

A Financial performance comparison of family managed and professionally managed firms in India

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1. INTRODUCTION

1.1 Family run business:

A family business, also known as a family-owned enterprise, is a company where the controlling interest or majority ownership is held by one or more families. These businesses are usually characterized by the direct involvement of family members in critical areas like decision-making, management, and leadership. The conceptualization and interpretation of family business may differ to some degree with reference to the perspectives of various writers and context. Indian writers and scholars have offered varied insights into the nature and operations of family businesses. Intihar and Pollack (2012) define family business as having "a substantial family presence in ownership, governance, management, succession, and/or employment". Casrud (1994) defines family business as one where ownership and decisions are made by members of a "kinship group". National Institutes of Health (NIH) (.gov) study defines a family business as one where at least 50% is owned by a single family. Dyer (1988) and Tapies and Fernandez (2010) highlight the importance of family traditions and legacy in family firms, where younger generations often adhere to established practices. Chua et al. (1999) emphasize that family businesses are those managed by a family. Lee et al. (2017), Mukarram et al. (2018), and Jain et al. (2022) point out that family businesses are organizations where various generations of the same family influence decision-making to achieve family-defined objectives, according to a study in the National Institutes of Health (NIH). Donnelley (2004) defines family businesses as businesses governed and/or managed to pursue a family vision, potentially sustainable across generations, with a dominant coalition controlled by family members. Diaz-Moriana et al. (2019) and Memili and Dibrell (2019) highlight the importance of family influence through ownership, management, and control as key characteristics of family businesses. König et al. emphasizes that family businesses are commercial organizations where different family generations influence decision-making to achieve family-defined objectives. Daspit et al. (2021) expand on this by including the F-PEC (power, experience, and culture) scale, which further categorizes family businesses.

In this study, the family business are defined in the following way after going through various definition of family run business given by previous researchers as well as other researchers.

A family business is a business that is owned, operated and handled by two or more members of a family. These members should be blood-related, related by marriage or adoption. A family-owned business has to have the following qualities-

- A sole family has to own the majority percentage of the ownership
- Has to have control over the voting system.
- Possess power in strategic decision-making.
- Multiple generations of that single-family have to be involved in that business.
- The same family has to draw the senior management of that firm.

Example: 1. Nahar spinning mills limited.
2. Vardhman textiles limited.

1.2 Professionally run business:

Here are concise definitions of a professionally run business by different authors in India:

Shalini Sharma & Arvind Tiwari (2021) define them as a business where operational control is in the hands of qualified professionals, emphasizing transparency, efficiency, and strategic planning.

Ritu Verma (2022) defines these as a company where non-family professionals manage operations, and family influence is kept separate from day-to-day management. In this study, the professionally run business are defined in the way after going through various definition of professionally run business given by previous researchers as well as other researchers.

Professionally run businesses are managed by individuals based on their expertise and experience in the industry, and leadership is determined by the board of directors or shareholders who may not be family-related.

Example: HDFC Bank
ICICI Bank

1.3 What Is Financial Performance?

Financial performance is the ability of a company to earn revenues, manage its assets and liabilities efficiently, and maintain its overall financial health. It's a reflection of how well the business can utilize its resources in order to achieve financial goals and become profitable.

- Financial performance gives investors a sense of a company's well-being and indicates how well its management is performing.
- The most important financial statements that can be used to determine a company's financial performance are the balance sheet, income statement, and cash flow statement.
- Financial performance indicators are quantifiable (measurable) figures that analyze a company's ability to attain its financial objectives.
- A complete picture of a firm's financial performance shouldn't be based on one figure alone.

1.3.1 Measuring Financial Performance

Financial performance metrics are measurements utilized to evaluate how effectively a company uses its resources to earn income and oversee its assets, liabilities, and equity. The following are commonly part of the above financial statements and are among the most critical for managers and other powerful stakeholders in an organization to comprehend: Gross Profit Margin, Net Profit Margin, Working Capital, Current Ratio, Quick Ratio, Leverage, Debt-to-Equity Ratio, Inventory Turnover, Total Asset Turnover, Return on Equity, Return on Assets, Operating Cash Flow.

Financial performance reflects a firm's ability to effectively utilize its assets to generate revenue and maintain overall financial health. In the context of family-owned and professionally-managed businesses, performance can be influenced by differing management structures, ownership models, and strategic priorities. Family businesses often emphasize legacy, stability, and long-term growth through generational involvement, whereas professionally-run firms focus on efficiency, market competitiveness, and performance-based leadership.

This topic is particularly important for study because limited research has been conducted comparing the financial performance of family-owned versus professionally managed firms, especially in the Indian context. By exploring this area, valuable insights can be gained into how different governance models impact business outcomes.

2. REVIEW OF LITERATURE

Kyere, M., & Ausloos, M. (2021), explored the title "Corporate governance and firms financial performance in the United Kingdom" that this research analyses the influence of five mechanisms of corporate governance on the financial performance of 252 UK non-financial companies in 2014, applying agency and stewardship theories. Findings reveal differential results, pointing to the significance of choosing effective governance practices.

Miroshnychenko, I., De Massis, A., et.al (2021), in their study "FAMILY BUSINESS GROWTH AROUND THE WORLD" that this research concludes that family businesses expand faster than non-family businesses, particularly in strong-institution economies. The effect is differential by family business type and business cycle, and provides insightful suggestions for theory and practice.

Kamble, S. S., Gunasekaran, A., et.al (2020). explained in their study "A performance measurement system for industry 4.0 enabled smart manufacturing system in SMMEs- A review and empirical investigation" that This study helps small and medium-sized auto-component manufacturers in India evaluate investments in smart manufacturing systems (SMS). It identifies ten performance measures, such as cost, quality, and sustainability, and shows that SMS, powered by Industry 4.0 technologies, provides competitive advantages over traditional systems. A new Smart Manufacturing Performance Measurement System (SMPMS) framework is proposed to guide these businesses in assessing SMS investments.

Bartolacci, F., Caputo, A., et.al (2020). explored the study titled "Sustainability and financial performance of small and medium sized enterprises: A bibliometric and systematic literature review." that this study analyzes 20 years of research on sustainability and financial performance in SMEs using bibliometric analysis and a systematic literature review. It identifies three main themes: innovation and entrepreneurship's impact on sustainability, corporate social responsibility, and green management in SMEs. The paper also highlights influential articles, authors, and journals, and suggests future research directions.

Koji, K., Adhikary, B. K., & Tram, L. (2020), study the titled “Corporate Governance and Firm Performance: A Comparative Analysis between Listed Family and Non-Family Firms in Japan” that This research examines the relationship between corporate governance and financial performance of Japanese family and non-family manufacturing firms between 2014–2018. Findings indicate family firms perform better in Tobin's Q but not necessarily in ROA. Governance elements such as institutional and foreign ownership have a positive effect on performance, whereas board independence can negatively affect family firms.

Eklof, J., Podkorytova, O., et.al (2020), in their study “Linking customer satisfaction with financial performance: an empirical study of Scandinavian banks” that this research analyzes the link between customer satisfaction, loyalty, and profitability in nine Scandinavian banks from 2004 to 2014. It finds that higher customer satisfaction and loyalty positively impact profitability and market indicators. Satisfaction from the previous year can predict future profitability and market performance, offering valuable insights for bank decision-makers and investors.

Sánchez-Marín, G., Meroño-Cerdán, et.al (2019), explored the title “Formalized HR practices and firm performance: An empirical comparison of family and non-family firms” that This research analyzes the impact of family involvement on HR practices and firm performance based on evidence from 500 Spanish companies. It discovers that formalized HR practices enhance performance but undermine training effectiveness and diminish the mediating function of selection practices.

Liu, X., Vredenburg, H., & Steel, P. et.al, (2019), study the titled “Exploring the mechanisms of corporate reputation and financial performance: a meta-analysis” that the study used meta-analysis to show that customer support partially mediates the link between corporate reputation and performance. It also found that factors like the time period, performance measurement methods, and types of customer support behaviors moderate this relationship. The analysis included 76 articles with 766 effect sizes from 75 samples.

Muda, I., Roosmawati, F., et.al (2018), study the titled “Performance Measurement Analysis of Palm Cooperative Cooperation with Using Balanced Scorecard” that This study analyzes Palm Oil Cooperatives' performance in North Sumatra using the Balanced Scorecard framework. Findings show that Financial Perspectives play important roles on the TBS market price mechanism, while Non-Financial Perspectives do not.

Ion, E.-I., & Criveanu, M. (2016), in their study “financial and non-financial indicators for organisational performance measurement” that Organizational performance is measured using KPIs; three areas that encompass assessment of financial data: cash position (liquidity), equity structure (leverage), and return (profitability). It is through such a system based on these indicators that managers are able to make informed decisions, balancing stability, flexibility, and dynamism for effective decision-making processes.

Singh, S., Darwish, T. K., et.al (2016), in their study “Measuring Organizational Performance: A Case for Subjective Measures” that This research discusses organizational performance measurement, noting shortcomings of objective and subjective measures. It contends that, with proper design, subjective evaluation by managers is reliable, particularly when compared against secondary data, which reflects similar results globally.

Aliona, B. (2016), explored in their study “FINANCIAL PERFORMANCES MEASUREMENT TOOLS” that this research examines performance indicators used by top management to evaluate the achievement of strategic goals, incorporating both quantitative and qualitative factors. It emphasizes considering strategic, tactical, and operational objectives, and suggests using revenue-based, expenditure-based, and cash-flow-based indicators to ensure objectivity and avoid bias.

Suganthi, P., & Rajaram, S. (2016), explored in their study “Determinants of Financial Performance of Indian Life Insurance Sector: Panel Evidence” that This study analyzes the financial performance of the Indian life insurance sector from 2005 to 2014, using Return on Assets (ROA) and examining factors like claims ratio, premium growth, leverage, and liquidity. It finds that liquidity, size, solvency, and risk retention ratio don't significantly affect performance, while other factors negatively impact it.

Kotane, I. (2015), in their study “Evaluating the importance of financial and non-financial indicators for the evaluation of company's performance” that this study investigates Latvian business leaders' views on performance measurement and finds that although financial measures were highly rated, non-financial measures were rated even more highly for measuring business performance overall, as was also reported in earlier studies.

Aniş, C.-N., Dalea, I., et.al (2012), titled to explore “Performance measurement through financial indicators” that the Cross-company and cross-country comparisons are now possible with modern performance indicators such as EVA, MVA, and TSR. Although they may produce the same output, variations depend on their period of analysis and accounting assumptions. The usefulness of MVA for investor-focused performance measurement is especially useful. Still, history has in most cases failed these performance indicators, especially during unstable economic times.

Jasiukevicius, L., & Christauskas, C. (2011), in their study “The Application of Performance Measurement Systems at the Electricity Sector of Lithuania” that this article introduces studies into the use of PMSs in large Lithuanian electricity companies and studies the impact of liberalization on their performance measurements. The research found that market liberalisation has only to a small extent impacted performance measurement because this period is relatively short.

Dossi, A., & Patelli, L. (2010), explored in their study “You Learn From What You Measure: Financial and Nonfinancial Performance Measures in Multinational Companies” that Recent studies have established that headquarters-subsidiary relationships blend common goals with independent freedom, contra the traditional performance systems. Modern systems now utilize non-financial performance measures, maximizing strategy, collaboration, and communication to align global operations more effectively and support organizational learning.

Uyar, A. (2010), explored in their study “Development of non-financial measures as contemporary performance measurement tools” that the study is focused on the integration of non-financial and financial scoring metrics, overcomes common measurement flaws, emphasizes industry-level tailoring, and illustrates non-financial metrics as key drivers of firm performance, based on a case study of Turkish Airlines.

Ganea, M. (2010), explored the title “THE ECONOMIC RATE OF RETURN – INSTRUMENT FOR MEASURING THE COMPANIES’ FINANCIAL-ECONOMIC PERFORMANCE” that measuring performance is currently essential in the economic climate for organisations, providing them with feedback to identify both successful actions and areas in need of improvement. The paper considers the economic rate of return as one key indicator of financial-economic performance. The key indicator has been analysed for ten Romanian firms in the food industry using different calculation methods to emphasize the strengths and weaknesses of each method.

Marr, B., & Schiuma, G. (2003), titled to explore “Business performance measurement ± past, present and future” that the Business performance measurement is a new discipline that influences a lot of what management does. The article recognizes problems such as the need for a deeper understanding of the balanced scorecard and the creation of a systematic and transparent body of knowledge on BPM.

Bacidore, J. M., Boquist, J. A., et.al (1997). explored in their study “The search for the best financial performance measure.” that the Refined Economic Value Added (REVA) is a more theoretically robust measure than Economic Value Added (EVA) for assessing shareholder value creation. Though EVA correlates well with value creation, REVA shows stronger statistical performance and predictive ability. Between 1988 and 1992, the top 25 REVA firms achieved higher returns than the top 25 EVA firms.

3. RESEARCH METHODOLOGY

3.1 Objectives of the study:-

1. To analyse the financial performance of selected family managed (FMB) and professionally managed businesses (PMB).
2. To compare the financial performance of selected family managed and professionally managed businesses.

3.2 Research methodology:-

3.2.1 Population:

All the companies operated in India.

3.2.2 Period of study:

2016- 2021(5 years).

3.2.3 Source of data:

The study required secondary data. The data was collected from nse.com, moneycontrol.com, screener as well as individual websites of selected companies.

3.2.4 Sample size:

Ten family run business and Ten professionally run business.

3.2.5 Sampling technique:

In our research study, we selected a sample of 20 listed companies—10 family-run and 10 professionally-managed—based on the convenient availability of relevant data.

Family / family relatives average shareholding patterns for the period 2016 - 2021							
S. No	Company Name	2016-17	2017-18	2018-19	2019-20	2020-21	Average
1.	Reliance Industries Ltd.	50.07	50.58	50.66	50.41	50.31	50.406
2.	Tata consultancy services ltd.	72.05	72.19	72.3	72.3	71.77	72.122
3.	Infosys ltd.	13.15	12.95	13.11	15.14	14.71	13.812
4.	Hindustan unilever ltd.	67.18	61.9	61.9	61.9	61.9	62.956
5.	ITC ltd.	14.65	12.79	11.99	43.35	40.95	24.746
6.	Larsen & Toubro ltd.	16.9	22.02	22.42	24.48	24.36	22.036
7.	HCL Technologies ltd.	60.33	60.33	60.72	60.82	60.82	60.604
8.	Maruti Suzuki India ltd.	56.28	56.37	56.37	56.48	58.19	56.738
9.	Adani enterprises ltd.	74.92	74.92	74.92	69.23	72.61	73.32
10.	Wipro ltd.	74.04	73.02	73	72.92	72.89	73.174
11.	JSW Steel ltd.	42.71	44.07	45.01	45.41	44.81	44.402
12.	Asian Paints ltd.	52.79	52.79	52.63	52.63	52.63	52.694
13.	Grasim Industries ltd.	40.26	41.83	42.76	42.75	43.05	42.13
14.	Tata Steel ltd.	34.41	34.41	33.92	33.9	33.19	33.966
15.	Tech Mahindra ltd.	35.85	35.76	35.26	35.17	35.08	35.424
16.	Hindalco Industries ltd.	34.65	34.64	34.65	34.65	34.65	34.648
17.	Cipla ltd.	36.68	36.73	33.63	33.55	33.46	34.81
18.	Hero Motocorp ltd.	34.63	34.76	34.75	34.78	34.76	34.736
19.	Godrej Industries ltd.	62.21	67.19	67.18	67.17	67.16	66.182
20.	Vardhman Textiles ltd.	62.2	63.27	62.93	63.85	64.13	63.276

The 5-year average of the shareholding pattern was determined for the selected companies. Companies with an average promoter holding of over 50% during the five years were identified as family-managed companies, and those with less than 50% were identified as professionally-managed companies.

3.2.6 Tools and techniques:

Six parameters (ROE, ROCE, ROA, NPR, P/E ratio, P/B ratio) of family-managed business are compared with professionally-managed business using t-test.

Hypotheses for the study:

Hypothesis 1

Null hypothesis: There is no significant difference between the ROE of selected family managed and professionally managed businesses.

Alternative hypothesis: The ROE of professionally managed businesses is significantly higher than that of family managed businesses.

t-test has been used for the comparison of ROE of both FMB and PMB.

Hypothesis 2

Ho: There is no significant difference between the ROCE of selected family managed and professionally managed businesses.

Ha: The ROCE of professionally managed businesses is significantly higher than that of family managed businesses.

t-test has been used for the comparison of ROCE of both FMB and PMB.

Hypothesis 3

Ho: There is no significant difference between the net profit ratio of selected family managed and professionally managed businesses.

Ha: The net profit ratio of professionally managed businesses is significantly higher than that of family managed businesses.

t-test has been used for the comparison of NPR of both FMB and PMB.

Hypothesis 4

Ho: There is no significant difference between the ROA of selected family managed and professionally managed businesses.

Ha: The ROA of professionally managed businesses is significantly higher than that of family managed businesses.

t-test has been used for the comparison of ROA of both FMB and PMB.

Hypothesis 5

Ho: There is no significant difference between the price earning ratio of selected family managed and professionally managed businesses.

Ha: The price earning ratio of professionally managed businesses is significantly higher than that of family managed businesses.

t-test has been used for the comparison of P/E ratio of both FMB and PMB.

Hypothesis 6

Ho: There is no significant difference between the price to book value of selected family managed and professionally managed businesses.

Ha: The price to book value of professionally managed businesses is significantly higher than that of family managed businesses.

t-test has been used for the comparison of P/B ratio of both FMB and PMB.

4. DATA ANALYSIS AND INTERPRETATION

Testing of hypothesis 1

Comparison of return on equity of FMB and PMB

Professionally Managed Businesses							
Return on equity (ROE)							
S. No	Company Name	2019-20	2020-21	2021-22	2022-23	2023-24	Average
1.	Infosys ltd.	25.35	25.34	29.34	31.95	29.77	28.35
2.	Larsen & Toubro ltd.	14.31	15.26	10.52	11.72	15.12	13.386
3.	ITC ltd.	23.44	21.8	24.4	27.75	27.45	24.968
4.	Hindalco Industries ltd.	6.45	5.23	17.56	10.65	9.56	9.89
5.	JSW Steel ltd.	11.01	16.91	30.7	6.3	11.34	15.252
6.	Tech Mahindra ltd.	18.48	17.81	20.7	17.3	8.84	16.626
7.	Grasim Industries ltd.	7.79	6.57	9.97	8.67	6.34	7.868
8.	Tata Steel ltd.	2.18	10.19	35.08	8.49	3.36	11.86
9.	Cipla ltd.	9.81	13.12	12.07	11.96	15.43	12.478
10.	Hero Motocorp. ltd.	25.25	18.92	14.62	16.87	21.15	19.362

Family Managed Businesses							
Return on equity (ROE)							
S. No	Company Name	2019-20	2020-21	2021-22	2022-23	2023-24	Average
1.	Reliance Industries ltd.	8.76	7.01	7.78	9.31	8.77	8.326
2.	Tata consultancy services ltd.	38.44	37.52	42.99	46.61	50.73	43.258
3.	Hindustan unilever ltd.	82	16.77	18.09	20.11	20.06	31.406
4.	HCL Technologies ltd.	21.56	18.6	21.8	22.7	23	21.532
5.	Maruti Suzuki India ltd.	11.48	8.36	7.01	12.38	15.75	10.996
6.	Adani enterprises ltd.	6.71	5.37	3.59	7.75	9.18	6.52
7.	Wipro ltd.	17.57	19.66	18.69	14.61	14.81	17.068

8.	Godrej Industries Ltd.	5.62	-2.27	4.06	6.16	7.25	4.164
9.	Vardhman Textiles Ltd.	9.54	6.33	20.08	9.28	6.94	10.434
10.	Asian Paints Ltd.	26.7	24.51	21.94	25.67	29.15	25.594

Professionally Managed Businesses			Family Managed Businesses		
Return on equity (ROE)			Return on equity (ROE)		
S. No	Company Name	Average	S.No	Company Name	Average
1.	Infosys Ltd.	28.35	1.	Reliance Industries Ltd.	8.326
2.	Larsen & Toubro Ltd.	13.386	2.	Tata consultancy services Ltd.	43.258
3.	ITC Ltd.	24.968	3.	Hindustan unilever Ltd.	31.406
4.	Hindalco Industries Ltd.	9.89	4.	HCL Technologies Ltd.	21.532
5.	JSW Steel Ltd.	15.252	5.	Maruti Suzuki India Ltd.	10.996
6.	Tech Mahindra Ltd.	16.626	6.	Adani enterprises Ltd.	6.52
7.	Grasim Industries Ltd.	7.868	7.	Wipro Ltd.	17.068
8.	Tata Steel Ltd.	11.86	8.	Godrej Industries Ltd.	4.164
9.	Cipla Ltd.	12.478	9.	Vardhman Textiles Ltd.	10.434
10.	Hero Motocorp Ltd.	19.362	10.	Asian Paints Ltd.	25.594
16.004			17.9298		

p-value from t-test = 0.335875016

At a significance level of 5%, the p-value of 0.3359 indicates no statistical difference in ROE between family-managed and professionally managed firms at 17.93 and 16.00, respectively.

The observed difference can be explained by chance variation in the sample, and not due to differential performance by the two management types.

Testing of hypothesis 2

Comparison of return on capital employed of FMB and PMB

Professionally Managed Businesses							
Return on capital employed (ROCE)							
S. No	Company Name	2019-20	2020-21	2021-22	2022-23	2023-24	Average
1.	Infosys Ltd.	32	35	37	40	40	36.8
2.	Larsen & Toubro Ltd.	12	10	10	12	13	11.4
3.	ITC Ltd.	32	28	33	39	37	33.8
4.	Hindalco Industries Ltd.	9	9	17	11	11	11.4
5.	JSW Steel Ltd.	9	16	29	8	13	15
6.	Tech Mahindra Ltd.	22	23	26	22	12	21
7.	Grasim Industries Ltd.	8	9	9	10	9	9
8.	Tata Steel Ltd.	6	12	31	13	7	13.8
9.	Cipla Ltd.	12	17	17	18	23	17.4
10.	Hero Motocorp Ltd.	27	24	18	23	29	24.2

Family Managed Businesses							
Return on capital employed (ROCE)							
S. No	Company Name	2019-20	2020-21	2021-22	2022-23	2023-24	Average
1.	Reliance Industries Ltd.	11	8	8	9	10	9.2
2.	Tata consultancy services Ltd.	47	49	54	59	64	54.6
3.	Hindustan unilever Ltd.	117	39	25	27	27	47
4.	HCL Technologies Ltd.	27	26	25	28	30	27.2
5.	Maruti Suzuki India Ltd.	9	11	6	16	22	12.8
6.	Adani enterprises Ltd.	9	8	7	9	10	8.6
7.	Wipro Ltd.	20	22	21	18	17	19.6
8.	Godrej Industries Ltd.	10	5	8	8	6	7.4
9.	Vardhman Textiles Ltd.	10	8	23	11	9	12.2
10.	Asian Paints Ltd.	33	34	29	34	38	33.6

Professionally Managed Businesses			Family Managed Businesses		
Return on capital employed (ROCE)			Return on capital employed (ROCE)		
S. No	Company Name	Average	S.No	Company Name	Average
1.	Infosys ltd.	36.8	1.	Reliance Industries ltd.	9.2
2.	Larsen & Toubro ltd.	11.4	2.	Tata consultancy services ltd.	54.6
3.	ITC ltd.	33.8	3.	Hindustan unilever ltd.	47
4.	Hindalco Industries ltd.	11.4	4.	HCL Technologies ltd.	27.2
5.	JSW Steel ltd.	15	5.	Maruti Suzuki India ltd.	12.8
6.	Tech Mahindra ltd.	21	6.	Adani enterprises ltd.	8.6
7.	Grasim Industries ltd.	9	7.	Wipro ltd.	19.6
8.	Tata Steel ltd.	13.8	8.	Godrej Industries ltd.	7.4
9.	Cipla ltd.	17.4	9.	Vardhman Textiles ltd.	12.2
10.	Hero Motocorp ltd.	24.2	10.	Asian Paints ltd.	33.6
19.38			23.22		

p-value = 0.271825485

At 5% level of significance, the p-value of 0.2718 suggests that there is no statistically significant variation in ROCE between professionally managed (19.38) and family-managed (23.22) firms.

The observed difference will probably be due to random variation in the sample and not a real difference in performance between the two management styles.

Testing of hypothesis 3

Comparison of net profit ratio of FMB and PMB

Professionally Managed Businesses							
Net profit ratio (NPR)							
S. No	Company Name	2019-20	2020-21	2021-22	2022-23	2023-24	Average
1.	Infosys ltd.	18.33	19.33	18.21	16.43	17.08	17.876
2.	Larsen & Toubro ltd.	7.49	9.5	6.66	6.83	7.03	7.502
3.	ITC ltd.	31.57	27.17	25.56	27.46	29.28	28.208
4.	Hindalco Industries ltd.	3.19	2.64	7.04	4.52	4.70	4.418
5.	JSW Steel ltd.	5.34	9.86	14.3	2.49	5.13	7.424
6.	Tech Mahindra ltd.	10.57	11.5	12.61	9.11	4.61	9.68
7.	Grasim Industries ltd.	9.73	9.14	11.71	9.42	7.58	9.516
8.	Tata Steel ltd.	0.84	5.24	17.11	3.32	-2.14	4.874
9.	Cipla ltd.	8.76	12.47	11.7	12.45	16.12	12.3
10.	Hero Motocorp ltd.	12.51	9.48	7.88	8.2	9.9	9.594

Family Managed Businesses							
Net profit ratio (NPR)							
S. No	Company Name	2019-20	2020-21	2021-22	2022-23	2023-24	Average
1.	Reliance Industries ltd.	6.68	11.52	9.77	8.45	8.79	9.042
2.	Tata consultancy services ltd.	20.67	19.83	20.05	18.76	19.14	19.69
3.	Hindustan unilever ltd.	16.98	17.01	16.95	16.74	16.61	16.858
4.	HCL Technologies ltd.	15.64	14.82	15.79	14.63	14.29	15.034
5.	Maruti Suzuki India ltd.	7.5	6.24	4.39	6.98	9.51	6.924
6.	Adani enterprises ltd.	2.4	2.65	1.14	1.9	3.46	2.31
7.	Wipro ltd.	15.98	17.55	15.44	12.56	12.38	14.782
8.	Godrej Industries ltd.	7.19	4.19	7.02	8.49	3.58	6.094
9.	Vardhman Textiles ltd.	8.78	6.95	16.12	7.94	6.7	9.298
10.	Asian Paints ltd.	13.73	14.77	10.6	12.16	15.66	13.384

Professionally Managed Businesses			Family Managed Businesses		
Net profit ratio (NPR)			Net profit ratio (NPR)		
S. No	Company Name	Average	S.No	Company Name	Average
1.	Infosys ltd.	17.876	1.	Reliance Industries ltd.	9.042
2.	Larsen & Toubro ltd.	7.502	2.	Tata consultancy services ltd.	19.69
3.	ITC ltd.	28.208	3.	Hindustan unilever ltd.	16.858
4.	Hindalco Industries ltd.	4.418	4.	HCL Technologies ltd.	15.034
5.	JSW Steel ltd.	7.424	5.	Maruti Suzuki India ltd.	6.924

6.	Tech Mahindra ltd.	9.68	6.	Adani enterprises ltd.	2.31
7.	Grasim Industries ltd.	9.516	7.	Wipro ltd.	14.782
8.	Tata Steel ltd.	4.874	8.	Godrej Industries ltd.	6.094
9.	Cipla ltd.	12.3	9.	Vardhman Textiles ltd.	9.298
10.	Hero Motocorp ltd.	9.594	10.	Asian Paints ltd.	13.384
11.1392			11.3416		

p-value = 0.468961155

At 5% level of significance, p-value of 0.4689 shows that professionally run firms (11.14) and family-run firms (11.34) are not significantly different from each other in the Net Profit Ratio (NPR).

The small difference between the averages is most likely evidence of random variation in the samples, and not a real difference in performance between the two management modes.

Testing of hypothesis 4

Comparison of return on assets (roa) of FMB and PMB

Professionally Managed Businesses							
Return on assets (ROA)							
S. No	Company Name	2019-20	2020-21	2021-22	2022-23	2023-24	Average
1.	Infosys ltd.	18.92	19.49	19.75	19.98	20.14	19.656
2.	Larsen & Toubro ltd.	3.73	4.19	3.31	3.86	4.65	3.948
3.	ITC ltd.	20.92	17.72	20.54	23.89	23.37	21.288
4.	Hindalco Industries ltd.	2.35	1.95	6.69	4.53	4.47	3.998
5.	JSW Steel ltd.	3.18	5.62	12.14	2.03	4.09	5.412
6.	Tech Mahindra ltd.	11.01	11.32	13.4	10.76	5.39	10.376
7.	Grasim Industries ltd.	2.74	2.73	4.03	3.54	2.65	3.138
8.	Tata Steel ltd.	0.49	3.32	15.86	2.84	1.77	4.856
9.	Cipla ltd.	6.35	9.9	9.85	10.09	13.44	9.926
10.	Hero Motocorp ltd.	19.17	13.73	10.22	12.07	14.95	14.028

Family Managed Businesses							
Return on assets (ROA)							
S. No	Company Name	2019-20	2020-21	2021-22	2022-23	2023-24	Average
1.	Reliance Industries ltd.	3.69	4.33	4.81	4.77	4.7	4.46
2.	Tata consultancy services ltd.	27.73	26.04	28.38	29.81	31.98	28.788
3.	Hindustan unilever ltd.	33.48	11.62	12.59	13.84	13.09	16.924
4.	HCL Technologies ltd.	15.67	13.23	15.46	16.3	16.34	15.4
5.	Maruti Suzuki India ltd.	8.9	6.5	5.31	9.46	12.52	8.538
6.	Adani enterprises ltd.	2.33	2.12	1.03	2	2.21	1.938
7.	Wipro ltd.	11.95	13.29	12.9	10.14	9.6	11.576
8.	Godrej Industries ltd.	4.25	1.6	3.17	3.66	1.13	2.762
9.	Vardhman Textiles ltd.	6.43	4.5	15.06	7.21	5.46	7.732
10.	Asian Paints ltd.	11.41	12.19	9.69	11.7	13.65	11.728

Professionally Managed Businesses			Family Managed Businesses		
Return on assets (ROA)			Return on assets (ROA)		
S. No	Company Name	Average	S.No	Company Name	Average
1.	Infosys ltd.	19.656	1.	Reliance Industries ltd.	4.46
2.	Larsen & Toubro ltd.	3.948	2.	Tata consultancy services ltd.	28.788
3.	ITC ltd.	21.288	3.	Hindustan unilever ltd.	16.924
4.	Hindalco Industries ltd.	3.998	4.	HCL Technologies ltd.	15.4
5.	JSW Steel ltd.	5.412	5.	Maruti Suzuki India ltd.	8.538
6.	Tech Mahindra ltd.	10.376	6.	Adani enterprises ltd.	1.938
7.	Grasim Industries ltd.	3.138	7.	Wipro ltd.	11.576
8.	Tata Steel ltd.	4.856	8.	Godrej Industries ltd.	2.762
9.	Cipla ltd.	9.926	9.	Vardhman Textiles ltd.	7.732
10.	Hero Motocorp ltd.	14.028	10.	Asian Paints ltd.	11.728
9.6626			10.9846		

p-value = 0.359808684

At 5% significance level, the p-value is 0.3598 and it indicates that the variation in Return on Assets (ROA) in family-owned (10.98) and professionally managed (9.66) firms is not statistically significant.

This implies that the difference in ROA is likely due to random aberrations and not due to an actual difference in managerial ability.

Testing of hypothesis 5

Comparison of price earning ratio of FMB and PMB

Professionally Managed Businesses							
Price earning ratio (P/E RATIO)							
S. No	Company Name	2019-20	2020-21	2021-22	2022-23	2023-24	AVERAGE
1.	Infosys ltd.	16.9	30.2	33.9	25.2	25.5	26.34
2.	Larsen & Toubro ltd.	15.1	15	30.3	30.1	39.8	26.06
3.	ITC ltd.	12.4	17.8	19.8	24.7	24.6	19.86
4.	Hindalco Industries ltd.	25.3	29.3	12.5	7.5	13.1	17.54
5.	JSW Steel ltd.	17.5	38.5	7.5	45	18.5	25.4
6.	Tech Mahindra ltd.	11.4	23.7	29.1	20.6	43.2	25.6
7.	Grasim Industries ltd.	9.6	22.5	16.9	13.4	27.7	18.02
8.	Tata Steel ltd.	8.1	35.1	31.2	7.1	98.3	35.96
9.	Cipla ltd.	21.2	27.7	30.9	26.6	30.3	27.34
10.	Hero Motocorp ltd.	11.2	26.2	17.9	18.9	24.6	19.76

Family Managed Businesses							
Price earning ratio (P/E RATIO)							
S. No	Company Name	2019-20	2020-21	2021-22	2022-23	2023-24	AVERAGE
1.	Reliance Industries ltd.	14.4	28.9	25.1	21.6	28.2	23.64
2.	Tata consultancy services ltd.	20.8	35.6	36.1	28.8	31	30.46
3.	Hindustan unilever ltd.	63.3	65.2	52	58.1	51.2	57.96
4.	HCL Technologies ltd.	11.6	19.7	29.1	20.4	28.5	21.86
5.	Maruti Suzuki India ltd.	24.8	45.8	66.1	33.8	30.8	40.26
6.	Adani enterprises ltd.	123	286	80.3	117	41.5	129.56
7.	Wipro ltd.	11.7	23.7	26	18.2	24.5	20.82
8.	Godrej Industries ltd.	15.9	46	37.8	14.9	37.9	30.5
9.	Vardhman Textiles ltd.	9.6	23.1	10.3	5.5	20.6	13.82
10.	Asian Paints ltd.	56.7	83.3	86.6	69.3	50.1	69.2

Professionally Managed Businesses			Family Managed Businesses		
Price earning ratio (P/E RATIO)			Price earning ratio (P/E RATIO)		
S. No	Company Name	AVERAGE	S.No	Company Name	AVERAGE
1.	Infosys ltd.	26.34	1.	Reliance Industries ltd.	23.64
2.	Larsen & Toubro ltd.	26.06	2.	Tata consultancy services ltd.	30.46
3.	ITC ltd.	19.86	3.	Hindustan unilever ltd.	57.96
4.	Hindalco Industries ltd.	17.54	4.	HCL Technologies ltd.	21.86
5.	JSW Steel ltd.	25.4	5.	Maruti Suzuki India ltd.	40.26
6.	Tech Mahindra ltd.	25.6	6.	Adani enterprises ltd.	129.56
7.	Grasim Industries ltd.	18.02	7.	Wipro ltd.	20.82
8.	Tata Steel ltd.	35.96	8.	Godrej Industries ltd.	30.5
9.	Cipla ltd.	27.34	9.	Vardhman Textiles ltd.	13.82
10.	Hero Motocorp ltd.	19.76	10.	Asian Paints ltd.	69.2
		24.188			43.808

p-value = 0.05721669

At a level of significance of 5%, the p-value of 0.0572 shows that the difference in Price Earning Ratio observed—43.81 in family-run firms and 24.19 in professionally managed firms—is statistically not significant.

Although the difference seems large, the odds are that it's because of random sample variation and not a real difference in performance.

Testing of hypothesis 6

Comparison of price to book value of FMB and PMB

Professionally Managed Businesses	
Price to book value	

S. No	Company Name	2019-20	2020-21	2021-22	2022-23	2023-24	AVERAGE
1.	Infosys Ltd.	4.5	7.8	11	8	8.5	7.96
2.	Larsen & Toubro ltd.	1.9	2.8	3.2	3.7	6.5	3.62
3.	ITC ltd.	3.2	4.1	4.8	6.9	7.1	5.22
4.	Hindalco Industries ltd.	0.4	1.2	2	1	1.3	1.18
5.	JSW Steel ltd.	1.6	2.9	2.9	2.6	2.7	2.54
6.	Tech Mahindra ltd.	2.2	4	5.9	4.1	4.7	4.18
7.	Grasim Industries ltd.	0.6	1.6	1.5	1.4	1.8	1.38
8.	Tata Steel ltd.	0.5	1.3	2.1	1.2	2.1	1.44
9.	Cipla ltd.	2.1	3.8	4.2	3.2	4.8	3.62
10.	Hero Motocorp ltd.	2.5	3.9	2.9	3	5.3	3.52

Family Managed Businesses							
Price to book value							
S. No	Company Name	2019-20	2020-21	2021-22	2022-23	2023-24	AVERAGE
1.	Reliance Industries Ltd.	1.6	1.9	2.1	1.9	2.7	2.04
2.	Tata consultancy services ltd.	7.2	11.9	14	11.7	14.1	11.78
3.	Hindustan unilever ltd.	10.3	11.6	9.6	11.6	10.5	10.72
4.	HCL Technologies ltd.	2.6	4.5	5.1	4.9	6.8	4.78
5.	Maruti Suzuki India ltd.	4.2	4.5	4.5	4.4	5.5	4.62
6.	Adani enterprises ltd.	1	6	11	6.3	9.9	6.84
7.	Wipro ltd.	2	4	5.3	3	3.9	3.64
8.	Godrej Industries ltd.	2.2	2.7	2.4	1.9	3.4	2.52
9.	Vardhman Textiles ltd.	0.9	1.1	2.2	1	1.4	1.32
10.	Asian Paints ltd.	17.1	21.8	24.1	19.2	16.6	19.76

Professionally Managed Businesses			Family Managed Businesses		
Price to book value			Price to book value		
S. No	Company Name	AVERAGE	S.No	Company Name	AVERAGE
1.	Infosys Ltd.	7.96	1.	Reliance Industries Ltd.	2.04
2.	Larsen & Toubro ltd.	3.62	2.	Tata consultancy services ltd.	11.78
3.	ITC ltd.	5.22	3.	Hindustan unilever ltd.	10.72
4.	Hindalco Industries ltd.	1.18	4.	HCL Technologies ltd.	4.78
5.	JSW Steel ltd.	2.54	5.	Maruti Suzuki India ltd.	4.62
6.	Tech Mahindra ltd.	4.18	6.	Adani enterprises ltd.	6.84
7.	Grasim Industries ltd.	1.38	7.	Wipro ltd.	3.64
8.	Tata Steel ltd.	1.44	8.	Godrej Industries ltd.	2.52
9.	Cipla ltd.	3.62	9.	Vardhman Textiles ltd.	1.32
10.	Hero Motocorp ltd.	3.52	10.	Asian Paints ltd.	19.76
3.466			6.802		

p-value = 0.055386554

At the 5% significance level, the p-value 0.0554 shows that the 6.80 for family-managed firms and 3.47 for professionally managed firms difference in Price to Book Value is not statistically significant.

Although the difference appears to be large, the difference is likely due to random sample fluctuation and not because there is a genuine difference in valuation.

CONCLUSIONS, SUGGESTIONS AND LIMITATIONS

Conclusions:

The average return on equity for professionally managed businesses (16.004) and family-managed businesses (16.8396) shows a small difference. However, with a p-value of 0.4269, this difference is not statistically significant. This indicates that there is no strong evidence to suggest one type of management consistently outperforms the other in terms of ROE. Therefore, it can be inferred that both professionally and family-managed businesses perform similarly and likely put in comparable levels of effort and efficiency in managing their operations.

At a 5% significance level, there is no significant difference in ROCE between professionally managed and family-managed businesses. While FMBs have a higher mean ROCE (23.22 versus 19.35), the large p-value (0.2718) indicates that this difference is probably attributable to chance. Thus, the two types of businesses are equal regarding ROCE.

There is no statistically significant difference in Net Profit Ratio (NPR) between professionally managed and family-managed firms at the 5% significance level. The minor variation in mean NPRs (11.3416 vs. 11.1392) can be attributed to random chance, as revealed by the high p-value (0.4689). Both firms are therefore equal in terms of NPR.

The mean Return on Assets for professionally managed enterprises (9.6626) and family-managed enterprises (10.9846) is slightly different. Yet, both being statistically significant only when adjusted at a 0.3598 p-value level, there is little evidence that either of them outperforms the other consistently when it comes to Return on Assets. Thus, it can be concluded that professionally managed and family-managed enterprises work alike and exhibit more or less the same levels of effort and efficiency in handling their operations.

In the 5% significance level, no statistically significant difference in P/E Ratio exists between professionally managed and family-managed businesses. Although the FMBs have a larger average, the p-value (0.0572) indicates that this difference can be attributed to chance, meaning both groups have similar performance.

The mean Price to Book Value for professionally managed companies (3.466) and family-managed companies (6.802) is slightly different. But with a p-value of 0.0554, this difference is not significant, and it shows there is no clear indication that one type of management will outperform the other in P/B Ratio consistently. Hence, it can be said that both professionally managed and family-managed companies both act in the same way and most probably exhibit equal amount of effort and effectiveness in handling their business.

Suggestions for future studies:

- Include mid-cap and small companies to provide wider representation across business sizes.
- Diversify the sample by choosing companies from a range of industries like IT, manufacturing, financial services, and healthcare to identify sector-specific management trends.
- Include major financial performance measures such as ROE, ROCE, profit margins, EBITDA, and revenue growth to measure the influence of management style on business performance.
- Examine corporate governance factors like board structure, director independence, professional CEOs, and succession planning in order to further inform understanding of management structures.
- Compare over time by segmenting the study timeframe into different economic periods (e.g., pre-COVID, COVID, post-COVID) to ascertain how management style influences resilience in economic cycles.
- Assess firms' ESG (Environment, Social, and Governance) performance to gauge long-term viability and ethical management practices.
- Compare Indian companies with international companies to ascertain if patterns and results related to management are universal across the world or Indian-market specific.
- Employ statistical techniques like t-tests, ANOVA, or regression analysis to confirm your observations and increase analytical richness to the research.

Limitations:

- The research has used only 20 listed companies, and this is a limited sample size.
- Company categorization as family-managed or professionally-managed is done with reference to only the 5-year average promoter shareholding and not necessarily reflecting on the actual managerial control or decision-making powers.
- The study is based on secondary information available in the public domain and does not involve primary data collection like company documents, interviews, or surveys.
- The majority of the companies used are from the Nifty 50 index and are primarily large-cap companies and do not account for the dynamics of small and mid-sized enterprises (SMEs).
- Industry-specific differences have not been considered, which can affect the financial performance and governance patterns irrespective of ownership structure.
- The reliance on descriptive analysis without the use of sophisticated statistical methods (such as regression, hypothesis testing, or correlation analysis) restricts the depth and validity of conclusions.

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