ISSUES AND CHALLENGES IN FAMILY BUSINESS MANAGEMENT IN KASHMIR (A CASE STUDY OF KASHMIR TOURISM INDUSTRY)

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Abstract:

A Business is a family business when it is an enterprise growing out of the families needs, built on the family abilities worked by its hands and minds, and guided by its moral and spiritual values. Still there are so many issues which can affect the fastest growth of these businesses. Therefore this paper is an attempt to find out the major issues in family business management in Kashmir. This paper is divided into three parts. Part one represents introduction, reviews of literature, research methodology and objectives of the study. Part two review the major issues and factors affecting the family business management. The analysis in this paper is qualitative as well as quantitative. The standardized scale developed by Chua, Chrisman and Sharma (2003) has been used for the study. This study is based on information obtained from primary sources which includes fifty family business firms which are taken from the selected cities of Kashmir names Kupwara , Anantanagh and Budgam. Final and third part includes findings and conclusion of the study.

Key words: Affecting, Challenges, family Business Management, issues.

Introduction

Family business has been defined as a business that is owned and managed (i.e., controlled) by one or more family members (Handler, 1989; Hollander & Elman, 1988). A more detailed definition is provided by Davis and Tagiuri (1982). They 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." Moreover, Gallo (1994) has asserted that family businesses are essentially the same in every country in the world relative to their problems, issues, and interests.

Families are vital and supportive environments for entrepreneurial behaviour. Entrepreneurship research has revealed that family support and the presence of self-employed parents are important influences in venture initiation and business ownership (Shapero and Sokol, 1982; Cooper, 1986). Sexton and Bowman-Upton (1991) define an entrepreneur as "one who can recognize an opportunity in the marketplace and is willing to Marshall the resources necessary to exploit that opportunity for long-term personal gain". Entrepreneurship is the start and heart of most family businesses and the phenomenon of an ‘entrepreneurial family’ fosters, subsidize, and enhance the efforts of its members who engage in entrepreneurship. In fact, the family business is quite simply the "wider-lens" view of entrepreneurship as the initial business efforts of one or more family members grow and change over time.

Researchers estimate that at least 90% of the businesses in the United States are family owned and controlled (Ibrahim & Ellis, 1994) and contribute somewhere between 30 and 60 percent of the nation's gross domestic product (GDP) and half of total wages paid (Glueck & Meson, 1980; Ibrahim & Ellis, 1994; Ward, 1987).

. Jaffe (1990) states that a 1986 study by US News and Word Report found that of the 47 largest family firms, 31 outperformed the Dow-Jones index. Fast growth family firms are being recognized by companies such as Ernst and Young who award, in Texas, the Ernst and Young Fastest Growing Family Business Award (Genusa, 1994). The family firm that won in 1994 demonstrated a 6000% growth rate.

Literature Review

Harvey and Evans (1995) state that the succession processes in family business are well chronicled in the business literature. Most of the research focuses on the process of transferring power within the business-family. What has not been as closely examined is the after-succession environment that exists when the management and leadership of the family business are passed on to the next generation. This article addresses that organizational climate and the potential for additional problems in the business-family if post-succession issues are not identified and addressed and suggests some steps that will be helpful in producing complete succession success.

Balakrishnan (1996) states that the subjective performance measures have been widely used in research on market orientation and its presumed link to company performance. However, only a small number of studies have examined the link between subjective performance measures and objective ones. This study replicates earlier research and extends previous findings using a broader sample of firms than in most previous studies, and uses slightly different measurement scales. It finds that there is a strong correlation between objective and subjective performance measures. However, this correlation is far from perfect and the article concludes that researchers should attempt to validate their results by using both types of measures.

Stavrou (1998) states that the involvement of and the reasons for the involvement of offspring in their parents' firms can significantly affect the firm's future. In this paper, a conceptual model is presented that explains the decision process through which the most suitable level of involvement for the next generation in the firm may be assessed. The decision process involves four factors: family, business, personal, and market. These factors set the context for managing intergenerational transitions in family firms.

Nam and Herbert (1999) State that the Immigrant Businesses in the United States Are A Vibrant and Growing Part Of the economy, and their similarities and differences to other family businesses in the U.S. are worthy of investigation .This paper examines two elements of Korean immigrant businesses in Metro-Atlanta: characteristics (ethnic business, general family business, ownership and succession planning, strategic planning, and conflict and communication) and key success factors. There were 93 respondents in this exploratory study. This paper discusses the results and implications of the study.

Bird Et. Al (2002) state that the establishment of a field of study or a discipline with academic or professional standing requires, among other things, a body of knowledge that expands understanding of that domain. This paper looks at the literature on establishing a unique field of study, reviews the foundational research in family business (1980s) and four recent years (1997-2001) of published family business research found in several outlets. We find that family business research is becoming increasingly sophisticated and rigorous. This bodes well for the development of an independent field for family business. Recommendations are offered to further the professionalization of family business as an academic and professional domain.

Auch and Lee (2003) have examined the proponents and critics of Asian economic organization that have been preoccupied with the ideal-typical management models of family businesses, and have rarely identified their changing management structures. They, instead, identify the change and continuity in these management structures through an analysis of family-controlled business groups in Singapore and South Korea before and after the Asian currency crisis. In their view, these business groups professionalized their management, but retained family control and corporate rule before the crisis. The crisis, however, increased the pressure on such groups to relinquish family control and corporate rule. Singaporean Chinese business groups tended to loosen their tight grip on corporate rule by absorbing more professional managers into their upper echelons. The surviving Korean chaebol, however, intensified family control. Only a few chaebol, which were on the brink of bankruptcy, relinquished corporate rule to professional managers. We argue that other than the market, cultural, and institutional factors as suggested in the existing literature, state capacities and strategies do matter in shaping the changing management structures of business groups. Drawing on their analysis, researchers will be able to conduct comparative studies of family businesses across East Asian societies, of organizational imitation, and of the role of the state in influencing management models.

Blumentritt (2006) has examined the relationships between the existence of boards of directors and advisory boards and the use of planning in family businesses. It is argued that both of the primary roles of boards, the governance of a firm's management team for the firm's stake-holders and the provision of valuable business resources to the firm's management team, are significantly related to the use of planning activities in family businesses. The empirical evidence, drawn from a survey of more than 130 family businesses, largely supports the hypotheses. Conclusions and suggestions for future research close the article.

Chittoor and Das (2007) state that the impact on succession performance of succession to a nonfamily professional manager as compared to a family member, commonly referred to as professionalization of management. An important distinction is drawn between family-owned and family managed businesses and family-owned and professionally managed businesses. Then, drawing from case studies on succession process in three Indian family business groups, the article puts forth five propositions pertaining to the impact of professionalization of management on succession performance. Several directions for further research are indicated.

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

Chrisman Et.Al (2010) has examined the 25 articles that have been particularly influential in shaping the state of the art of research on family businesses. These works were identified based on a citation analysis of family business articles published over the past 6 years in the four journals that publish most of the research. The authors summarize those influential studies and discuss their most important contributions to scholars' current understanding of family business. By identifying common themes among those studies, the authors are able to provide directions for future research in the field.

Objectives of the Study

1. To study the major issues and challenges in family business management in Kashmir.

2. To study the factors affecting the family business management in Kashmir.

Research Methodology

The Survey of Family Business is the source data for this study. I have conducted my research survey in selected cities of Kashmir. These are Kupwara, Anatnagh, and Badgam. Responses to the Survey were gathered from family business firms from the Kashmir having an average turnover of Rupees 1 Core or more in the last 5 years and having an existence of 40 years or more. Purposive sampling has been used for the study. 50 family business firms from Kashmir; qualifying for the survey (as per the criteria set); were identified and surveyed for the purpose of this study. The firms in the sample included 50 firms, from Handicraft Industry.

Research Tools

The scale developed by Chua, Chrisman and Sharma (2003) has been used. Chua et al (2003) suggest that many academics outside the field of family business research believe that succession is the only subject that family business researchers study. Although convenience, access, or sample bias are some of the explanations for researchers' focus on succession, empirical evidence is necessary to establish the issue's importance to family firms. At the same time, there may be other issues of great importance to family firms that are generally overlooked. Lack of attention to such issues could be due to family firms not thinking to use advisers, or the same set of advisers, to deal with these issues; it could also be because family business scholars have not yet asked family firm members the question. To determine whether the focus of the literature on succession is appropriate and whether there are other issues that should receive more attention from family business management researchers, they have compared the issues to which academic journals have devoted a large portion of space with the issues that family firms considered most important. Sharma, Chrisman, and Chua (1996) and Dyer Jr. and Sanchez (1998) have recently examined the issues that family business researchers study. In their annotated bibliography of family business management research, Sharma, Chrisman, and Chua (1996) tabulate the topics covered in 226 articles on family business management from 32 journals. Dyer Jr. and Sanchez (1998), on the other hand, classify 186 articles published in the first 10 volumes of Family Business Review.

The Instrument

The survey has been conducted using the above mentioned scales included in the schedule designed for the study. The schedule contains issues found to be of concern to family enterprises.

Statistical Tools

Factor analysis has been used to analyze the data of 50 compiled schedules with the help of statistical package for social sciences (spss).

The overall sample (N=50) has been considered to identify the issues concerning family business. Factor Analysis has been applied to the 26 statements related to issues concerning family business.

Overall Kaiser-Meyer-Olkin measure of Sampling Adequacy was found to be .756 and Bartlett's Test of Sphericity was also significant (χ^2 =1614.366 , df =325, Significance =.000) indicating the suitability of the data for factor analysis. Thus, all of these examinations revealed that data was fit for factor analysis.

Factor-1 Professionalizing Family Business

This factor emerged as the most important one with 19.256 per cent out of the total variance explained. Five statements load in this factor. Highest factor loading is for the statement 'Changing from family management to professional management' (.767); followed by 'Balancing short term and long term business decisions (.683)', 'Developing relationship between successor and non family manager' (.668)', 'Valuing the business (.685)' and 'Preparing and training the successor' (.635). It has been named as 'Professionalizing Family Businesses'. The reliability coefficient, Cronbach's Alpha for this factor is (.758).

Factor-2 Succession Planning

This factor accounts for 13.010 per cent out of total variance. Seven statements load on to this factor. The statement with the highest factor loading is 'Planning for estate taxes (.692)'; followed by 'Maintaining a role for the founder in the business after retirement (.602)' , 'Defining the role of the board of directors (.600)', 'Dealing with rivalry among potential family member successors (.585)', 'Selecting family members for positions in the business (.512)' Selecting the successor (.496)' and Changing from an autocratic to a democratic style of leadership (.431). It has been named 'Succession Planning'. The reliability coefficient Cronbach's Alpha for this factor is (.740).

Factor -3 Family Decision Making

7.984 per cent out of total variance is explained by this factor. Three statements load on to this factor. The highest loading is for the statement 'Maintaining loyalty of non family managers (.775)' followed by 'Distributing ownership among family members (.734)', 'Involving non family managers in making strategic decisions (.723)'. It has been named 'Family Decision Making'. The reliability coefficient Cronbach's Alpha for this factor is (.742).

Factor-4 Resolving Family Business Problems

Three statements load on to this factor explaining 5.762 per cent out of total variance explained. The statements are 'Finding an out side buyer for the business (.833)'; followed by 'Seeking assistance from outsiders to resolve business problem (.781)'.Seeking assistance from outsiders to resolve family problems (.727)'. It has been named as 'Resolving Family Business Problems'. The reliability coefficient Cronbach's Alpha for this factor is (.711)

Factor-5 Equitable Compensation to Family Members.

This factor explains 5.046 per cent out of total variance and is made up of three statements. First statement with loading (.717), 'Compensating family members involved in the business' followed by 'Resolving conflicts among family members' (.645). 'Balancing family concerns and business interests (.474). It has been named as 'Equitable Compensation to Family Members'. The reliability coefficient Cronbach's Alpha for this factor is (.599).

Factor- 6 Power Structure in Family Business

This factor accounts for 4.592 per cent out of total variance explained. The statement with highest factor loading is 'Maintaining ownership control in the family (.717)' followed by 'Setting up a family foundation (.565)' and 'Dealing with incompetent family members active in the business' (.415)'**.** It has been named as 'Power Structure in Family Business'. The reliability coefficient; Cronbach's Alpha for this factor is (.420).

Factor-7 Ensuring Active Involvement in The Family Business

This factor accounts for 3.995 per cent out of total variance explained. The statement with highest factor loading is 'Involving non family members in the board of directors (.714)', followed by 'Buying out family members not actively involved in the business (.673). It has been named as 'Ensuring active involvement in family business. The reliability coefficient; Cronbach's Alpha for this factor is (.476).

Thus, seven major dimensions of issues concerning family business are:

1. Professionalizing Family Business
2. Succession Planning
3. Family Decision Making
4. Resolving Family Business Problems
5. Equitable Compensation to Family Members
6. Power Structure in Family Business
7. Ensuring Active Involvement in the Family Business

The factor structure and dimensions identified above need to be validated through application of factor analysis on sub samples of the data collected. For this purpose, factor structure of issues concerning family business has been calculated (Annexure – I) for four industries (Apple, Sports, Handicrafts and Tourism) separately. The resultant factors have been compared in Table-4.4

Chua et al (2003) have identified the importance of different family business management issues. They have identified many probable issues concerning family business management. Based on the assumption that the literature is a reasonable reflection of the issues of importance to family business managers, they expect that succession will be perceived as most important, followed by issues related to boards of directors and professionalizing a family firm's management.

Conclusion

Though first generation owns majority of the family businesses but they are depending upon third and second generation of the business.

1. The dominant concerns of family business leaders are related to professionalizing of family businesses, succession planning, family decision making, Resolving family

business problems, Equitable compensation to family members, Maintaining ownership of family businesses, Ensuring active involvement in family business.

2. In all the family businesses surveyed full ownership was held by the family members and non family members do not exist at all. There is no governing board or management board.
3. In majority of the cases (83%) the ownership is with the first generation and rest of the cases (17%) the second generation owns the family business.
4. In majority of the cases (64.5%) the family businesses managed by the third generation. And in other 35.5% cases second generation manages the family business.
5. On an average 22 family members actively participate in the business. However the number of actively participating family members ranges from 10 to 45.
6. On average 4 members in each family do not participate actively in the business but are interested otherwise and around 4 members each family are not yet interested in the family business.

Annexure -1

Table – 1 (Rotated Component Matrix)

Statement Label	Factor	Factor 2	Factor 3	Factor 4	Factor 5	Factor 6	Factor 7	Communality
Professional	.767							**.676**
Short-long	.683							**.578**
Relationship	.668							**.550**
Valuation	.658							**.545**
Preparation	.635							**.622**
Estate taxes		.692						**.540**
Role		.602						**.647**
Directors		.600						**.491**
Rivalry		.585						**.587**
Family members		.512						**.537**
Selection		.496						**.493**
Democratic		.413						**.534**
Loyalty			.775					**.669**
Ownership			.734					**.579**
Involvement			.723					**.665**
Buyer				.833				**.758**
Business consulting				.781				**.700**
Family consulting				.727				**.623**
Compensation					.713			**.653**
Conflict					.645			**.578**
Balance					.474			**.395**
Control						.717		**.657**
Foundation						.565		**.556**
Incompetence						.415		**.557**
Inclusion							.714	**.608**
Buy –out							.673	**.701**

Eigen value	5.007	3.383	2.076	1.489	1.312	1.194	1.039	**15.500**
Percent of variance	19.256	13.010	7.984	5.726	5.046	4.592	3.995	
Cumulative	19.256	32.266	40.250	45.976	51.022	55.614	59.609	

Annexure- 2

Table – 2 (Naming Of Factors)

Factor Number	**Name of Dimensions (% of Variance)**	**Label**	**Statement (Factor Loading)**	**Cronbach's Alpha**
Factor 1	Professionalizing of family business (19.256%)	Professional	1.Changing from family management to professional management(.767)	.758
		Short-long	2.Balancing short term and long term business decisions(.683)	
		Relationship	3.Developing relationship between successor and non family managers(.668)	
		Valuation	4. Valuing the business(.658)	
		Preparation	5. Preparing and training the successor(.635)	
Factor 2	Succession planning (13.010%)	Estate taxes	1.Planning for estate taxes(.692)	.740
		Role	2.Maintaining the role for the founder in the business after retirement(.602)	
		Directors	3. Defining the role of the board of directors(.600)	
		Rivalry	4.Dealing with rivalry among potential family member successors(.585)	
		Family members	5.Selecting family members for positions in the business(.542)	
		Selection	6.Selecting the successor(.496)	
		Democratic	7.Changing from an autocratic to a democratic style of	

			leadership(.431)	
Factor 3	Family decision making (7.984%)	Loyalty	1.Maintaining loyalty of non family managers(.775)	.742
		Ownership	2.Distributing ownership among family members(.734)	
		Involvement	3.Involving non family managers in making strategic decisions(.723)	
Factor 4	Resolving family business problems (5.726%)	Buyer	1.Finding an out side buyer for the business(.833)	.711
		Business consulting	2.Seeking assistance from outsiders to resolve business problems(.781)	
		Family consulting	3.Seeking assistance from outsiders to resolve family problems(.727)	
Factor 5	Equitable compensation to family members (5.046%)	Compensation	1.Compensating family members involved in the business(.713)	.599
		Conflict	2.Resolving conflicts among family members(.645)	
		Balance	3.Balancing family concerns and business interests(.474)	
Factor 6	Power Structure in family business (4.592%)	Control	1.Maintaining ownership control in the family(.717)	.420
		Foundation	2.Setting up a family foundation(.565)	
		Incompetence	3.Dealing with incompetent family members active in the business(.415)	
Factor 7	Ensuring active involvement in the family business (3.995%)	Inclusion	1.Including non family members in the board of directors(.714)	.476
		Buy-out	2.Buying out family members not actively involved in the business(.673)	

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