

**EMERGING CONCERNS IN FAMILY BUSINESS  
MANAGEMENT IN KASHMIR  
(A COMPARATIVE STUDY OF FOUR MAJOR INDUSTRIES)**

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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). 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. Still there are so many emerging concerns which can affect the fastest growth of these businesses. Therefore this paper is an attempt to find out the emerging concerns 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 emerging concerns of 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 200 family business firms which are taken from the selected cities of Kashmir names Kupwara , Anantanagh and Budgam. Final and third part includes findings, conclusion, suggestions and limitations of the study.

***Key words: Affecting, comparison, family Business Management, concerns.***

**1. 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."

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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 (Shapiro 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 marshal 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 World 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.

## **2. Literature Review**

*2.1 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.

*2.2 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.

*2.3 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.

2.4 *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.

2.5 *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.

2.6 *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.

2.7 *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.

2.8 *Chittoor and Das (2007)* state that the impact on succession performance of succession to

a non family 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.

2.9 *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.

2.10 *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.

### **3. Objectives of the Study**

To study the Emerging concerns in family business management in Kashmir among four major industries.

### **4. 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, Anantnagh, 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 200 firms, from Handicraft, Apple, Tourism, and Sports industries.

### **5. 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.

## **6. 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.

## **7. Statistical Tools**

Factor analysis has been used to analyze the data of 200 compiled schedules with the help of statistical package for social sciences (spss).

The overall sample (N=200) has been considered to identify the emerging concerns of family business. Factor Analysis has been applied to the 26 statements related to emerging concerns of family business.

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

Thus, major emerging concerns of four major industries are given below:

### *7.1 Sports Industry*

- Resolving Family Business Problems
- Professionalizing Family Business
- Family Decision Making
- Succession Planning
- Ensuring Active Involvement in Family Business
- Power Structure in Family Business

### *7.2 Tourism Industry*

- Resolving Family Business Problems
- Professionalizing Family Business
- Succession Planning
- Resolving Conflicts in Family Business
- Family Decision Making
- Power Structure in Family Business
- Non Family Member Participation

### *7.3 Apple Industry*

- Resolving Family Business Problems

Professionalizing Family Business  
Succession Planning  
Ensuring Active Involvement in Family Business  
Non Family Member Participation  
Power Structure in Family Business  
Succession Planning  
Family Decision Making

#### *7.4 Handicraft Industry*

Resolving Family Business Problems  
Succession Planning  
Professionalizing Family Business  
Power Structure in Family Business  
Family Decision Making  
Ensuring Active Involvement in 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 emerging concerns of family business for four industries (Apple, Sports, Handicrafts and Tourism) separately. The resultant factors have been compared in Table-1(a).

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.

### **8. Conclusion and Suggestions**

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.

Professionalizing family business is the most important challenge for the family businesses. In this context, it can be suggested that outside advisors e.g. family business consultants may be hired in the short run to make necessary interventions for improving the performance of the family businesses. Another way could be to train the family members in the professional management practices through formal education and training; which may not be possible for every business family. As a long run measure, the involvement of non family managers should be encouraged. Very serious family businesses may consider outsider as CEO; but they will have to ensure the cultural compatibility. Outside CEOs and non family managers need to acquire the cultural competence to be successful in the role of professionals in the family business.

It is suggested that the incumbent leader in the family business should start the process of identifying and grooming the successor well in advance of his retirement. The whole family should be crystal clear about the time and mode of succession in the family. It should be kept

in mind that the success of the succession process and the future of family business will depend upon the availability of a willing and trusted successor for the leadership role. The willingness of the prospective family members depends upon the expected reward from business and alignment of their career interests with the opportunities available in the family business. If a willing and trusted candidate can not be identified, it is better to sell the business than to transfer the business to the next generation; however, this decision will depend upon the desire of the owner manager to keep the business in family. Another important factor in the successful transition of family business is the credibility of the successor. If the incumbent owner of family business doubts the successors' abilities and intentions, the transfer of ownership will never be complete and it will harm the interests of the family business

It is further suggested that effective strategic planning and implementation be ensured in family decision making. All active family members should be clear about the vision of the business and its long term goals. The family business problems should be resolved in a professional manner, keeping in mind the long term implications for the family business. Above all, family harmony and cordial relationships are a must for the success of any family business. Mutual understanding and excellent formal and informal communication will go a long way in handling the challenges of family business as identified in this study.

### **9. Limitations of the Study**

As with most studies, this study has certain limitations, and the findings should be viewed in the light of these limitations: The sample was purposive and State specific, restricted only to J&K. Therefore the results of the study can not be generalised with certainty to all family businesses existing in other states in India.

The issues already identified in the literature have been used for identifying the relative importance of these family business issues for the respondents. Though the list of issues considered is elaborate, yet some issues of importance may have been omitted.

The inferences are based on the assumptions that the data provided by the respondents is true and correct.

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**Table–1(a) Industry Wise Comparison of Emerging concerns in Family Business Management**

<b>Factors/concerns in Family Business Management</b>	<b>Overall sample N=200</b>	<b>Sports Industry N=50</b>	<b>Tourism Industry N=50</b>	<b>Apple Industry N=50</b>	<b>Handicraft Industry</b>
<b>1.</b>	Professionalizing Family Business	Resolving Family Business Problems	Resolving Family Business Problems	Resolving Family Business Problems	Resolving Family Business Problems <sup>@</sup>
<b>2.</b>	Succession Planning	Professionalizing Family Business	Professionalizing Family Business	Professionalizing Family Business	Succession Planning
<b>3.</b>	Family Decision Making	Family Decision Making	Succession Planning	Succession Planning	Professionalizing Family Business
<b>4.</b>	Resolving Family Business Problems	Succession Planning	Resolving Conflicts in Family Business	Ensuring Active Involvement in Family Business	Power Structure in Family Business <sup>\$</sup>
<b>5.</b>	Equitable Compensation to Family Members	Ensuring Active Involvement in Family Business	Family Decision Making	Non Family Member Participation <sup>#</sup>	Family Decision Making
<b>6.</b>	Power Structure in Family Business	Power Structure in Family Business <sup>*</sup>	Power Structure in Family Business	Power Structure in Family Business <sup>^</sup>	Power Structure in Family Business <sup>\$</sup>
<b>7.</b>	Ensuring Active Involvement in Family Business	Power Structure in Family Business <sup>*</sup>	Non Family Member Participation	Power Structure in Family Business <sup>^</sup>	Ensuring Active Involvement in Family Business

<b>8.</b>	-	Power Structure in Family Business*	-	Succession Planning	Resolving Family Business Problems <sup>@</sup>
<b>9.</b>	-	-	-	Non Family Member Participation <sup>#</sup>	Resolving Family Business Problems <sup>@</sup>
<b>10.</b>	-	-	-	Family Decision Making	-
* <sup>#</sup> <sup>@</sup> <sup>\$</sup> These factors may be combined as they convey the same meaning.					

