Is Family business an Emotional Throughput?
(A study on firms in and around Madurai)

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Abstract

Family business in Madurai city has a long history and it is different from other cities, as it is an ancient trading city of Indian history. How for it is successful in this liberalization era is the major objective on which the researchers conducted a survey and found that Madurai, having a wide experience is still in the tradition. The firms are not giving the authority to outsiders and they believe that only through family members they can achieve their goals. And they don't have the belief and trust on outsiders because they think that the outsider doesn't have commitment. So, as far as Madurai is concerned the Tradition has much value than professionalism. To conduct the study the researcher used a structured schedule and collected data from 48 business firms in Madurai city.

I. Introduction

In the whole world, when the family businesses are looked at, most of them are family businesses, in the sense that they are created and maintained by family members. So studying about a topic that has a long history to its credit is quiet interesting. One could see enormous changes in the performance of theses firms due to the cultural, technical, political and economic changes. And so to face these challenges some of the family businesses opted to professionalise their business firms and others are not. This led the whole world into a competitive business market.

This study is conducted by the researchers to find out whether the business firms are interested in professionalising to succeed in the business or they are contended only with their family members to succeed in the business. And also the success rate of both the cases.

Due to the time constraint and availability of family business firms, the authors restricted their study area to Madurai city only. Madurai city is one of the ancient city in the Indian history, which is very famous for trading. And also this city is popularly known as "City

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that never sleep" for its nature. Trading is happening around the clock in some places or other in Madurai. Having a long history it includes a number of family business firms that has more than 60 years of existence.

II. Review of Literature

That Indian firms are largely family run does not surprise. Even in the U.S., the most 'professionalised' business nation, 40 per cent of GNP is still created by family companies and more than 80 per cent of all enterprises are family-run. 'We forget that in most countries much of retail trade, small industry and all manner of services are in the hands of the family, from the corner store to the most high-tech manufacturing.

Many Indian family firms are nervous today because they are afraid that a family-run business will not be able to cope with the competitive demands of the post-reforms scenario. They should feel reassured by the persistence of the family business in advanced societies. Many of us have acquired a distorted view of economic history. 'In this distorted picture, economies are dominated by massive corporations that are listed on stock exchanges and owned by an army of dispersed investors. The family firm is often portrayed as little more than an early point on a graph of corporate evolution. It is assumed that a really successful family of this sort is bound eventually to grow beyond the ability of the family to manage and finance it. Its owners will then usually decide to employ professional managers and take the firm public so that they can raise capital from the stock market. In the complex and volatile business environment, inducing professional management as a conscious strategy is the only route to success.

The difficulty experienced by Indian businesses in institutionalising themselves into large professionally run corporations may shut them out of certain sectors which demand scale and certain strategic types of technology. In these sectors, India may have to depend either on inefficient state-run companies or on large foreign companies. The success of the Italian, French, and Chinese small enterprises suggests that being a family firm *per se* is not necessarily a disadvantage. However, a successful family firm must be able to professionalise. It must be capable, for example, of recruiting and retaining outside professional talent. In a competitive world, it must be able to get the best person to run the company. If the family member is not the best person, then it must be willing to hand over the management to an outsider. To professionalise means that the family must make the mental leap and separate ownership and management, and distinguish between the family's interest and the company's interest. Most Indian companies are in a transition today. They are painfully coping with the problem of incompetent family members at the top of many businesses.

Today, because of competitive pressures and the rapid rate of innovation and change, there is a scramble to find talented people and to retain them when they are found.

Almost every industrialist said that his biggest challenge was to find men and women of ability to manage crucial positions in his company. This is the most profound change we are witnessing in the business world after the reforms.

In India, there has always existed high degree of trust among kin and caste brethren, but we distrust outsiders. The Marwari 'great firms' of the 19th century transacted large business arrangements as far away as Central Asia and China based on trust. When a Marwari needed money, he borrowed from another Marwari trader on the understanding that the loan was payable on demand 'even at midnight', and he would reciprocate with a similar loan. At the end of the year, interest was tallied and settled. Crores of rupees are transacted in Mumbai everyday based on hundis, as a matter of trust between people one knows. Palanpuri Jains transact millions of dollars in diamonds based on this principle. But when it comes to employing and trusting outsiders, it is a different matter.

A more unique characteristic of Indian business, at least until recently, was that it was managed as a joint family and derived a competitive advantage from this fact. Does a joint family business provide a competitive advantage in business? Rahul Bajaj, whose family is one of the few surviving joint families in Indian business, says an emphatic 'no'. 'Business has to be efficiently managed in a liberalised environment,' he said. 'Efficient managers are more likely to be outside the family rather than within. You have no choice but to bring them in to run the family businesses. Otherwise you won't be competitive.'

'Does the joint business family have any advantages?' There might be two. One is commitment, which in a simple-minded way gets translated into hard work. The other is continuity. It is not sure about commitment, because there is as much commitment and hard work among professional managers and as many lazy family managers. As to continuity, it seems to be often a liability rather than an advantage when you can't replace a family member who does not perform.

Many entrepreneurs are really visionary game changers who believe both in their missions and values. These types of entrepreneurs use their mindsets and essential entrepreneurial thinking to build successful family businesses. This special mindset, manifests itself in entrepreneurial thinking, and offers a solution to help successors in family businesses to refresh and improve the core businesses given to them. Design thinking might be used as a method for helping successors to recognize new business opportunities and refresh the core business, creating new visions and values [1].

Nevertheless, due to technological improvements and market change, these predecessor's visions and missions must be refreshed by new stimulus. New leaders of the family business naturally bring their own ideas; they have a passion to contribute and are more willing to challenge traditional assumptions than are their elders [2].

Worldwide statistics indicate that approximately 70 % of family-owned businesses do not survive into the 2nd generation and 90 % are no longer controlled by the 3rd generation of the family [3].

Family businesses are a traditional way of conducting business within the private sector and are active in all sectors of the economy.[5] Family businesses are extremely varied in terms of size, structure, and legal form. The importance of family business relies on the long-term stability it brings to the economy, the commitment to local communities, and also the responsibility of entrepreneurs. According to the Family Business Survey[6], family businesses are willing to invest for long term, and do not suffer from the constraints imposed on their listed competitors by the quarterly reporting cycle and the need for quick returns. Family businesses generally make the entrepreneurial community healthier and are also reliable business partners. According to Ernst & Young (2012), family businesses are typical, environmental, and they have economic and social responsibility, which are the result of the long-termist focus and sustainability outlook [4]. The survey [6] says that 72 % of respondents believe that family businesses contribute to economic stability. 78 % of respondents consider that the family firm is notable for the strength of culture and values. Many family businesses believe that they win business because they are closer to their customers, and have a more personal relationship with them.

The ideal process securing a successful family business succession, according to J. Lambrecht and R.Donckels (2006), includes six stepping stones. The first stepping stone is *intrepreneurship*. This means the transfer of professional knowledge, management values, entrepreneurial characteristics and the soul of the family business to the following generations. The second stepping stone is *studies.* Most successors get a higher degree before their full time entry into the family business. *Internal education for family members at a young age* is the third stepping stone. They learn the figures of the company, its future and its values during organized training sessions and by attending board meetings. The fourth stepping stone is *the acquisition of outside work experience in other companies* at home or abroad. Within the official start in the business we have arrived at the fifth stepping stone which is the *successors should start at the bottom rung.* Before the succeeding generation holds a manager position it passes through the various departments of the company. Successors must win the confidence of the employees, discover the company, the sector and the customers and learn from their mistakes. The final stepping stone relates to *a written planning and agreements.* There must be a foresight in case of death or resignation of a family member. In such cases written plans may not guaranty for a successful transfer, but poor planning can prove costly for the company and the family [7].

According to Kyriazopoulos & Samanta-Rounti (2007), only 32.4% of the Greek family businesses have a second generation perspective. Large firms are more concerned with issues such as selecting, preparing and training the next generation than small firms. According to their survey "the second generation tends to be reasonably well prepared, both in terms of their educational background and experience. They tend to start at the bottom of the company and spend a number of years serving in a variety of capacities throughout the organization [8].

Every family has its own dynamics and life cycle. Because of significant assets together, families who own businesses have a special need for a shared sense of who belongs to the family. Gersick et al. (1997) developed a four-phase family life cycle with unique characteristics and challenges define each stage, based on the life histories of hundreds of family businesses:

- Start-up Phase: the business is launched. Relationships with the spouse partner and extended family are established, and children are raised.
- Midlife transition: Members of the younger generation grow up, separate from home, and make initial career decisions.
- Working together: Parents and children learn to collaborate, develop strategies and solve conflict in the family business.
- Succession: Parents disengage from the business while the next generation takes over family leadership [9].

III. Objectives of the study

Though a number of objectives could be set, the major objectives are

1. To find out the success rate of the family business firms.
2. To find out the perception towards professionalising the business firms.
3. To find out the factors influencing the success of the business firms.
4. To find out the interest in involving the future generations in business.

IV. Research Methodology

Due to lack of time and scattered availability of business firms, the researchers adopted convenient sampling and selected 50 business houses for their data collection.

A structured schedule is framed and the data were collected through personal interview with the owners of the firms. So there is a high reliability in the sources of the data.

Unfortunately 2 of the firms could not be met because of festive season. So the sample size has become 48 in total.

The researchers were so careful in selecting only those firms, which are at least medium scale business firms and also those firms which are existing for more than 25 years. These firms have seen at least two generations.

The data were tabulated and as it is a qualitative study about the perception of family businesses, only percentage analysis could be used, to give a clear picture about reality.

V. Results and Discussions

The data collected were tabulated according to the questions and interpreted accordingly.

Table 1: Age of the Firm

Year established	No. of firms	Percentage
Before 1950	40	83.3
1951 – 1975	08	16.7
After 1975	00	00.0

As for as the ages of the firms are concerned most of the firms have a long existence in the city. From Table 1 it is inferred that, among the 48 firms, 83.3 % of the firms were established before 1950 and 16.7 % of the firms started between '51 and '75.

Table 2: Founder of the Firm

Relationship with current owner	No. of firms	Percentage
G.G.G. Father	06	12.5
Great Grand Father	00	00.0
Grand Father	23	47.9
Father	19	39.6

From Table 2, it is clear that around 47.9 % of the firms were established by the Grand fathers of the current owners followed by 39.6 % by Fathers and 12.5 % by Great Great Grand Father (G.G.G.F).

Table 3: Education level of the current owner

Education	No. of firms	Percentage
Schooling	17	35.4
Under Graduation	17	35.4
Post Graduation	14	29.2

From Table 3, we can see that around 35.4 % of the firms were owned and maintained by people having Schooling or Graduation as their qualification. Only 29.2 % of the owners are Post Graduates.

Table 4: Nature of Business

Nature	No. of firms	Percentage
Trading	23	47.9
Retailing	06	12.5
Both	19	39.6

Table 4 reveals that about 47.9 % of the firms are Traders followed by 39.6 % in trading and retailing and 12.5 % involved only in retailing.

Table 5: Any Diversification made

Category	No. of firms	Percentage
Yes	08	16.7
No	40	83.3

From Table 5 it is clear that 83.3 % of the firms are continuing the same business from the day of its inception and 16.7 % of the firms have diversified their business to other businesses in between.

Table 6: No. of family members involved

No. of Fam. Mem.	No. of firms	Percentage
1-2	31	64.6
3-4	11	22.9
> 4	06	12.5

Table 6 reveals that in around 64.6 % of the firm's 1 or 2 of the family members are involved in the business, in 22.9 % of the firm's 3 to 4 members are involved and in 12.5 % of the firms more than 4 of the family members are involved in the same business.

Table 7: the major Decision Maker

Who	No. of firms	Percentage
Grand Father	00	00.0
Father	04	22.9
Brother	09	52.1
Self	03	16.7
All	01	06.3

It is clear from Table 7 that when other members are also involved in the business Brothers play the vital role in Decision making with 52.1 % followed by Fathers with 22.9 % and self with 16.7 %.

Table 8: Education level of the Decision Maker

Education	No. of firms	Percentage
Schooling	15	31.3
Under Graduation	24	50.0
Post Graduation	09	18.7

As far as the education level of the decision maker is concerned Table 8 shows that 50 % of the decision makers are graduates followed by Schooling with 31.3 % and Post graduation with 18.7 %.

Table 9: Experience of the Decision Maker

Experience	No. of firms	Percentage
Less than 10 years	8	16.7
11 – 20 years	17	35.4
More than 20 years	23	47.9

Regarding the experience of the decision makers, 47.9 % of the decision makers are highly experienced with more than 20 years, around 35.4 % have 11 to 20 years of experience and only 16.7 % of the decision makers have less than 10 years of experience.

Table 10: Involving the future generation in business

Response	No. of firms	Percentage
Yes	31	64.6
No	17	35.4

From Table 10 it is clear that in Madurai city 64.6 % of the firms have a strong intension to bring in their children into business but 35.4 % of the firms refused that idea.

Table 11: Inducing the children towards business

Ways	No. of firms	Percentage
Showing the importance of Family business	28	90.3
Slowly involving by getting help	03	09.7

But how to induce the children in business is a prominent problem. Table 11 says that 90.3 % of the owners will give the importance of family business to them and 9.7 % says that they will slowly involve them in business by getting help then and there.

Table 12: Effect of family hierarchy in decision making

Response	No. of firms	Percentage
Yes	08	16.7
No	40	83.3

As far as the decision making is concerned, 83.3 % of the firms says that family hierarchy has nothing to do with decision making but only 16.7 % says it has some effect which is given in Table 12.

Table 13: Cause for the effect of family hierarchy in decision making

Cause	No. of firms	Percentage
Seniority	05	62.5
Experience	00	00.0
Priority	00	00.0
Equal rights	03	37.5

When asked how it affects the decision making, around 62.5 % says Seniority as the prime reason and 37.5 % says Equal rights as the reason which is given in Table 13.

Table 14: Managing family & business together

Response	No. of firms	Percentage
Yes	48	100.0
No	00	000.0

Managing the family and business simultaneously is not a problem at all for the owners, as it is revealed from Table 14.

Table 15: Out sourcing Experts Opinion

Response	No. of firms	Percentage
Yes	14	29.2

No	34	70.8

As per Table 15, 70.8 % of the firms have no intension to involve outside experts in any way into the business but 29.2 % say that they need outside experts help.

Table 16: Field of expertise needed

Response	No. of firms	Percentage
Marketing	06	43.0
Finance	08	57.0

Table 16 reveals that 57 % of the firms expect the experts opinion in Finance decisions and 43 % needs the help of Marketing experts.

Table 17: Whether experts are employed

Response	No. of firms	Percentage
Yes	14	29.2
No	34	70.8

The above table reveals that 70.8 % of the firms are not interested in employing experts in their business and only 29.2 % have employed outside experts in their business.

Table 18: Weightage given to expert's opinion

Weightage (%)	No. of firms	Percentage
0 – 20	0	00.0
21 – 40	0	00.0
41 –60	8	57.1
61 – 80	0	00.0
81 – 100	6	42.9

As far as the Weightage for the experts are concerned 57.1 % of the firms give around 41 – 60 % Weightage in the decision making and around 42.9 % of the firms give 81 – 100 % Weightage for the expert's opinion.

Table 19: No. of employees in the firm (Excluding Family members)

No. of employees	No. of firms	Percentage
No employees	06	12.5
Less than 20	34	70.9
More than 20	08	16.6

Table 19 shows that 70.9 % of the firms have employed less than 20 employees followed by 16.6 % with more than 20 employees. Around 12.5 % of the firms are totally maintained by family members alone and they have not employed any outsiders.

Table 20 : Expected type of Managers

Response	No. of firms	Percentage
Co-operative	02	14.2
Autocratic	06	42.9
Democratic	06	42.9

From the above table it reveals that, when the expected style of the out side experts are asked, 42.9 % prefer Autocratic and Democratic style where as 14.2 % prefer cooperative style for decision making

Table 21: Achieving the goal

Response	No. of firms	Percentage
Yes	31	64.6
No	17	35.4

From the above table it is clear that 64.6 % firms have confirmed that they could achieve the goal every year but 35.4 % of the firms find it difficult to achieve the goal.

Table 22: Opinion about reaching the goal only through family members

Response	No. of firms	Percentage
Yes	31	64.6
No	17	35.4

It is very clear from Table 22 that, about 64.6 % of the firms are highly contended with family members and have a strong opinion that, only through family members they can achieve the goal. But 35.4 % says they need expert's opinion to achieve the goal.

Table 23: Growth rate of the firm

Growth rate (%)	No. of firms	Percentage
Less than 10	11	22.9
11 – 15	17	35.4
More than 15	11	22.9
Unsteady	09	18.8

As far as the annual growth rate is concerned Table 23 says that 35.3 % of the firms have a normal growth of 11 - 15 % followed by 22.9 % shared by firms with less than 10 % and more than 15 %. 18.8 % firms could not say any firm reply for the question, because their annual growth rate is unsteady.

Table 24: Decision making style followed

Response	No. of firms	Percentage
Ancestors	00	00.0
Own	31	64.6
Both	17	35.4

As far as the decision making style of the owners is concerned, 64.6 % of them follow their own style while 35.4 % follow both their own and ancestors style for solving the problems.

Table 25: Reason for the above styles

Response	No. of firms	Percentage
Opinion of experience	08	16.66
To match the current trend	24	50.00
According to the problem	08	16.66
To have a control	08	16.66

The reason for following a particular style is analysed and from Table 25 it is found that 50 % of the respondents use the style to match the current trend where as others say Opinion of experience, According to the problem and To have a control as the reason with 16.66 % each.

Table 26: Factors influencing Success of the business

Factors	Highly Agree	Agree	Neither agree / Nor disagree	Disagree	Highly disagree
Quality	42 87.5 %	06 12.5 %	0 0 %	0 0 %	0 0 %
Involvement	42 87.5 %	06 12.5 %	0 0 %	0 0 %	0 0 %
Policies	20 41.7 %	14 29.1 %	06 12.5 %	08 16.7 %	0 0 %
Strategy	20 41.7 %	14 29.1 %	11 22.9 %	03 06.3 %	0 0 %
Ethics	28 58.2 %	08 16.7 %	03 06.3 %	06 12.5 %	03 6.3 %

Expert's guidance	06 12.5 %	20 41.4 %	03 06.3 %	11 22.9 %	08 16.7 %
Family support	28 58.2 %	11 22.9 %	03 06.3 %	03 06.3 %	03 6.3 %

As far as the factors for the success of the business are concerned Quality & Involvement got the highest importance, since it gained high agreement with 87.5 %. It is followed by Ethics and Family support with 58.2 % followed by policies and strategy with 41.7 %. The least significant factor is the Expert's opinion which scored on 12.5 %. So it is very clear that Family businesses of Madurai City are not for professionalism.

VI. Conclusion

From the study it is found that the family business in Madurai city is highly contended to the family alone. For generations they have involved only their family members in decision making. If more of the family members are involved in the business, the hierarchy helps them to take the decision. In most of the firms it is the big brother who takes the decision. As far as the involvement of outsiders is concerned they are highly rigid in avoiding the outsiders. Mistrust and non-commitment are the major two reasons for not involving outsiders in their business. So it can be concluded that in Madurai City the Family Business are still running with tradition and not much deviated.

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