated combination of enthusiastic young generation and guidance and experience of the seniors in the family is the key to success.

LITERATURE REVIEW

Tatoglu et.al (2008) has examined the key issue for much family- owned business (FOBs) is intergenerational management succession. This article investigates the dynamics of the succession process for FBOs that have already taken the succession decision and have selected their successors. The primary goal of the study is to delineate the factors behind the section process by investigating selection, training, and entry mode of successors as well as the involvement of family members and stakeholders in the succession process. Data from the predecessors of 408 FOBs in turkey reveals several insightful findings regarding major characteristics of the FOB succession process including the views of processors on the succession process, successor selection criteria and the post-succession period. This is first systematic study with the succession process in Turkish FOBs, which previously has been informed only by anecdotal evidence.

Massis et.al (2008) states that research on management's succession is a dominant in the family business literature. Little systematic attention has been given to the factors that prevent intra-family Succession from occurring. Based on a review and analyses of the literature, this article presents a preliminary model on the factors that prevent intra-family succession.

Dyer and dyer (2009) state that the recent research on family business has focused on how the family affects business performance. Their commentary suggests that research should also consider how certain variables affect both the business and the family. Suggestions for how to do such research are presented.

Alexandra Dawson (2012) The main focuses on the construct of human capital in family

businesses. It makes three key contributions. First, it furthers our understanding of human capital in family businesses by identifying the underlying dimensions of human capital, involving not only knowledge, skills, and abilities but also individual attitudes and motivation. Second, the article puts forward the conditions under which family businesses can achieve and sustain over time an alignment of interests between individual human capital and organizational goals. These conditions will vary depending on whether the external environment is static or dynamic. Third, the article heeds the call, shared by strategic management scholars, to focus on the individual level as well as on the (predominant) group- and organizational-level constructs

Some studies in the literature have defined family business as one where the controlling ownership is rested in one individual or members of a single family (Barnes & Hershon, 1994). Some studies on the other hand, have defined firms as family firms, only if the first succession into the second generation has taken place (Donnelley, 1964) .

The relation between the parent and the child is often affected by the ‘family rivalry theory’, as propounded by Girard (Grote, 2003). The parent and the child both have anomalous wants – where the parent wants the child to be like a mirror image of himself and at the same time not to be a mirror image of himself in certain aspects. Similarly, the child too, wishes to be like his role-model father but at the same time views the father as an obstacle. For Girard, the degree of conflict is also dependent on the closeness. Closer the relationship, higher is the conflict. As a result, the child may end up complaining that the parent wants him to take the responsibility but does not give him the required authority. On the other hand, the parent will want the child to take charge of the business but would also want to continue his own involvement in the business. It is no surprise then, that only 10 percent of the individuals in a study (Handler, 1991) had a positive and productive relationship with their parents. The love-hate dynamics renders the parent child relationship ineffective and negative in most cases.

RESEARCH OBJECTIVE

This research aims at analyzing the culture of Family Managed Business in Jamnagar city. It tries to study the associations between:

- Formal Education and plans to join the business.
- Decision Making and Delegation of Duties and Responsibilities.
- Communication and Conflicts.
- Meetings held and Written Vision, Mission, Goals and Strategic plans.

Research Design	Exploratory
Sampling design	Nonprobability sampling
Sample size	150
Respondents	Young businessman of Jamnagar city
Area of research	Jamnagar

Data for analysis	Primary data
Data collection	Questionnaire
Methodology	Pie chart analysis, Chi Square test

LIMITATIONS OF THE STUDY

- As the major source of data is primary, biasness on the part of respondents can be a major limitation to this research.
- The scope of the research is limited to Jamnagar city only.
- The inexperience on the part of researcher in the research field might affect the results.

DATA ANALYSIS

Respondent's Profile	
Your age	Percentage
20-25 yrs	38.90%
25-30 yrs	33.30%
30-35 yrs	27.80%

Respondent's Profile	
Education	Percentage
Graduation	44.40%
Post-Graduation	50.00%
Professional	5.60%

Respondent's Profile	
Form of Business	Percentage
Sole Proprietorship	47.40%
Partnership	47.40%
Company	5.30%

Respondent's Profile	
Is the founder still active?	Percentage
Yes	89.50%
No	10.50%

Respondent's Profile	
written business vision, mission, and objectives	Percentage
Yes	84.20%
No	15.80%

Respondent's Profile	
centralised decision making	Percentage
Yes	52.60%
No	47.40%

Respondent's Profile	
Are the meeting conducted regularly	Percentage
Yes	57.90%
No	42.10%

Respondent's Profile	
Sound Communication	Percentage
Yes	52.60%
No	47.40%

Respondent's Profile	
Are there any plans for extension to non family member	Percentage
Yes	5.30%
No	94.70%

Respondent's Profile	
No. of yrs business started	Percentage
<10 years	10.50%
10-20 years	21.10%
20-30 years	10.50%
>30 years	57.90%

FINDINGS OF THE STUDY:

- More than half of the business firms have members who are post graduates.
- 60% of the business firms have been found since more than 30 years.
- Almost all the firms are either sole proprietorship or partnership a very few that accounts 5% are of private company.
- 90% of the firms have their founder as an active member.
- More than half of the respondents had a plan to join the business.
- 85% of the firms do not have written Mission, Vision, Goals and Strategic plans.
- Centralization of decision making is observed in half of the firms.
- Half of the firms state the soundness of the information and communication in their firm.
- 90% of the firms face business conflicts of the ideas between generations.
- Almost half of the firms state the clarity of delegation of duties and responsibilities.
- 60% of the firms held regular meetings of the active family members.
- 95% of the firms do not have any plans of extension of ownership to non- family members.

Null Hypothesis:

There is no significant relationship between Formal Education and plans to join the business.

Alternate Hypothesis:

There is significant relationship between Formal Education and plans to join the business.

	Planned to join the business	Did not plan to join the business
Graduation	45%	5%
Post-Graduation	45%	0
Professionally qualified	5%	5%

The chi-square statistic is 2.4702. The *p*-value is .290809.

CONCLUSION:

There is significant relationship between Formal Education and plans to join the business.

Null Hypothesis:

There is no significant relationship between Decision Making and Delegation of Duties and Responsibilities.

Alternate Hypothesis:

There is significant relationship between Decision Making and Delegation of Duties and Responsibilities.

	Delegation of Duties and Responsibilities	Non-Delegation of Duties and Responsibilities
Centralised Decision Making	25%	25%
Decentralised Decision Making	25%	20%

The chi-square statistic is 0.0586. The p-value is .808655.

CONCLUSION:

There is significant relationship between Decision Making and Delegation of Duties and Responsibilities.

Null Hypothesis:

There is no significant relationship between Communication and Conflicts.

Alternate Hypothesis:

There is significant relationship between Communication and Conflicts.

	Conflicts	No conflicts
Communication	45%	5%
Unsound communication	40%	5%

The chi-square statistic is 0.0062. The p-value is .937193.

CONCLUSION:

There is significant relationship between Communication and Conflicts.

Null Hypothesis:

There is no significant relationship between Meetings held and Written Vision, Mission, Goals and Strategic plans.

Alternate Hypothesis:

There is significant relationship between Meetings held and Written Vision, Mission, Goals and Strategic plans.

	Written plans	No written plans
Regular meetings held	10%	5%
Irregular meetings held	45%	40%

The chi-square statistic is 0.1125. The *p*-value is .737369.

CONCLUSION:

There is significant relationship between Meetings held and Written Vision, Mission, Goals and Strategic plans.

SUGGESTIONS FOR IMPROVING THE OPERATIONS OF FAMILY BUSINESSES

- **Frame Mission, Vision, Goals and Strategic plans:**

The younger generation should take up the task of long-term sightedness and frame written Mission, Vision, Goals and Strategic plans in a clear and understandable language. This should be communicated to all the active family members and the key personnel of the business so as to orient and guide towards its materialization.

- **Decentralization of decision making:**

The modern business must be an apt combination of the experience of the senior members and the exposure and enthusiasm of the young members of the business. Thus, a unanimous decision-making process should be adopted.

- **Information and communication and regular meetings:**

Regular meetings of all the active family members should be conducted to know about the progress and status of the business firm. This would help to know about the whereabouts of the business and helps to keep a track record. This would foster a clear and better lines of information and communication.

- **Conflicting ideas and Attitude of accepting change:**

The senior member in the firm finds it difficult to loosen their grip over the business and pass the reins over to the junior members. They are generally found to be reluctant to the changes. The younger members should try to persuade them by helping them understand the outcome of the change.

- **Clear delegation of duties and responsibilities:**

The duties and responsibilities of all the active members must be clearly defined. The interference should be minimum, and a regular progress report should be discussed at the meeting with the challenges faced and the best possible solutions.

- **Appointing non-family professionals:**

With the growing size of the family business, it is difficult to manage all the aspects without seeking help of professional experts thus the firms must appoint the experts to professionally manage the business without passing over the reins.

CONCLUSION:

Family Managed Business has a very bright scope for future. Family businesses firms are predominant in any economy over the globe. The need of the hour is to teach the right values to the next generation. The study shows a high significance between educated and qualified members and their pre planning to join the business. They must foresee the future down the line 10 years and formulate strategies accordingly. However, the shift of dominance from elder generation is a must to bring about professionalization in the business management. Family business as a viable form of enterprise would continue to flourish in the era of globalization too. A joint effort of all the generations is a key driver to travel through the roads of adversity and reach the destination called success.

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