

# Relationship of Number Family Member in Family Business with Performance of Family Business: A Study of Handicrafts Family Business

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## ABSTRACT

Family business is the most recent curiosity among the academicians and researchers in the present times, most of its aspects are yet to be covered by the researchers. This study is an effort to add the knowledge in this domain of family business management by finding a link between Number of Family members involved in family business and their impact on performance of family business of Jammu and Kashmir. The study is analytical in nature and is based on primary and secondary data. The secondary data of the selected units have been collected from the financial reports of handicrafts family businesses engaged with different Kashmiri shawls. Regression analysis has been used to find the relationship between the studied dependent variable i.e. number of Family Members involved in family Business and independent variables i.e. Return on Capital and Return on Investment. The results of the study showed that the number of family members involved in family business have significant positive relationship with the performance of the family business.

**Key words:** Family Members, Performance, Family Business, Handicrafts

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## I INTRODUCTION

Family businesses have played a backbone role in the modernization of the economies of the developed and developing nations. The family's capability to provide the basic capital and entrepreneurial spirit is deemed crucial to the development of capitalism and in encouraging the industrialization of the developed countries (Ramachandran, 2004).

A Business is said to be a family business when it's an enterprise growing out of the family's needs, built on the family's abilities worked by its hands and minds and guided by its moral and spiritual values, when its sustained by family commitment and passed down to its sons and daughters as precious as the family nature (Astrachan et al, 2002). An organization whose major operating decision and plans for leadership succession are influenced by Family members serving in a management or on the board (Handler, 1989). Any Business in which Majority of ownership or control lays within a single family and in which two or more family members are or at some time were actively involved in the Business is a Family Business (Rosenblatt, 1985).

## II REVIEW OF LITERATURE

**Ahmad and Nengroo (2013)** analyzed growth and performance of the handloom sector of Jammu and Kashmir, the study was descriptive in nature and the data have been collected through the self-designed questionnaire imposed on the sample size of 100 handicrafts family business the results found that there was significant increase in the production of the handlooms during the studied period the results also showed that there was a highly positive correlation production and employment.

**Madani et al (2013)** studied the impact of family ownership, state ownership and major shareholders on the financial reporting of the firms. The study was descriptive in nature and the data have been collected from the 102 listed firms on the

Tehran stock exchange during the period from 2003- 2010. The results showed that there was no significant relationship the variables of corporate ownership and financial reporting.

**Zachary (2011)** studied the importance of family system in family business management. The study was exploratory based on the previous work done in the family business. The study found that few researchers have examined the family system in detail and the study further concluded that family with its own dynamics was an important and fundamental entity for creating and sustaining behavior of family members in management of family business.

**Chung and Chan (2012)** examined the implication of ownership structure and family leadership on the performance of the affiliated Chinese family firms. The research results indicate that the ownership structure of the affiliate firm influences the likelihood that family leadership will be used. Specifically, if the founding family owns more direct ownership of the affiliate firm, the family will be likely to appoint a family leader at the affiliate firm. However, when the founding family has a greater degree of pyramidal ownership of an affiliate firm, family leadership will be less likely at that affiliate firm. Additionally, family leadership mediates the relationship between ownership structure and affiliate firm performance in a family business group. Family leadership positively affects the effect of direct family ownership on affiliate firm performance but does not significantly affect the negative relationship between pyramidal ownership and affiliate firm performance.

**Mustafa (2011)** explored reasons behind weak performance of handicraft sector in Jordan. The study was descriptive in nature and data have been collected from the secondary sources. The study concluded that main reasons for the weak performance of handicraft sector in Jordan was lack of comprehensive plan which unifies the efforts of stakeholders involved development of such sector, lack of certification, not having a research Centre to guide artist in designing handicrafts and lack of promotional activities abroad and within the country to introduce the products to both domestic and international tourism markets.

**Daraghma and Alsinawi (2010)** investigated the three variables that have an effect on the financial performance of the family business in Palestine. The three variables are board of director characteristics (size and composition), management ownership and the capital structure. The data have been collected from 28 Palestinian family businesses. The study used the descriptive analysis, ordinary least square simple and multiple regressions as statistical tools to test the hypothesis. The results of the study indicated chief executive officer CEO Chairman Separation did not have any significant impact on the financial performance of the firm while as CEO Chairman Duality has significant impact on the financial performance of the company. The study also found that the board size had significant negative impact on the financial performance. The study concluded that debt financed has no influence on the profitability of the Palestinian family businesses.

**Westhead and Howorth (2006)** examined the association between the ownership and the management profiles and performance objectives of family firms. The data were obtained from the privately held firms from the United Kingdom. The multivariate regression was used as a statistical tool. The results indicated management rather the ownership structure of the family was significantly associated with selected firms performance the results also showed that the family CEOs were associated with lower propensity to export.

**Thomas (2002)** discussed the factors that influence the outcome external and internal challenges to the ownership of two interrelated Australian family businesses one in its fifth generation and the other in its third generation. The results of the study showed that need to resolve family business ownership issue was seen as something that takes place between individuals and their accountants and lawyers. Attitudes to the aspect of inheritance and the passing on of ownership were not forthcoming in the interviewees' response about succession, they mainly focused on provisions for the older generations in retirement and management succession issues with little indirect reference to share transfer arrangements. Ownership transfer was not addressed proactively.

### III RESEARCH METHODOLOGY

**Source of Data:** For the present study the source of data is both primary as well as the secondary. The secondary data have been collected from the financial reports of the family businesses engaged with different Kashmiri shawls in order to find the Relationship between the studied variables.

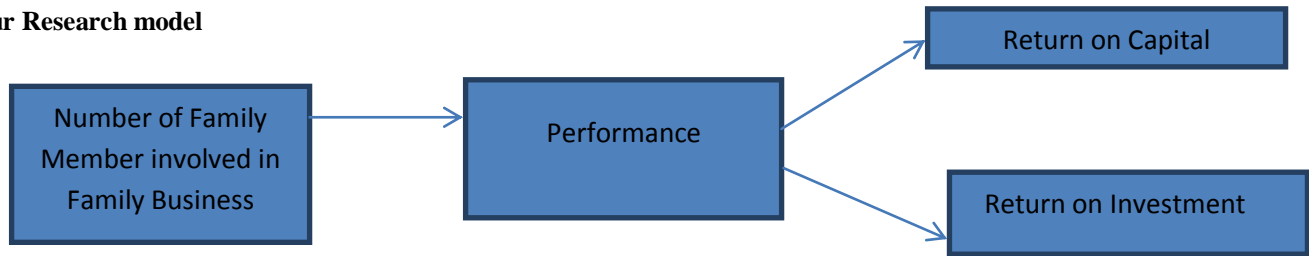
**Sampling Technique:** Purposive Sampling

**Sampling Area:** District Srinagar

**Sampling Unit:** Handicrafts family Business Units Engaged with Kashmiri Shawls

**Sample Size:** 15 family business units

**Our Research model**



**IV RESULTS AND DISCUSSION**

When all the information has been collected the data was coded and entered in SPSS version 16. The regression analysis has been used to find the relationship between the dependent variable number of Family Members and the independent variables financial performance measured by Return on Capital and Return on Investment

**4.1 Results of Regression Analysis**

From table 1.1 it can be seen that  $r^2$  is found to be .77 which means that 77% change in financial performance is due the Number of Family Members involved in family Business and the 23% is unexplained variability. This value of  $r^2$  (.77) confirms that our model is quite fit

**Table: 1.1 showing the Model summary of Regression Analysis Model Summary**

Model	R	R Square	Adjusted Square	R	Std. Error of the Estimate
1	.882 <sup>a</sup>	.778	.110		.517

a. Predictors: (Constant), , Return on Capital, Return on Investment

**Table: 1.2 showing the Results of Regression Analysis Coefficients<sup>a</sup>**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	146.278	85.660		1.708	.337
	Return on Capital	.358	.200	-.2304	-1.791	.324
	Return on Investment	11.700	7.104	-.15079	-1.647	.347

From the regression analysis in table 1.2 it can be seen that regression coefficient beta of number of Family Members Involved with Return on Capital is found to be .35 with a significance value .32 which indicates that Return on Capital is positively and significantly related to the number of family members involved in family business .Table 1.2 also shows that regression coefficient of number of family members involved in family business with Return on Investment is found to be 11.70 with a significance value of .34 which means that Return on Investment is positively and significantly related with the number of family members involved in the family business.

**CONCLUSION**

From literature review the present study found that the handicrafts family business is the most untouched field of research most of its aspects are yet to be touched. This study examined the relationship of number of family members involved in family business and the performance of the handicrafts family business of the Jammu and Kashmir. The results of the

present study concluded that number of family members involved in family business is highly and positively related with performance of handicraft family business in Jammu and Kashmir.

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