RELATIONSHIP OF FAMILY CULTURE WITH THE PERFORMANCE OF THE FAMILY BUSINESSES IN KASHMIR

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Abstract:

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). Therefore this paper is an attempt to find out the relationship of family culture with the performance of the family businesses 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 relationship of family culture with the performance of the family businesses in Kashmir. The analysis in this paper is qualitative as well as quantitative. This study is based on information obtained from primary sources which includes 200 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:- Cultural, Performance, family Business Management, Relationship.

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

To identify the relationship of family culture with the performance of the family businesses 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, Anathnag, 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. 200 family business firms from Kashmir; qualifying for the survey (as per the criteria set); were identified and surveyed for the purpose of this study.

Statistical Tools

When all of the 200 schedules were compiled, the data was coded and entered in Statistical Package for Social Sciences (SPSS) 14.0. Chi Square test have been used to analyse the data.

Research Tools

A Self reported major of performance as suggested by Sciascia and Mozzola (2008) has been used for measuring the performance of family business firms.

Firm performance is commonly considered as a complex, multi-dimensional construct (Chakravarthy, 1986; The present study used perceived measures to operationalize firm performance in terms of two dimensions: profitability and market performance. Profitability was measured with items reflecting profit margin, return on assets and net profits relative to competition, whereas market performance was measured with market share, sales volume and increase in market share and sales. CEO s were asked to indicate their firms' financial performance (for all the above mentioned items) relative to competition, for the last three years.

The use of subjective performance measures is a common practice in strategy related research when financial statement data are unavailable or they do not allow for accurate comparisons amongst firms (e.g. Dess, 1987; Powell, 1992; Powell and Dent-Micalef, 1997; Tippins and Sohi, 2003). Moreover, the literature shows that there are high correlations between objective and subjective measures. It is also worth noting that financial data obtained from SMEs are often criticized for being unreliable and subject to varying accounting conventions or even to managerial manipulation for a variety of reasons e.g. avoidance of corporate or personal taxes (Dess and Robinson, 1984; Sapienza et al., 1988). Finally, while self-reported scales may be criticized for their validity, using perceived performance scales allows comparisons across firms and contexts, different industries and sector conditions etc (Song et al., 2005).

Subjective indicators of performance are usually used when objective measures are hard to obtain. Researchers employing this method usually send questionnaires to Chief Executive Officers or to the Top Management Team asking them about their perceptions of the organisational and financial performance of the firm. Usually, self-perception surveys measure accounting-based, market- based and non-financial indicators by asking respondents to evaluate these according to their own understanding and the current situation of their organisation. One major study justifying the use of subjective measures was done by Dess and Robinson (1984) who concluded that in the absence of objective measures, the use of subjective measures should be encouraged as it enables the researcher to gather important information concerning the firm's financial strength. In their research they found that subjective indicators of performance were positively correlated with objective measures.

However, relying solely on subjective measures could be argued to be unreliable as it may derive inconsistent results and non-pragmatic conclusions. Sharfman and Dean (1991) argued that managerial perceptions may be too limited, biased or over-generalised and thus, do not reflect the extant situation of the organisation. Subjective measures of firm performance are less homogenous conceptually due to the greater flexibility in framing questions to target different aspects of firm performance (Glick et al., 2005). Dess and Robinson's (1984) study concluded that it would be a mistake to suggest that subjective measures are preferable to objective measures of organizational performance and that are convenient substitutes for objective indicators. In light of this argument and to establish better results and accurate, reliable findings, Dess and Robinson (1984) suggested that a combination of subjective and objective performance indicators should be employed. In their research, they found that the findings from the subjective measures were consistent with how the firm actually performed vis-à-vis return on assets and growth in sales.

Findings

To identify the relationship of family culture with the performance of the family businesses in Kashmir, Chi Square Test for association between different variables of these constructs was applied. The Chi Square Test identifies the non-monotonic relationships between two variables. It shows that two variables are significantly associated, but only in a very general sense. It does not give the "direction" of relationship, but we come to know that the presence (or absence) of one variable is associated with the presence (or absence) of another. The direction of the association may be identified by looking at the pattern of association from the cross-tabulations of significantly associated variables. The contingency coefficient (C) can be calculated to see the strength of significant association, if any. The significant associations between the variables of performance and culture have been identified using Chi Square Test, their strength has been measured with contingency coefficient and direction of association has been observed from the cross-tabulations of significantly associated variables. The results have been presented below:

The Table - 1 shows that:

There is highly significant association ($p<0.000$) between 'sales growth' criteria of performance and statement 'we support the family business in discussion with friends, employees and other family members'. Value of Contingency Coefficient for this association is high (0.708), which indicates that this association is very strong. There is also significant association between 'sales growth' and statements 'we find that our values are compatible with those of the business'($p<0.014$) and 'we are proud to tell others that we are the part of the family business'($p<0.007$). Value of Contingency Coefficient for these associations is low, which indicates that this association is not very strong.

These associations imply that discussion with employees, friends and family members in the family business will boost up the sales growth in the family business. Therefore, the family management should discuss their sales strategies with their employees and family members on routine basis so that their constructive suggestions may be considered for family decision making. Secondly, common value system for business may encourage the sales growth in family business. Family business owners and managers should be careful regarding their values congruency with business values. Thirdly, if family business managers understand that they are the part of the families and are proud of their business, it may increase their sales.

There is significant association ($p<0.008$) between 'return on investment' criteria of performance and statement ‘I understand and support my family's decisions regarding the future of the family business'. Value of Contingency Coefficient for this association is low (0.318), which indicates that this association is not very strong.

It implies that family managers’ clear understanding and support for strategic decisions may have positive impact upon return on investment for the family business. Therefore, family managers need to be clear about the vision of their family business and strategies emanating from them; and they should endorse all these strategies for better performance.

There is significant association ($p<0.009$) between 'return on capital' criteria of performance and statement ' Our family members are willing to put in a great deal of effort beyond that normally expected in order to help the family business be successful’. Value of Contingency Coefficient for this association is low (0.315), which indicates that this association is not very strong.

It implies that extra ordinary effort by family members has the potential to boost up the performance of their business. Therefore, family managers should encourage the family members to strive for normally expected efforts.

There is significant association between 'market share' criteria of performance and statements 'my family has great influence on our business’ ($p<0.004$); 'My family and business share similar values'($p<0.000$); 'Our family members are willing to put in a great deal of effort beyond that normally expected in order to help the family business be successful'(p<0.014); 'We find that our values are compatible with those of the business'(p<0.000); ' We are proud to tell others that we are the part of the family business' (p<0.000); 'We agree with the family business goals plans and policies' (p<0.016); and 'Deciding to be involved with the family business as a positive influence on my life'(p<0.000). Value of Contingency Coefficient for these associations is low, which indicates that this association is not very strong.

All these associations indicate that if there is overlapping of family values and business values, it may enhance the performance of the business. Secondly, the performance of the family business is associated with the level of family members' commitment, loyalty and pride toward family business. Therefore, the endeavour of family business managers should be to elevate the level of commitment and loyalty amongst the family members. It should be ensured that family members' value system be reflected in the family business practices and they should feel proud of it.

The Table - 2 shows that:

There is significant association between service quality criteria of performance and statement 'we feel loyalty to the family businesses' (p<0.071). There is significant association between employee satisfaction criteria of performance and statements 'My family and business share similar values'(p<0.009); and 'We feel loyalty to the family business' (p<0.001). There is highly significant association between absenteeism criteria of performance and statement 'We feel loyalty to the family business'(p<0.000) and 'We find that our values are compatible with those of the business' (p<0.000). There is highly significant association between 'employee turnover' criteria of performance and statements 'Our family members share similar values' (p<0.018); 'My family and business share similar values' (p<0.002); 'We find that our values are compatible with those of the business' (p<0.048); and 'We feel loyalty to the family business'(p<0.006). Value of Contingency Coefficient for these associations is low, which indicates that this association is not very strong.

It implies that loyalty of members toward family business and common value system of family business and family members may enhance the service quality and the employee satisfaction on the one hand and these may reduce absenteeism and employee turnover on the other hand.

Table – 1 Results of Significance of Association between variable of Performance of Family Business and Family Culture

Variables of Performance / Variables of Family Culture	Sales Growth		ROI		Return on Capital		Market Share	
	p-value	C	p-value	C	p-value	C	p-value	C
My family has great influence on our business	.119	.257	.790	.163	.179	.244	.004*	.331
Our family members share similar values	.536	.227	.379	.246	.139	.282	.405	.243
My family and business share similar values	.499	.232	.528	.228	.984	.139	.000*	.425
Our family members are willing to put in a great deal of effort beyond that normally expected in order to help the family business be successful	.627	.185	.125	.225	.009*	.315	.014*	.307
We support the family business in discussion with friends, employees and other family members	.000*	.708	.587	.190	.861	.151	.800	.162
We feel loyalty to the family business	.258	.231	.285	.227	.584	.190	.213	.238
We find that our values are compatible with those of the business	.014*	.306	.668	.180	.574	.191	.000*	.390
We are proud to tell others that we are the part of the family business	.007*	.319	.764	.167	.415	.210	.000*	.473
There is so much to be gained by participating with the family business on a long term basis	.622	.186	.124	.255	.491	.201	.170	.246
We agree with the family business goals plans and policies	.234	.265	.839	.187	.736	.203	.016*	.331
We really care about the fate of the family business	.588	.221	.862	.183	.271	.260	.134	.283
Deciding to be involved with the family business as a positive influence on my life	.215	.238	.295	.226	.480	.202	.000*	.386
I understand and support my family's decisions regarding the future of the family business	.641	.183	.008*	.318	.514	.198	.737	.171

***significant at p<0.05**

Table – 2 Results of Significance of Association between variable of Performance of Family Business and Family Culture

*significant at p<0.05

Variables of Performance / Variables of Family Culture	Service Quality		Employee Satisfaction		Absenteeism		Employee Turnover	
	p-value	C	p-value	C	p-value	C	p-value	C
My family has great influence on our FB	.807	.122	.668	.178	.376	.246	.401	.243
Our family members share similar values	.457	.193	.748	.202	.576	.258	.018*	.361
My family and business share similar values	.737	.159	.009*	.342	.128	.318	.002*	.398
Our family members are willing to put in a great deal of effort ..... to help the family business be successful	.254	.194	.151	.249	.789	.196	.190	.272
We support the family business in discussion with friends, employees and other family members	.341	.181	.445	.207	.369	.247	.674	.211
We feel loyalty to the family business	.071	.234	.001*	.357	.000*	.440	.006*	.350
We find that our values are compatible with those of the business	.152	.212	.392	.213	.000*	.415	.048*	.309
We are proud to tell others that we are the part of the family business	.954	.089	.387	.214	.898	.175	.226	.266
There is so much to be gained by participating with the family business on a long term basis	.426	.170	.430	.208	.530	.228	.668	.212
We agree with the family business goals plans and policies	.203	.228	.879	.179	.573	.259	.502	.267
We really care about the fate of the FB	.184	.231	780	.197	.723	.241	.569	.259
Deciding to be involved with the family business as a positive influence on my life	.629	.146	.070	.271	.768	.199	.157	.278
I understand and support my family's decisions regarding the future of the FB	.842	.116	.338	.220	.943	.162	.925	.168

Conclusion

There is association between performance and family culture variables.

Discussion with employees, friends and family members in the family business will boost up the sales growth in the family business.

Common value system for business may encourage the sales growth in family business. Family business owners and managers should be careful regarding their values congruency with business values.

If family business managers understand that they are the part of the families and are proud of their business, it may increase their sales.

Family managers' clear understanding and support for strategic decisions may have positive impact upon return on investment for the family business.

Extra ordinary effort by family members has the potential to boost up the performance of their business. Therefore, family managers should encourage the family members to strive for normally expected efforts.

If there is overlapping of family values and business values, it may enhance the performance of the business.

The performance of the family business is associated with the level of family members' commitment, loyalty and pride toward family business.

Loyalty of members toward family business and common value system of family business and family members may enhance the service quality and the employee satisfaction on the one hand and these may reduce absenteeism and employee turnover on the others.

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