

Impact of Factors of Family Business on the Performance: A PLS-SEM Study

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Abstract

Family Business is seen as significant source for economic growth and development in today's world. Family businesses have the potential to outperform any other form of business organization through their inherent synergies between capital and management. Performance is an essential indicator of the organisational success and competitive advantage of firms. If firms are able to identify the factors that determine improved performance, they could take advantage of their specific features. The purpose of this research is to give insight in the determinants of family business that contribute in meeting/exceeding performance objectives of the firm. Structural Equation Modelling is used for the analysis.

Keywords: Transparent; Communication; Family business

Introduction

Family Business is seen as significant source for economic growth and development in today's world. Family businesses have the potential to outperform any other form of business organization through their inherent synergies between capital and management. Family businesses are essentially people businesses and are the backbone of the world economy. They generate wealth, offer jobs, and exist for longer periods of time. A family business is a commercial organization in which management is a prime concern by multiple generations of a family. It is any type of business operation in which a group of relatives have controlling interest in the organization.

In a family business, the business is passed from one generation to the next, with younger generation given training to enter the business and taking different duties from their parents over time. Family Business enhances the prospects for firm survival [1], by helping to create and sustain conditions of trust, identity, and norms of reciprocity and obligation [2,3]. Typically, family members will hold key roles in terms of being decision makers, improving their skills and talents by hiring employees that are capable of managing other tasks. Family firms may also be viewed by family members as a source of socio-emotional wealth.

Family Business is guided by the desire to build a healthy business that they want to pass on to their children. Scholars of family business argue that the firm succession is a vital part of the family business and succession can lead to an important infusion of entrepreneurial energy based on the potential of new owners and managers to rejuvenate their firms [4]. However, the nature and degree of involvement will depend on the responsibilities that family members has within the organization.

Family businesses (FBs) represent the majority of firms around the world, and the research focusing on the implications of family involvement in business ventures is growing exponentially [5-7]. But, according to Carlos [8], the field of family firms has been of interest to management researchers and writers as a topic of scholarly inquiry since the 1980s; however, the discipline has been largely ignored until the last decade. Also, according to Bhalla [9], research into family businesses is considered to be in an evolutionary phase and is not as voluminous as in other management areas [10].

Due to the importance of their presence into the economy many researchers [11-25], still consider FBs as an increasing topic into the

business management research. Family firm research has been growing over the last decade but is still an emerging field of study [26-28] it has experienced similar growth in recent years. Besides, families who have built sustainable businesses over generations are facing a problem in determining the contributing factors for meeting performance objectives. Hence, more effort is necessary to address the complexity of family companies and to understand the reasons of their excellent/poor performance.

Researches had also been made in some parts of the world [29] investigated the moderating effect of family CEOs on the family ownership-firm performance relationship in Asia, in which family CEOs were found to positively moderate the relationship in some countries (e.g., Indonesia and Taiwan), and negatively moderate the relationship in Hong Kong. Maury [30], investigated the relationship between family ownership and firm performance of eleven Western European countries and revealed that family ownership positively affects firm profitability in terms of return on assets, particularly in economies having stringent regulations [31], demonstrated that family firms listed in eleven Continental Europe countries have superior performance in terms of return on assets. Ben-Amar and Andre [32], show similar findings in the context of Canada. But, this area of research is lacking in other parts of the world including India.

On the other hand, performance is an essential indicator of the organisational success and competitive advantage of firms. If firms are able to identify the factors that determine improved performance, they could take advantage of their specific features. Family business may want to know the key drivers of success to direct their efforts to the accomplishment of those measures. Based on the above rationale, this study extracts new evidence from a blooming emerging area -family

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business. Hence, the purpose of this research is to give insight in the effects of the influence of a family on the aforementioned components, and how these are related to success of a firm and to have a better picture of the ambiguous and imperfect literature on family businesses. The outcome of our research will be formed by answering the following research question: "Which determinants of family business contribute in meeting/exceeding performance objectives of a firm?"

Literature Review

Le Breton-Miller and Miller [33] argue that family governance and leadership creates unique conditions which can make them more effective than non-family firms. Family-led enterprises might then be better able to create products or to enter markets that outside investor-controlled or managerially led firms cannot, and to better adapt to changing environments [34]. Some scholars [35], threw light on the difference between corporate governance structures used in family-funded and non-family-funded firms. They further discuss that firms without the burden of agency costs may be able to take advantage of different, and perhaps more lucrative, opportunities than firms dealing with outside investors. Other studies explore the family effect on firm performance and compare firm value between family companies and widely held corporations [36-39].

Research papers focused on family business performance reveal mixed results. According to some authors, family firms outperform non-family peers, while other papers show the opposite. The family enterprise must be a remarkably efficient and robust organizational form: it is the world's most common form of economic organization and, as noted by Shleifer [24], family-controlled corporations dominate the global economic landscape. Miller and Le Breton-Miller [40] included studies that show superior performance of family firms along various performance dimensions. Bennedsen et al. [5], found that non-family CEOs provide valuable services to the organizations they head, thereby supporting the case that family managed firms have lower performance than non-family firms.

Yet, despite the many positive aspects of family businesses, there are some negative effects. Family conflicts, lacking ability in next generation and profit sharing etc. are few criticisms about family businesses. Family businesses more frequently use written employee policies rather than written succession plans or hiring plans for family members [41]. In general, there is a lack of strategic planning and professionalization in family businesses that has contributed to their high failure rate. Professionalization is related to the succession-planning process and involves transitioning from an informal management style to a more formal management style for economic growth.

Although, family involvement is an essential attribute of a family business [42,43] but, more family members mean more complexity, since they bring a diversity of interests, skills and needs. The situation becomes difficult, when a strong and successful leader disappears and an ill-prepared next generation comes into role. Besides, managing authority and responsibilities of family members is also a matter of concern. Very few families in business translate their fear into a proactive approach by providing training to the younger generations and evaluating them, with the clear objective of ensuring that future generations wisely exercise their rights and responsibilities.

Conflict is related to interpersonal family dynamics. It can cause a high cost in family enterprises because family members are 'locked' in a firm, thereby making conflicts more persistent and interests more difficult to align [44]. Family business research often utilizes this broad

systems view because many issues affect family members both in and out of the business [45-49]. Other dimensions of family business include succession[50-52], corporate governance [3,53] strategic management [54], etc. For exiting from the family business, owners can decide to (i) sell their firms to an external party [55], (ii) hand over the business to family members and/or relatives [56], or (iii) to close down their business [57].

Barth, Gulbrandsen [58], suggested that future researchers concentrate on who runs the firm as opposed to who owns it; many supports have been reported for the impact of family ownership on the firms' performance. One possible explanation for why the results were inconsistent may be related to the lack of understanding of the moderating effect of a family CEO and founder CEO. Sharma noted that the rigors of academic research did not accommodate the solutions needed by consultants in solving the problems which occur in family businesses and emphasized on more work needed to understand the determinants of family firm performance.

Garcia-Castro et al. [59], have investigated different studies towards FB and FP, conducting three different relationships between FB and FP (positive, negative and neutral). But they concluded that the contradicting results emerged from empirical research, was plagued by the way the relationship between FB and FP was measured. But that family involvement has influence on the business is for sure. It only depends on the conditions how the family business is build. With a solid build structure of ownership and proper management, a family business is able to create unique competences to create superior financial firm performance.

With regard to the relationship between family involvement in management and performance, the results are mixed. Some of the research has confirmed that FBs offer superior performance [60,61]. However, it seems that the relationship between performance and ownership is not linear. In particular [33,62], suggest that family ownership positively affects firm performance, exhibiting an inverted U-shape relationship. On the other hand, some scholars have found hardly any differences between FBs and NFBs [7,39], have even confirmed that NFBs performed better than family owned firms. Whereas [61,62], suggest that family management has a positive effect on profitability, other authors such as Barth [58,63-66] found that firms with family members who serve as managers underperform firms that are managed by outside managers.

Collins [67], reported about gaps in family business research. Among these gaps is the link between family involvement and its effect on the performance, which is still under debate [68]. Despite the fact that SEM is an increasingly popular approach in business research and related social sciences, family firm researchers have used the method sparingly [69]. Several family business researchers have called for more sophisticated and rigorous statistical analysis techniques, such as SEM [70-73] revealed that only 13 empirical studies investigating family businesses published between 1989 and 2013 used SEM methodologies, seven of which (from a total of 183 empirical articles) were published in Family Business Review.

Research Methodology

The study

The study is exploratory in nature and intends to discuss the factors affecting success of family business. The objective of the study was to analyze the relationship of meeting/exceeding performance objectives of family business with selected constructs such as Distinguished

Documentation, Enhanced Transparency, Conducive Environment, Professional Attitude, Communication Integration, Innovative Training, Financial Management, Immense Trust, Entrepreneurship Development and Evaluation Standards. Non probability judgemental sampling method was used for the collection of data.

Tool for data collection

Self-structured questionnaire was used for the collection of data. For measuring the variables related to success of family business, the list of 36 items were formed. These items in the tool were employed on 5-point Likert scale, ranging from strongly disagree to strongly agree. Because, the study incorporated tools that were new to family business research, further retesting of these tools was deemed necessary to assess their robustness to a different population of firms, and to derive confidence in subsequent analysis, a pilot survey was executed before conducting the main survey. The purpose of the pilot survey was to examine whether or not the proposed model was well developed and suitable to analyze family business success. In the pilot study, Item-total-correlation was calculated on data collected for 36 items to find out which items significantly contribute towards measuring the factors contributing to the success of family business. In the first iteration four variables were found insignificant at 0.05 level of significance were dropped and the remaining items were retained to explore the factors. The data were finally, subjected to Principal Component Method of Factor Analysis. The results of the pilot study using Principal Component of Factor Analysis explored 10 factors Appendix 1.

Empirical data for testing the proposed constructs on success of

family business were examined using a mail to the owners of family business. Initially, the questionnaire was mailed to 500 owners of only large scale enterprises, but with a response rate of 46.4%, only 232 owners participated in the survey. This survey was used for confirmatory analysis and hypotheses testing of the model shown in Figure 1. In both cases, the survey questionnaire was mailed to the family members in family firm, along with a letter outlining the purpose of the research and soliciting their participation in the survey. No specific incentive was provided to participants for completing the survey, beyond promising them a copy of the aggregated results. The statistics of firms is displayed in the following Table 1.

Tools for data analysis

After ensuring the content of the items selected, the reliability of the tool was determined by Cronbach’s alpha method and the reliability coefficient alpha (α) was 0.95 showing high reliability of tool. The analysis of pilot data was carried out using Exploratory Factor Analysis from the Statistical Package of Social Science (SPSS 16.0).

Partial Least Squares-Graph was used to test the hypothesized relationships among the study variables. The choice was motivated by several considerations. Partial Least Squares is a non-parametric estimation procedure Wold 1982. Its conceptual core is an iterative combination of principal components analysis relating measures to constructs, and path analysis capturing the structural model of constructs. The structural model represents the direct and indirect causal relationships among constructs. It is more appropriate for analyzing moderating effects because traditional techniques cannot

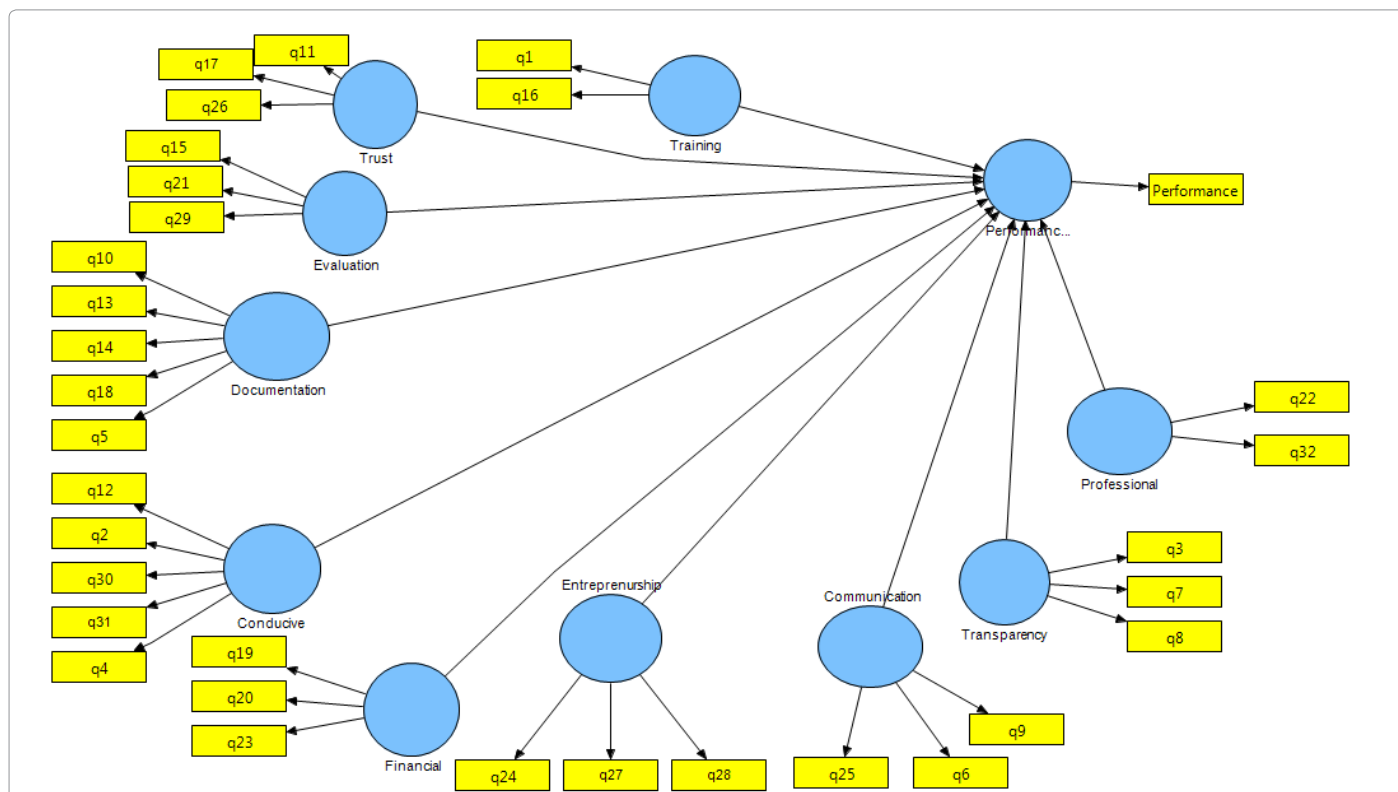


Figure 1: Initial Model Displaying Relationship Between Distinguished Documentation, Enhanced Transparency, Conducive Environment, Professional Attitude, Communication Integration, Innovative Training, Financial Management, Immense Trust, Entrepreneurship Development and Evaluation Standards with Performance of Family Business.

No. of Family Members	<10	76
	Between 10 and 50	130
	> 50	26
Year of Establishment	< 1975	42
	Between 1975 and 2000	173
	> 2000	17
FA		

Table 1: statistics of firms.

account for measurement error in exogenous constructs [74], allows for modeling latent constructs under conditions of non-normality, and is appropriate for small to medium sample sizes [75-77].

Construct development and framing of hypotheses

Communication Integration construct was framed of the following 3 items: There are regular scheduled meetings within the family members for the discussion related to business; we are able to sort out the persistent, uncomfortable issue with proper professional methodology and Communication among family members is critical to maintain family harmony and has been ideal. Family businesses are places where parties, while working together, can experience disagreement about task priorities and about how to accomplish them and can experience interpersonal incompatibilities on values and attitudes. It has been shown that the family adds complexity to business conflicts and conflict resolution, as family members can be concerned not only about business performance but also about their involvement in and satisfaction with the business [78]. Therefore the following hypothesis is proposed:

H₀₁: Communication Integration has an association with performance objectives of the family business.

Conducive Environment construct is made up of 5 items including Potential leaders are given projects to lead despite of being a non-family member; We do hire some new talent to do the job effectively in absence of ineffective family member; Policies for management of corporate profits between employee and non-employee shareholders are clearly defined; Regular senior management meetings to discuss strategic business plan involving family and non-family members are held and Data integration and information circulation is given a due importance in our business.

Several researchers [61,79], examined the family involvement in the management of family firms. Owing to the family's legacy being one and the same with the firm's welfare, family owners are often disinclined to relinquish their power to external managers. According to Al Masah [80], most Arab family businesses have their management in the hands of family members. This can be achieved through the goal alignment between owners and managers [81], manager's identification with the firm [82] and family managers' trustworthiness, as postulated by the stewardship theory Dalton et al. [83], Similarly, Lee [84] revealed that family firms underperform non-family firms with the exception of situations where family members were CEOs. According to Block this is because of management's identification with the firm. When the CEOs have greater identification and possess more incentive not to employ actions that may tarnish the firm's reputation, their identification encourages them to expend effort and work together for the protection of the welfare and reputation of both the family and firm. Thus, we can propose that;

H₀₂: Conducive Environment has an association with performance objectives of the family business.

Distinguished Documentation construct is framed of 5 constituents. There is a need to define document clearly all the policies because family owners may block non-family members from gaining key managerial positions in the company [72]. Moreover, family owners opt to keep the decision making process in their hands Ward [85] to prevent the occurrence of any conflict between them and external managers that would consequently impact the performance of the firm in a negative way [42].

According to Jiang et al. [29], a family member has more chance of being a CEO as opposed to non-family members in family firms owing to their alleviation of agency cost and provision of support to family control. They also state that ownership influence the role of the CEO, because a family business may choose who they want as an CEO. The way the CEO behaves, active or passive, has influence in the firm performance. For example, the CEO can influence the performance by having a longer investment intention, so the business has a long term vision, what is good for the continuity of the firm. Therefore, it is reasonable to assume that there is a relation between distinguished documentation integration and performance objectives of the family business which leads to the following hypothesis:

H₀₃: Distinguished Documentation Integration has an association with performance objectives of the family business.

Entrepreneurship Development is another construct which is composed of three items namely: We are aware of the critical success factors and our weakness; Only those family members who are active in the business are eligible for ownership and We look for new opportunities like a watch-dog and take advantage of opportunities as and when they arise.

Anderson and Reeb [62], expressed that family ownership has some unique competitive advantages, that causes the positive relationship. According to Filatotchev et al. there is a negative relationship between a family member being a CEO and the firm's performance, because family managers select other mechanisms on how to run the business, compared to nonfamily firms. It is also stated that the family is tempted to do what is profitable for the family, but not to the minority shareholders in the business. But the family does not negatively influence the firm's performance [29,40,62,66] suggested family firms whose dominant family shareholder (founder) is the CEO outperform their non-family (non-founder) counterparts. Similarly, Ward et al. [85] revealed that family firms underperform non-family firms with the exception of situations where family members were CEOs. Therefore, we can predict that there is a relation between Entrepreneurship Development and performance objectives which leads to the following hypothesis:

H₀₄: Entrepreneurship Development has an association with performance objectives of the family business.

Evaluation Standards is comprised of 3 items namely Financial standards to evaluate financial performance are used; Proper evaluation of potential of strengths and weaknesses of younger generation for being a successor is done and All stakeholders are evaluated and receive positive and negative results. This seems to be true since enrolling poorly educated family members in the management team may also lead to resentment on the part of senior nonfamily managers because they would not see tenure, merit, and talent as requisite skills and hence is the importance of evaluation. Thus, we can propose that evaluation standards help in meeting the performance objectives of the firm. Hence the hypotheses:

H₀₅: Evaluation Standards has an association with performance objectives of the family business.

Financial Management is comprised of 3 items. This seems to be an important construct because [1], also found that Family businesses bring financial stability. Those financial resources (survivability capital) can be used during a crisis, when economic times are hard and can be used to sustain the business during economic hardship or after unsuccessful strategic moves [34]. In addition, family CEOs help to align family shareholders' incentives with managers' incentives, which eventually results in positive firm performance [62]. Also, family managers have the possibility of substituting monetary for nonmonetary returns [86], they often follow nonmonetary goals, such as independence, employment for family members [87,88], prestige has presented evidence that family business entrepreneurs tend to value emotional factors and consequently substitute them for the above-mentioned nonmonetary outcomes.

On the other hand, [72,89,90], did not observe significant differences on financial performance measures between family and non-family managed firms. Others were not able to confirm a relationship between ownership concentration [79,91] and firm profitability, on the other hand Vaninsky et al. [92], found that nonfamily managers running a firm generate a higher net income compared to family managed firms, since family managed firms are not run by professional managers (most of the time). Professional managers promote firm performance, especially, it secures a higher net income. In addition, as recently argued by Zellweger [93], the extended time horizon that characterizes family firms reduces the marginal risk of an investment and therefore the corresponding risk-equivalent cost of equity capital [94]. Consequently, family-owned firms can seize investment opportunities their nonfamily competitors do not consider as sufficiently attractive or consider too risky; "such a situation offers family-owned firms the possibility of developing their activities unhindered by aggressive competitors and of conquering markets that competitors cannot enter" [93], expressed that the greater profitability in family firms, relative to non-family and found that firm performance is increasing when the family ownership is about one-third of the firm's outstanding shares. Hence, we propose that;

H₀₆: Financial Management has an association with performance objectives of the family business.

Professional Attitude comprised of 2 items namely we do not give importance to preserving harmony in family at the cost of loss in business and different measures for increasing profitability in our family business are employed. According to Dyer [95] professional management competencies can be a major constraint in the success of family business. Successful management requires the development of plans, effective control systems for performance evaluation. This raises the need for competencies in strategic and financial planning sometimes missing in family-managed firms [96-98], found that responses to disruptions explained more of the variance than did family resources and expressed that hiring temporary help during hectic periods increase business revenue. Hence, it is reasonable to assume that;

H₀₇: Professional Attitude has an association with performance objectives of the family business.

Innovative Training construct comprises of 2 items namely Proper training to the family member is provided on a regular basis to younger generation and Employee performance reviews and customer feedback are conducted regularly. This seems to be true since either providing

a training to family members or hiring nonfamily managers with previously developed capabilities can be a method of overcoming some problems and running the company more successfully. Therefore, the hypothesis formulated is:

H₀₈: Innovative Training has an association with performance objectives of the family business.

Enhanced Transparency is comprised of three items namely Company's missions and vision are clearly documented which is known to all family members; Guidelines and mechanisms exist for liquidating ownership position in the family business during their lifetime. Rules and regulations for compensating family members employed in the business have been established. Sirmon et al. [98] found that family influenced firms maintain higher levels of research and development investments and internationalisation, and thus, they enjoy higher performance. Therefore, it is reasonable to assume that there is a relation between enhanced transparency and performance objectives of the family business which leads to the following hypothesis:

H₀₉: Enhanced Transparency has an association with performance objectives of the family business.

Immense Trust is also a strong construct of family business because trust in family business finally leads to better firm performance [84], also showed that high levels of trust and commitment can lead to higher profitability and greater efficiency. According to Dollinger, Family managers' trustworthiness is usually known by customers and suppliers, who may establish and cultivate long-lasting relationships because of the goodwill generated by the family commitment. Based on this argument, it is formulated that:

H₁₀: Immense Trust has an association with performance objectives of the family business.

Results and Discussion

The model was designed to study the effect of different factors including Distinguished Documentation, Enhanced Transparency, Conducive Environment, Professional Attitude, Communication Integration, Innovative Training, Financial Management, Immense Trust, Entrepreneurship Development and Evaluation Standards on meeting/ exceeding performance objectives of the family business (Figure 1). To assess the psychometric properties of measurement model, individual item loadings, internal consistency, convergent validity, and discriminant validity were examined of the reflective factors.

The loadings of the measurement items on their respective factors were examined (Figure 2). Finally, the model included the items whose loading were above the threshold value of 0.65 on their respective factor and were statistically significant at the 0.001 level, which provides support for convergent validity (Figure 3). Three items were deleted which include Wills and associated trusts documents are been regularly updated, Financial standards to evaluate financial performance are used and Communication among family members is critical to maintain family harmony and has been ideal.

The study assessed convergent validity by examining composite reliability and average variance extracted from the measures. Although many studies have used 0.5 as the threshold reliability of the measures, 0.6 is a recommended value for a reliable construct [75-77] For the reflective measures, rather than using Cronbach's alpha, which represents a lower bound estimate of internal consistency due to its assumption of equal weightings of items, a better estimate can be

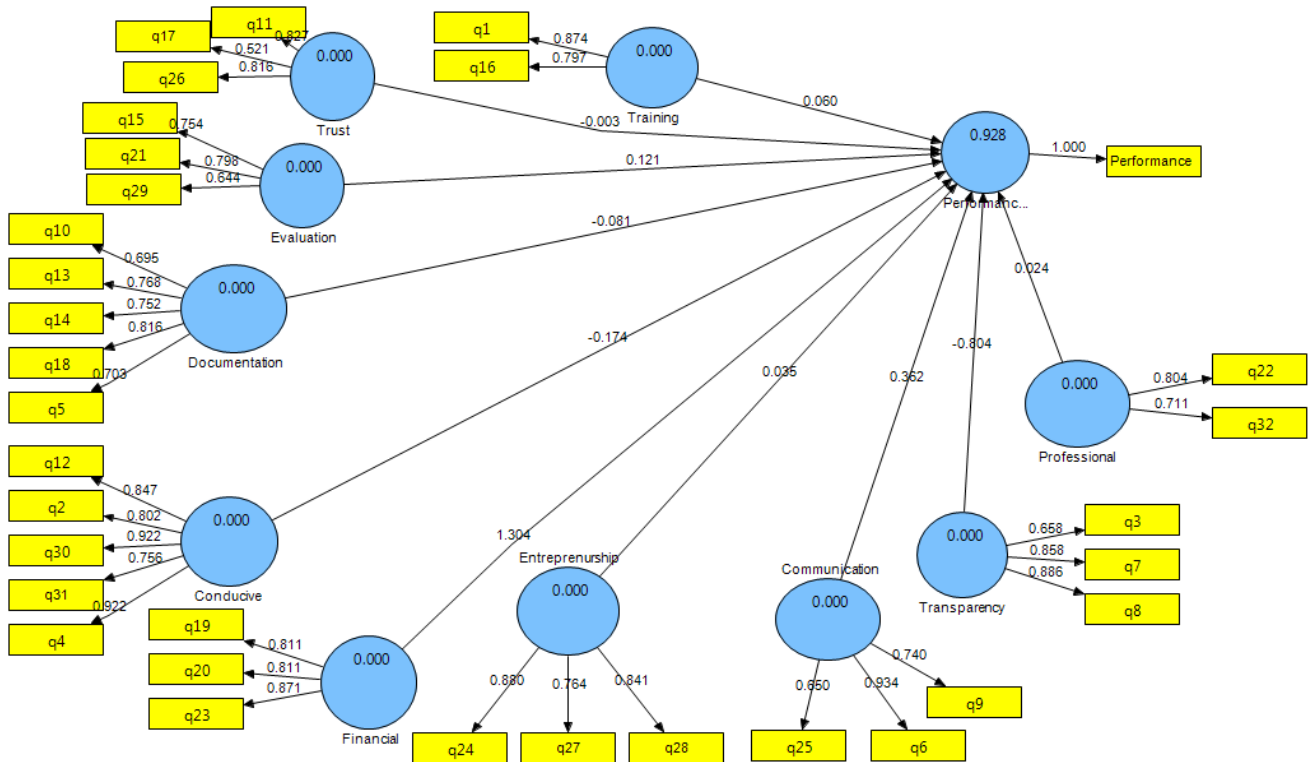


Figure 2: Initial Values on the Model Displaying Distinguished Documentation, Enhanced Transparency, Conducive Environment, Professional Attitude, Communication Integration, Innovative Training, Financial Management, Immense Trust, Entrepreneurship Development and Evaluation Standards with Performance of Family Business.

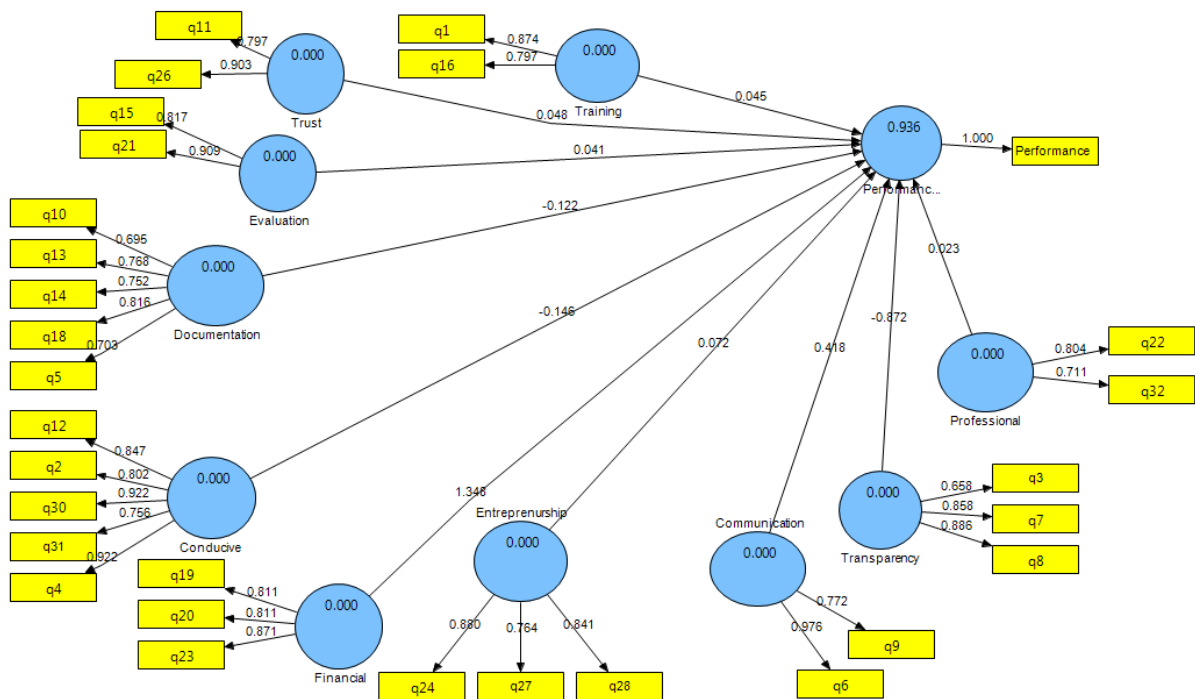


Figure 3: Model Displaying Distinguished Documentation, Enhanced Transparency, Conducive Environment, Professional Attitude, Communication Integration, Innovative Training, Financial Management, Immense Trust, Entrepreneurship Development and Evaluation Standards with Performance objectives after Removal of Some Items.

	AVE	Composite Reliability	R Square	Cronbachs Alpha	Communality
Communication Integration	0.77452	0.871426		0.762463	0.774528
Conducive Environment	0.72674	0.929671		0.910508	0.726741
Distinguished Documentation	0.55958	0.863583		0.804025	0.559583
Entrepreneurship Development	0.68861	0.868632		0.801841	0.688617
Evaluation Standards	0.74731	0.855035		0.669568	0.747318
Financial Management	0.69107	0.870181		0.825901	0.691073
Performance Objectives	1	1	0.9356	1	1
Professional Attitude	0.57615	0.730349		0.666704	0.576151
Innovative Training	0.69949	0.822878		0.674417	0.699498
Enhanced Transparency	0.65169	0.846731		0.748142	0.651692
Immense Trust	0.72537	0.840305		0.630542	0.725373

Table 2: Verification of Convergent Validity.

	Comm.	cond	doc	Entp	eval	fin	prof	trg	trans	Trust
q1	0.8	0.78	0.64	0.221	0.56	0.45	0.372	0.874	0.7	0.76
q16	0.5	0.6	0.7	0.598	0.61	0.4	0.121	0.797	0.55	0.06
q6	1	0.64	0.67	0.436	0.52	0.61	0.312	0.707	0.75	0.57
q9	0.8	0.72	0.73	0.092	0.6	0.41	0.197	0.67	0.67	0.64
q11	0.7	0.58	0.53	0.027	0.53	0.28	0.256	0.625	0.56	0.8
q26	0.5	0.33	0.15	0.011	0.11	0.18	0.382	0.339	0.33	0.9
q12	0.5	0.85	0.63	0.363	0.63	0.49	0.415	0.655	0.62	0.37
q2	0.8	0.8	0.64	0.305	0.57	0.5	0.238	0.757	0.69	0.64
q30	0.6	0.92	0.69	0.183	0.74	0.48	0.239	0.731	0.68	0.36
q31	0.4	0.76	0.59	0.146	0.68	0.31	0.295	0.613	0.49	0.24
q4	0.6	0.92	0.69	0.183	0.74	0.48	0.239	0.731	0.68	0.36
q10	0.7	0.71	0.79	0.155	0.59	0.45	0.244	0.648	0.64	0.6
q13	0.4	0.46	0.77	0.689	0.54	0.39	0.146	0.646	0.5	0.02
q14	0.5	0.45	0.75	0.65	0.49	0.52	0.185	0.572	0.55	0.01
q18	0.5	0.6	0.82	0.348	0.62	0.48	0.141	0.493	0.54	0.22
q5	0.7	0.67	0.7	0.32	0.57	0.41	0.212	0.662	0.61	0.58
q15	0.4	0.5	0.58	0.319	0.82	0.45	0.175	0.581	0.55	0.23
q21	0.6	0.8	0.7	0.253	0.91	0.59	0.254	0.618	0.67	0.33
q8	0.6	0.64	0.61	0.318	0.64	0.78	0.312	0.566	0.79	0.29
q7	0.7	0.66	0.68	0.419	0.54	0.61	0.312	0.716	0.76	0.56
q3	0.4	0.6	0.54	0.093	0.63	0.45	0.208	0.578	0.66	0.37
q22	0.2	0.25	0.04	0.249	0.17	0.35	0.804	0.239	0.26	0.32
q32	0.3	0.27	0.36	0.397	0.23	0.37	0.711	0.232	0.28	0.26
q19	0.6	0.71	0.68	0.333	0.7	0.71	0.309	0.625	0.69	0.29
q20	0.6	0.71	0.68	0.333	0.7	0.81	0.309	0.625	0.79	0.29
q23	0.4	0.26	0.37	0.482	0.35	0.87	0.473	0.262	0.46	0.16
q24	0.4	0.33	0.5	0.88	0.26	0.52	0.512	0.346	0.35	0.1
q27	0.3	0.24	0.45	0.764	0.32	0.3	0.162	0.491	0.31	-0.1
q28	0.3	0.13	0.52	0.841	0.24	0.31	0.2	0.383	0.29	-0.1

Table 3: Cross Loadings Table.

gained by using the composite reliability measure Chin and Gopal As shown in Table 2, the internal consistency of all reflective constructs clearly exceeded 0.60, suggesting strong reliability. For the average variance extracted by a measure, a score of 0.5 indicates acceptability. From the table it is clear that AVE by all reflective measures is greater than 0.5, which is above the acceptability value.

Finally, in the study, Discriminant validity is also confirmed, when items related to a particular factor have the highest load on that factor. When we look at the cross loadings (Table 3), we find that these conditions holds good.

The PLS modeling approach involved two steps - validating the measurement model and then fitting the structural model. The former is accomplished primarily by reliability and validity tests of the

measurement model, followed by a test of the explanatory power of the overall model by assessing its explained variance, and the testing of the individual hypotheses (structural model). The model shows that the explanatory power of the model is 93.6% (Figure 3). For testing the individual hypotheses, a bootstrap re-sampling procedure was conducted and coefficients were estimated (Figure 4).

It is evident from the Table 4 and Figure 4 that all the hypothesis except H₀₁, H₀₂, H₀₆ and H₀₉ stands rejected at 5% level of significance because the calculated value of t is more than tabulated value (1.95). Thus, Enhanced Transparency, Conducive Environment, Communication Integration and Financial Management are associated with meeting/exceeding Performance objectives of family business, while Distinguished Documentation, Professional Attitude,

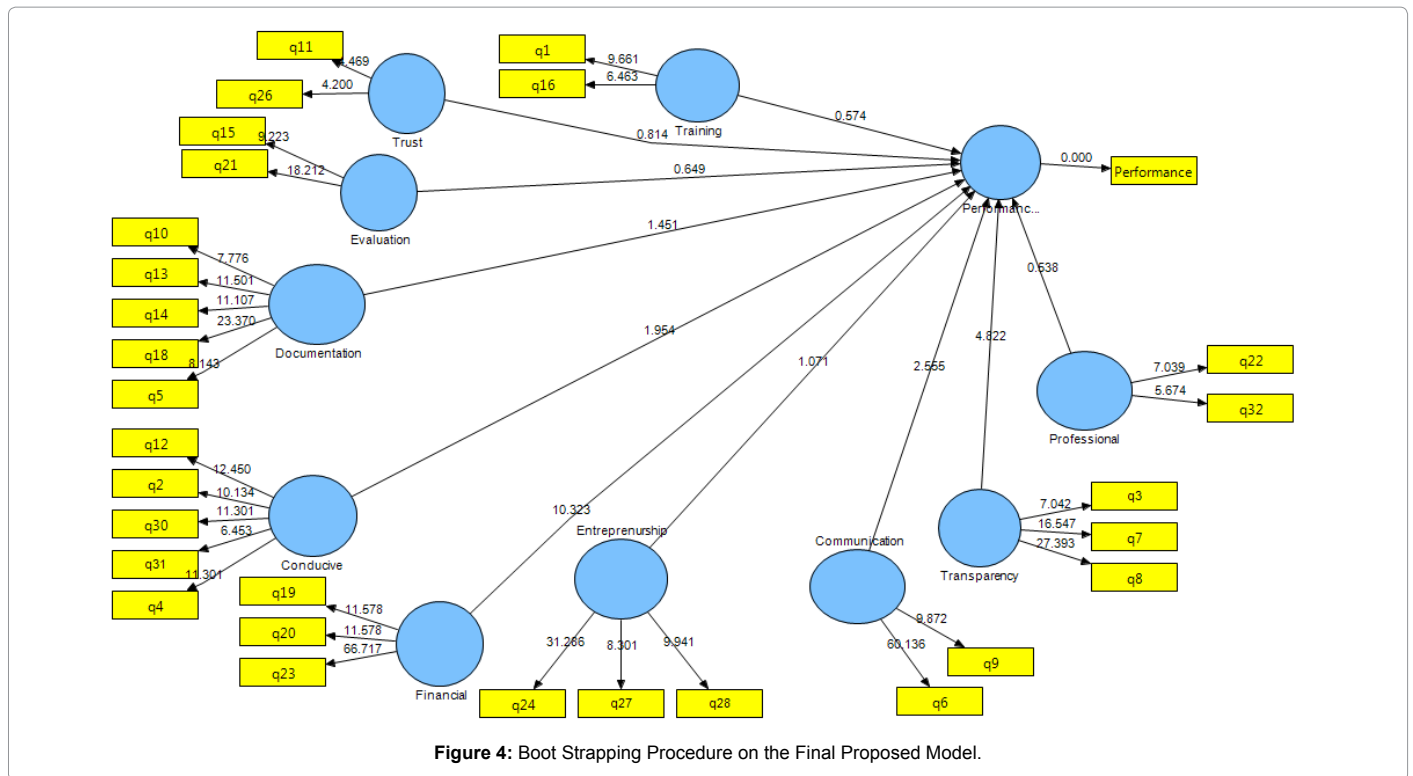


Figure 4: Boot Strapping Procedure on the Final Proposed Model.

	Standard Deviation (STDEV)	Standard Error (STERR)	T Statistics (O/STERR)
Communication Integration-> Performance Objectives	0.17156	0.17156	2.438118
Conducive Environment-> Performance Objectives	0.067424	0.067424	2.163242
Distinguished Documentation -> Performance Objectives	0.080488	0.080488	1.51872
Entrepreneurship Development -> Performance Objectives	0.055135	0.055135	1.299446
Evaluation Standards -> Performance Objectives	0.061518	0.061518	0.664713
Financial Management-> Performance Objectives	0.119598	0.119598	11.270112
Professional Attitude -> Performance Objectives	0.040026	0.040026	0.584798
Innovative Training -> Performance Objectives	0.08359	0.08359	0.535159
Enhanced Transparency -> Performance Objectives	0.187612	0.187612	4.649003
Immense Trust -> Performance Objectives	0.056305	0.056305	0.861114

Table 4: Correlation between Distinguished Documentation, Enhanced Transparency, Conducive Environment, Professional Attitude, Communication Integration, Innovative Training, Financial Management, Immense Trust, Entrepreneurship Development, Evaluation Standards and Performance objectives of the firm.

Innovative Training, Immense Trust, Entrepreneurship Development and Evaluation Standards are not associated with meeting/exceeding Performance objectives of family business.

The study reveals that Financial Management is vital to the success of family business. The assumed overlapping of family and business could produce particular attitudes in relation to financing strategies. In this regard Sa'nchez-Andujar [99], suggested that typical agency costs

derived from the possibility of using free cash flow by the managers can be drastically reduced in family businesses due to the control exerted by the family members involved in the company.

The study revealed that conducive environment, enhanced transparency and communication integration are also important factors for determining the success of the family business. This seems to be true since management teams that are fully dominated by family members outperform mixed family nonfamily management teams due to the effective culture within the team. McConaughy et al. [100] present evidence that family ownership control is associated with higher firm performance. But when these authors split family control of a firm into different sub-factors, such as ownership concentration and monitoring, they find that the positive effect of family control on firm performance is not clearly due to managerial ownership. Bloom and Reenen [101] also find that that poor management practices are more prevalent when family-owned firms pass management control down to the eldest sons. Few families effectively manage this difficult transition. The key to success is accepting the diversity rather than suppressing it and putting in place a practical, transparent and effective governance structure.

In accordance with our study Zellweger [102], finds that in contrast to family influence in ownership and on the supervisory board, family influence on the management board is beneficial to the return on equity of a firm, Perez-Gonzalez [65] also finds that firms where incoming CEOs are related to the departing CEO, undergo large declines relative to firms that promote unrelated CEOs. Similarly, Villalonga and Amit [66], presented that family ownership only develops value in situations where the founder is the CEO of the firm and this value dissipates once the descendants take the founder's place as the CEO.

The study showed that Distinguished Documentation, Professional Attitude, Innovative Training, Immense Trust, Entrepreneurship

Development and Evaluation Standards are not associated with meeting/exceeding Performance objectives of family business. This might be true because this research was primarily done on large scale enterprises in which these parameters might have lost their meaning with passage of time. However, these parameters seem to be important and of prime concern, if the company size is small and is in growing stage. These parameters might have weightage earlier at the time of start of the venture. Also, because large scale family business are more stable and experienced and since owners of these business are more qualified and knowledgeable, they might give more focus on the other crucial parameters like financial management, conducive environment, enhanced transparency and communication integration for meeting and exceeding performance objectives.

Suggestions and Conclusion

In today's era, family business needs to be carefully managed. With changing mindsets of the people, their lifestyle, rules and regulations in accordance to product specification, government laws, there seems to be a tough competition around the globe. Since, the success of a family business is driven by different organizational factors and set of policies, this project was deliberated to study to understand the impact of different factors on the success of the family business. It is very important to consider the financial management in a company hence the management should pay more attention to it. Each family member has its own strength and weaknesses, which can help to business to grow. The problem arises when the people are not aware about the transactions that are happening in the company, future planning which finally grow into conflicts among family members. This study could also help to the owners, in understanding and improving the factor on which they are lacking behind.

Finally, successful families understand that they need to add value to the business, for meeting/exceeding performance objectives. This added value on the part of family members comes in different shapes and forms, including actively leading the business, supporting the business strategies, maintain transparency in the business, making the environment affable, understanding the business and industry deeply, and, last but not least, conflict resolving between the family members.

Limitations

This research paper surveyed only the large scale family business enterprises. However, to have a better understanding of family business, small and medium scale family business should also be surveyed. A comparative study of family business of different company sizes will also show a better picture. This research paper could not focus on a variety of important questions that, re fundamental to the field and merit investigation.

Such questions relate to ownership transitions, difference in the managerial issues of small and big family business, influence of family business on the achievement of nonfinancial goals, the roles and responsibilities of family members, issues related to succession, family composition and management, evolution of firm governance across generations, the influence of family on firm financial structure, and a host of matters concerning family disputes and the successors. Moreover, more effort is needed to identify and analyze the distinctive resources and competences that make it possible for family firms to outperform non-family companies.

Also, different studies can be conducted at different geographical areas. On the basis of the present empirical analysis, the researchers can have a base for a further study to be conducted. Although, the

traditional family business model of growing organically within a geographic region is rapidly becoming outdated as customers, suppliers and even employees spread across the globe. This also limits the scope of the research as it may yield different results if done at a different time and place. Like every study involving human feedback, there is always a big room for bias. Respondents could have provided with false information due to the thought that it might reflect their personality.

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