

## Determinants of Owner's Satisfaction in Family Business

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### Abstract

Family business is India's proudest institution, symbolizing courage and common sense, energy and enterprise, aspiration, and adventurousness (Business Today, 1998). In India, with its historic spiritual and cultural value system, they play a hugely important role – it is estimated that up to 90 per cent of Indian Businesses are Family Controlled. With Indians benefitting from a centuries-old innate sense of the enduring worth of the family business sector, a good starting point for this section is to examine some important early sources of Indian trade & commerce. There are many family businesses worldwide but Indian Family Businesses are irreplaceable and have their peculiar governing characteristics. With this notion, an attempt has been made to identify the level of satisfaction in family business. For this purpose, primary data has been collected through structured questionnaire using snow-ball sampling technique. A sample of 750 family business owners has been selected. The collected data have been analyzed by employing simple percentage analysis, Correlation, Regression, Factor analysis. The results of the study indicate that, harmony in family business, prominently influence the level of satisfaction of the entrepreneurs.

**Keyword:** Satisfaction – Family Business – Harmony

### **INTRODUCTION**

Family Business has been one of the most prevalent and resilient business forms over centuries and across continents. It represents a cornerstone of the world economy, and according to some estimates, Family- managed businesses generate were over half the worlds GDP. Family business is India's proudest institution, symbolizing courage and common sense,energy and enterprise, aspiration, and adventurousness (Business Today, 1998).

In India, with its historic spiritual and cultural value system, they play a hugely important role – it is estimated that up to 90 per cent of Indian Businesses are Family Controlled. With Indians benefitting from a centuries-old innate sense of the enduring worth of the family business sector, a good starting point for this section is to examine some important early sources of Indian trade & commerce. There are many family businesses worldwide but Indian Family Businesses are unique and have their own governing characteristics. Coimbatore district is famous for family owned business firms. Some of the notable family business organizations in Coimbatore are Lakshmi Metal Works (LMW), UMS group, Sakthi group and KG Group. All these organizations perform diversified businesses to reach greater heights in family business.

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## REVIEW OF LITERATURE

**Robert D. Hisrich and Gyala Fulop (1997)** suggests that social structures, work, family, and organized social life affect motivations and human capital influences of women owners and family businesses in countries like Hungary. Government and society of Hungary must address some fundamental problems encountered by women owners and women in the work force. Women should pay attention in developing their self-confidence, tolerance, positive work morale and work in a family-business setting.

**Poza and Alfred (1997)** found that CEOs generally perceived the practices, cultures, and succession processes more favorable than both other family members and non-family managers. Planning practices, communication processes, and the use of boards are influenced by family ownership and are positively related to some features of firms and family. Also, age is significant in explaining some of the differences in perceptions within and between family and non-family respondent.

**Colette Dumas (1998)** investigated 702 women in family-owned firms in Canada has identified paths to participation and leadership taken by women in family-owned firms. Some of the key factors contributing to participation and leadership are identified.

**Gurucharan Das (1999)** outlined the structure of Indian business, competitive advantage of joint family business, the characteristics of successful Indian companies and the problems of family business at different stages.

**Veliyath Rajaram and Ramaswamy (2000)** investigates the CEO'S social embeddedness and overt and covert power as determinants of the CEO pay in a sample of Indian family-controlled firms. Using a time series, cross sectional regression analysis, they found family shareholdings and the percentage of inside directors on the board (identified as bases of overt power for the CEO) to be predominant influences on CEO pay. By contrast some of the identified bases of covert power, such as CEO tenure, age, education, and firm diversification are not significant surprisingly; controls for firm size and performance also exhibit no influence of CEO pay. These findings offer a useful point of reference against which results from western studies can be compared to formulate more holistic theories CEO pay.

**Ramachandran (2004)** conclude that the quality of family leadership reflected in the level of Compassion Orientation nurtured in the families is found to be critical for building Competitive Orientation in the group's business .

**Mahto et al .(2010)** found that reference performance for each family business is different. This makes the popular financial performance measure of publicly traded companies, profit maximization, insufficient for family businesses. They also suggest that valuating family businesses, the family members' satisfaction with firm performance is a better measure of performance. They identified three predictors of family members' satisfaction with firm performance and test the proposed linkages on two samples of family businesses.

**Indirapriyadharshini and Bruntha (2017)** found that most of women enter family business due to autonomy at work followed by more control and time convenience. Also, there is no significant relationship between the demographic variables of the respondents and the attributes of family harmony.

## STATEMENT OF THE PROBLEM

Entrepreneurial satisfaction might be viewed as a basic measure of performance, which indeed influences the entrepreneur to work effectively with their customers and employees. Some owners may be more satisfied than others due to various factors. This induces to raise the following question like,

*What are the factors influencing owner’s satisfaction and the level of satisfaction of the owners?*

**OBJECTIVES OF THE STUDY**

The following objectives have been framed:

- To study the socio-economic profile of the family business owners
- To understand the level of satisfaction in Family business

**METHODOLOGY**

The study was based on both primary and secondary data. Primary data have been collected from the family business owners in the Coimbatore district by issuing a well framed questionnaire. The secondary data was collected from books, magazines and from related Web sites. Snow-ball sampling method has been adopted in choosing a sample. There are more than 25,000 small, medium, large scale industries and textile mills. Among 1000 respondents, only 750 responded and the data collected from them were analysed. The collected data have been analysed by employing simple percentage analysis, Correlation, Regression, Factor analysis.

**RESULTS AND DISCUSSION**

**a) Socio – Economic Profile of Family Business Owners**

The sample owners have been selected from different parts of the Coimbatore District, which is one of the major commercial cities in the state of Tamil Nadu, India. The description about the social profile of the sample owners is as follows:

Majority of the owners belong to the age group ranging 31 – 50 years. Gender-wise classification reveals that majority of the owners are male. The marital status of the owners discloses that 661 (88.1%) majority of the family business owners are married. Majority of the owners belong to joint family. In 291 (38.8%) families of the owners, there are up to 2 adults. It can be interpreted from the table that, 203 (27.1%) most of the owners are under graduates. It is clear from table 5.1 that a majority 491(65.5%) of the owner’s income from family business ranges from 51% to 75% of their total income. More than half of the i.e. 491 (65.5%) owner’s income from other sources ranges between 10% to 25%.

**Table 4.1**  
**Socio – Economic Profile of Owners**

Factors	Number of Owners(N = 750)	Percentage
<b>i)Age</b>		
Up to 30	132	17.6
31 – 50	496	66.1
Above 50	122	16.3
<b>ii) Gender</b>		
Male	538	71.7
Female	212	28.3
<b>iii) Marital Status</b>		
Married	661	88.1
Unmarried	89	11.9
<b>iv) Type of Family</b>		

Nuclear	288	38.4
Joint	462	61.6
<b>v) Number of Adults</b>		
Up to Two	291	38.8
3-4	285	38.0
Above 4	174	23.2
<b>vi) Number of Family Members</b>		
Up to 3	138	18.4
4 to 6	427	56.9
Above 6	185	24.7
<b>vii) Educational Qualification</b>		
Up to H.Sc	149	19.9
Under Graduate	203	27.1
Post Graduate	194	25.9
Diploma	61	8.1
Professional	143	19.1
<b>viii) % of Income from Family Business</b>		
Up to 50	126	16.8
51 to 75	491	65.5
Above 75	133	17.7
<b>ix) % of Income from other sources</b>		
Up to 10	135	18.0
10 to 25	491	65.5
Above 25	124	16.5

### Factor analysis

To identify the prominent factors that enhance satisfaction in business, Factor Analysis is employed. The following table illustrates the factors that raise the satisfaction level among business. Kaiser-Meyer-Olkin (KMO) and Bartlett's Test of Sphericity has been used as pre-analysis testing for suitability of the entire sample for factor analysis. The result of KMO and Bartlett's Test is found greater than 0.70. Hence, the collected data is fit for employing factor analysis. Further, the large values of Bartlett's sphericity test (5908.00, df: 406, Sig=0.000) and KMO statistics (0.927) indicated the appropriateness of factor analysis i.e., the sample was adequate.

#### KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.927
Bartlett's Test of Sphericity Approx. Chi-Square	5908.00
Df	105
Sig.	.000

Two factors are identified by locating Eigen values greater than unity. Factors which have a component loading of 0.7 and above are said to be significant reasons that enhance satisfaction. From the

rotated component matrix it can be seen that “Conflict Resolution”, “Public Recognition”, “Profitability”, “Succession Planning”, “Growth” and “Firm Survival / Continuity” have a component loading of 0.7 and above. Hence, these eight problems form first factor.

**Table 4.79**  
**Satisfaction in Family Business**

Particulars	1	2
Profitability	<b>0.740</b>	0.096
Conflict resolution	<b>0.810</b>	0.196
Balance between Work and Life	0.587	0.294
Innovation	0.637	0.320
Firm survival/ Continuity	<b>0.712</b>	0.170
Utility/ Usefulness of resources	0.694	0.317
Contributing back to Society	0.537	0.427
Growth	<b>0.731</b>	0.224
Public Recognition`	<b>0.749</b>	0.210
Women contribution	0.429	0.600
Role of non – family members	0.399	0.616
Business Environment	0.553	0.476
Succession planning	<b>0.733</b>	0.248
Legal environment	0.121	<b>0.854</b>
Government initiatives	0.117	<b>0.852</b>
Eigen Values	7.243	1.423
% of Variance	48.285	9.485
Cumulative % of Variance	48.285	57.770

In the second factor, “Legal Environment” and “Government Initiatives” are found to be significant.

Factor one explains to a tune of 48.285 per cent towards satisfaction. The other factor explains 9.485 towards satisfaction towards business. The total cumulative percentage of satisfaction explained by these two factors is 57.770 per cent.

**Nature of Association of Select Variables with Satisfaction - Correlation Analysis**

In order to examine the nature and quantum of association of variables with satisfaction on Business, Correlation analysis is used. Out of sixteen variables selected for Correlation analysis, eleven variables have been found to be significant. Age, Type of family, Number of adults in the family, Percentage of income from Family Business, Perception on Successor Traits, Intensity of Problems and Level of Harmony are found to be significant at one per cent level. Type of Business is found to be significant at five per cent level.

**Table 4.80**

**Variables prominently associated with Satisfaction - Correlation Analysis**

<b>Variables</b>	<b>R</b>	<b>r<sup>2</sup></b>
Age	0.170**	0.029
Gender	-0.055	0.003
Type of Family	0.186**	0.034
Number of Adults in the Family	0.274**	0.075
Number of Members in the Family	0.322**	0.104
Educational Qualification	-0.014	0.000
Percentage of Income from Family Business	0.264**	0.070
Area of Operation	-0.006	0.000
Business Experience	0.377**	0.142
Acquisition of Business Ownership	-0.029	0.001
Generation	0.008	0.000
Number of Family Members in the Business	0.098**	0.010
Perception on Successor Traits	0.419**	0.176
Intensity of Problem	0.284**	0.081
Harmony	0.645**	0.416
Type of Business	0.074*	0.006

\* Significant at five per cent level

\*\* Significant at one per cent level

### **Determinants of Satisfaction in family Business - Multiple Regression Analysis**

In order to ascertain the variables that determine the entrepreneur's level of satisfaction in family business, the selected sixteen variables have been regressed on satisfaction index. The results of the regression analysis are shown in table 4 .Of the variables taken for analysis, the variables namely gender, Number of adults in the family, Number of members in the family, Educational qualification, Percentage of income from family business, Area of Operation, Business Experience, Perception on Successor traits, Intensity of Problem and level of harmony are found to be significant. The other variables do not influence level of satisfaction of the owners. The variables that influence the level of satisfaction are explained in the following paragraphs.

$$SAT = a + b_1 AGE + b_2 GEN + b_3 TOF + b_4 NAF + b_5 NMF + b_6 EQ + b_7 PIFB + b_8 AO + b_9 BE + b_{10} ABO + b_{11} GN + b_{12} NFMB + b_{13} PST + b_{14} IOP + b_{15} HAR + b_{16} TOB + e$$

where,

SAT	=	Satisfaction
a	=	Intercept Term
b <sub>1</sub> ...b <sub>16</sub>	=	Regression Coefficients
AGE	=	Age
GEN	=	Gender
TOF	=	Type of Family
NAF	=	Number of Adults in the Family
NMF	=	Number of Members in the Family
EQ	=	Educational Qualification
PIFB	=	Percentage of Income from Family Business
AO	=	Area of Operation
BE	=	Business Experience
ABO	=	Acquisition of Business Ownership
GN	=	Generation
NFMB	=	Number of Family Members in the Business
PST	=	Perception on Successor Traits
IOP	=	Intensity of Problem
HAR	=	Harmony

TOB = Type of Business  
 e = Error Term  
 Constant : 14.182  
 Std. Error of Estimate : 4.857  
 $\overline{R}^2$  : 0.466  
 $R^2$  : 0.477\*\*

**Table 4**  
**Determinants of Satisfaction-Multiple Regression Analysis**

Variables	Regression coefficient	Standard error	t
Age	0.021	0.052	0.398
Gender	2.326*	1.011	2.300
Type of Family	0.339	1.075	0.316
Number of Adults in the Family	-2.330*	0.919	-2.537
Number of Members in the Family	2.736**	1.030	2.656
Educational Qualification	-0.691*	0.325	-2.128
Percentage of Income from Family Business	1.743*	0.779	2.237
Area of Operation	-3.526**	0.880	-4.009
Business Experience	2.510**	0.830	3.022
Acquisition of Business Ownership	-0.125	0.622	-0.201
Generation	-0.692	0.596	-1.160
Number of Family Members in the Business	0.303	0.589	0.514
Perception on Successor Traits	0.089**	0.030	2.948
Intensity of Problem	0.064**	0.024	2.611
Harmony	0.553**	0.037	14.891
Type of Business	-0.186	0.678	-0.274



\* Significant at five per cent level

\*\* Significant at one per cent level

**Variables Prominently Associated with Satisfaction - Step-wise Regression Analysis**

To find out the prominent variables that account for the variation in the level of satisfaction, Step - Wise regression has been carried out. Table 4.82 consolidates the result.

**Table 4.82**

**Variables Prominently Associated with Satisfaction- Step-wise Regression Analysis**

Step	Constant	HAR	AOP	PST	BE	GEN	Prob	EQ	R <sup>2</sup>
1	22.663	0.673							0.416
2	26.129	0.693	- 3.495						0.429
3	23.912	0.625	- 3.803	0.103					0.441
4	23.640	0.592	- 4.037	0.084	2.357				0.449
5	17.604	0.590	- 4.051	0.099	2.807	3.208			0.457
6	14.698	0.577	- 4.003	0.088	2.574	3.178	0.066		0.463
7	15.905	0.579	- 3.627	0.087	2.607	2.970	0.070	-0.724	0.467

HAR : Harmony in Business

AOP : Area of Operation

PST : Perception on Successor Traits

BE : Business Experience

GEN : Gender

Prob : Problem

EQ : Educational Qualification

The result of step-wise regression test discloses that seven variables are found to be significantly associated with the level of satisfaction. The total contribution of the variables namely (1) Harmony in business (2) Area of Operation (3) Perception on Successor traits (4) Business Experience (5) Gender (6) Intensity of Problem and (7) Educational qualification amounts to 46.70 per cent. The R<sup>2</sup> value of multiple regression amounts to 47.70 per cent. The difference of 1 percent is due to the contribution of other variables.

## LIMITATIONS OF THE STUDY

The data collected is primary data, which is based on the questionnaire and hence the results would bear all the limitations of primary data. The data collected from the Family business owners residing in Coimbatore District. The findings are applicable only to the Family business owners of Coimbatore District. Hence care has to be exercised while extending this result to other areas.

## CONCLUSION

Indian family businesses have been at the very core to build India's economic engine. Family business, one way or other, directly or indirectly root for the employment and economic development of the country. This research offers a wonderful insight into the management of family business in the study area. Owners in this study indicated that, the level of harmony that exists in the business have a significantly positive effect on the satisfaction of owners in family business. It can be argued that high level of harmony in family business make it easier to discuss the succession issues and to set-up appropriate systems for preparing next generation to take over the family business. It was confirmed from the present study that, harmony has a direct influence on the satisfaction of the owners.

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