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Applied Science and Engineering Technology



# INTERNATIONAL JOURNAL FOR RESEARCH

IN APPLIED SCIENCE & ENGINEERING TECHNOLOGY

**Volume: 8**

**Issue: IV**

**Month of publication: April 2020**

**DOI:**

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# Challenges and Problems Faced By Family Business in Adajan Area, Surat.

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**Abstract:** A family business is a business in which majority of business is controlled and managed by family members. India is having rich and glorious history of family business. Tata, Birla, Murugappa, Dabur etc. family businesses are successfully surviving more than three generations. But still family businesses are facing major challenges like succession planning, sibling rivalry, imbalance between family and business issues. If new generation respects old generation and considers their experience and at the same time old generation should consider creativity of new generation, then family businesses will have more opportunities in Indian economy.

**Keywords:** Challenges and family businesses.

## I. INTRODUCTION

A family business is a commercial organization in which decision-making is influenced by multiple generations of a family, related by blood or marriage or adoption, who has both the ability to influence the vision of the business and the willingness to use this ability to pursue distinctive goals. They are closely identified with the firm through leadership or ownership. Owner-manager entrepreneurial firms are not considered to be family businesses because they lack the multi-generational dimension and family influence that create the unique dynamics and relationships of family businesses.

When the family business is basically owned and operated by one person, that person usually does the necessary balancing automatically. For example, the founder may decide the business needs to build a new plant and take less money out of the business for a period so the business can accumulate cash needed to expand. In making this decision, the founder is balancing his personal interests (taking cash out) with the needs of the business (expansion).

The assets that are owned by the family, in most family businesses, are hard to separate from the assets that belong to the business. Examples - Aditya Birla Group, Ford, Mittal Steel, Porsche SE (Volkswagen Group), Raymond Group, Tata Group, etc.

## II. REVIEW OF LITERATURE

- 1) Morten Bennis, Kasper M. Nielsen, Francisco Pérez-González, Daniel Wolfenzon had studied on the topic was Inside the family firm: the role of families. In succession decisions and performance (July 2006). The method used under this study is Descriptive research. This research concludes they used a unique dataset from Denmark to investigate the inside workings of family firms. Our objective was to shed light on two questions: First, do family characteristics affect firm decisions? Second, what are the consequences of these decisions on firm performance? These questions were examined in the context of CEO succession decisions. We showed that family characteristics have economically large effects on the decision to promote a family or an unrelated CEO.
- 2) Benjamin Maury, has researched on topic Family ownership and firm performance: Empirical evidence from Western European corporations (17 November 2004). Method used under this study is Descriptive research. This paper concludes that family control can increase performance in Western European firms. Active family ownership, in which the family holds at least one of the top two officer positions, improves profitability, whereas active ownership does not change the value premium of family firms. Passive family ownership does not affect the profitability of family firms compared with nonfamily firms.
- 3) Bharti Motwani, has researched on topic is Impact of Factors of Family Business on the Performance: A PLS-SEM Study (September 05, 2015). Research Methodology used is exploratory in nature. This study concludes that In today's era, family business needs to be carefully managed. With changing mind-sets 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.

- 4) Jeffrey S. Wallace has researched on topic is Family-owned businesses: Determinants of business success and profitability (2010). Research Methodology were descriptive, bivariate, and multivariate analyses. This research concludes that Family-owned businesses are a unique and dynamic field of study. Though understudied (Winter et al., 1998), family-owned businesses are not in hiding, and can be seen all around us throughout the world (Heck & Trent, 1999). Many family-owned businesses may be struggling during the present down economy. However, it is obvious that there are also many family-owned businesses that flourish during both high and low economic conditions.
- 5) Jayati Sarkar and Ekta Selarka had researched on topic is Women on Board and Performance of Family Firms: Evidence from India (October 2015). Methodology used is Descriptive research. This paper concludes that it seeks to contribute to the literature on gender diversity on boards by analysing the relationship between women directors and firm performance with respect to family firms. While there is a growing empirical literature on the subject of women on corporate boards, much of it is limited to widely held firms with separation of ownership and control, and little is known about the effectiveness of women on the boards of family firms with concentrated ownership and control.

**A. Research Methodology**

Research design: Descriptive research

Sample size: 25

Sampling method: randomly

Sample unit: Adajan

Limitation of the study: As a student, i didn't get sufficient time to survey in a deeper manner and the data's which I have collected mainly is primary in nature and any bias in this may reflect over the analysis and conclusion.

**B. Objectives**

- 1) To study demographic characteristics of Family Managed Businesses
- 2) To identify challenges and problems faced by family Business in Adajan area, Surat.
- 3) To examine the determinants of perceived business success and business profitability in family-owned businesses.
- 4)

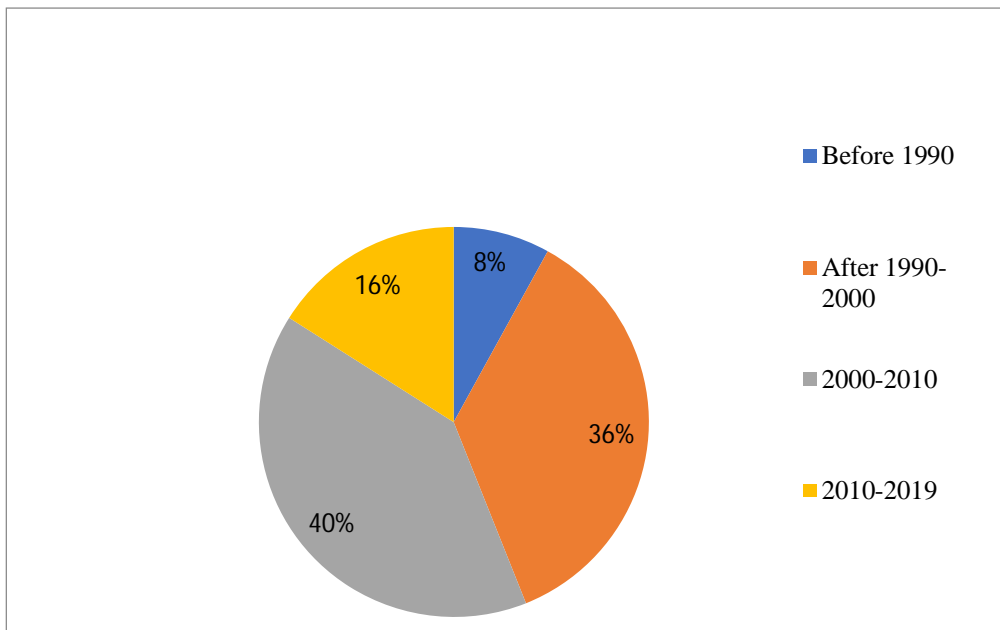
**III. DATA ANALYSIS**

**A. Establishment Year of the Firm**

Statistics		
Year of establishment		
N	Valid	25
	Missing	0

**B. Year of Establish**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid		3.8	3.8	3.8
Before 1990	2	7.7	7.7	11.5
After 1990-2000	9	34.6	34.6	46.2
2000-2010	10	38.5	38.5	84.6
2010-2019	4	15.4	15.4	100.0
Total	25	100.0	100.0	



1) *Interpretation:* From the above graph it can be said that majority of the respondents that is 40% owners have established their firm between 2000-2010. 36% of respondents had establish their firm after 1990-2000. 16% of the owners have establish their firm in between 2010 to 2019. And 8% of respondents have establish the firm before 1990.

#### IV. SOURCE OF FUNDING USED TO START-UP BUSINESS

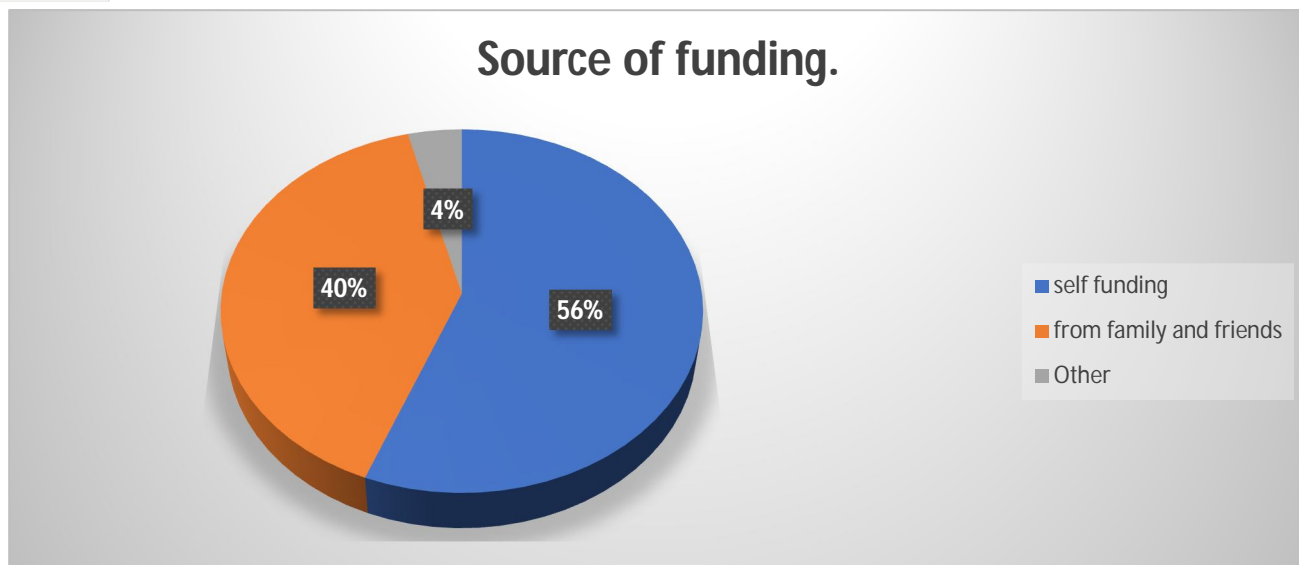
##### A. Statistics

Source of funding

N	Valid	25
	Missing	0

##### B. Source of funding

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid			3.8	3.8	3.8
	self funding	14	53.8	53.8	57.7
	from family and friends	10	38.5	38.5	96.2
	Other	1	3.8	3.8	100.0
	Total	25	100.0	100.0	



1) *Interpretation:* above pie chart shows that 56% of owners have used self-funding to start their businesses. 40% of owners have bought the funding from family and friends. And rest 4% of had bought funding from other sources.

No owners had gone for bank loan.

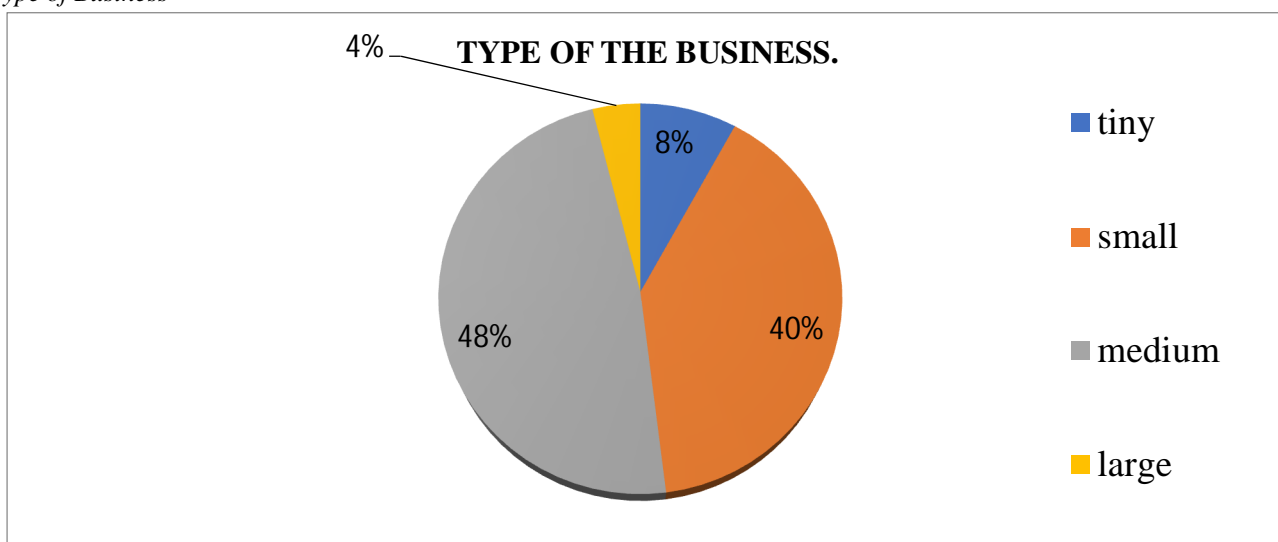
#### V. TYPE OF BUSINESS

##### A. Statistics

Type of business

N	Valid	25
	Missing	0

##### B. Type of Business



1) *Interpretation:* 48% of owners have medium type of business, 40% of owners have small type of business, 8% of owners have tiny type of business, and 4% have large type of business.



**VI. ANNUAL INCOME**

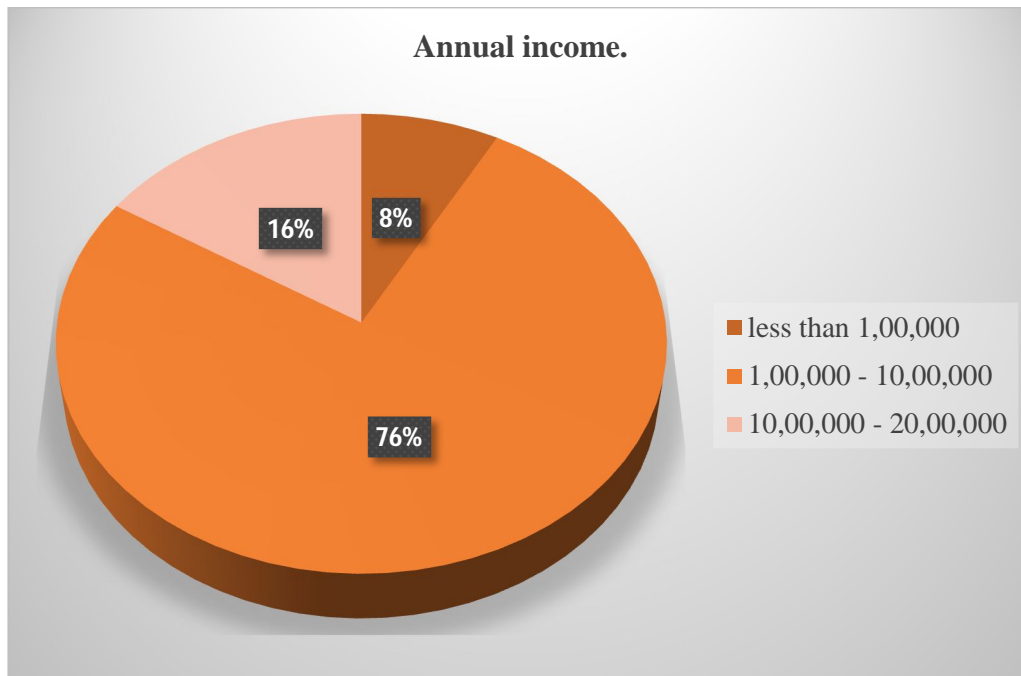
**A. Statistics**

Annual income

N	Valid	25
	Missing	0

**B. Annual Income**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid		3.8	3.8	3.8
less than 1,00,000	2	7.7	7.7	11.5
1,00,000 - 10,00,000	19	73.1	73.1	84.6
10,00,000 - 20,00,000	4	15.4	15.4	100.0
Total	25	100.0	100.0	



1) *Interpretation:* Here, the above pie chart shows that 76% people’s annual income is between 1,00,000-10,00,000, 16% people’s annual income is between 10,00,000-20,00,000, 8% of people’s annual income is less than 1,00,000 and here no one has annual income more than 20,00,000.

**VII. CHALLENGES FACED BY FAMILY BUSINESS:**

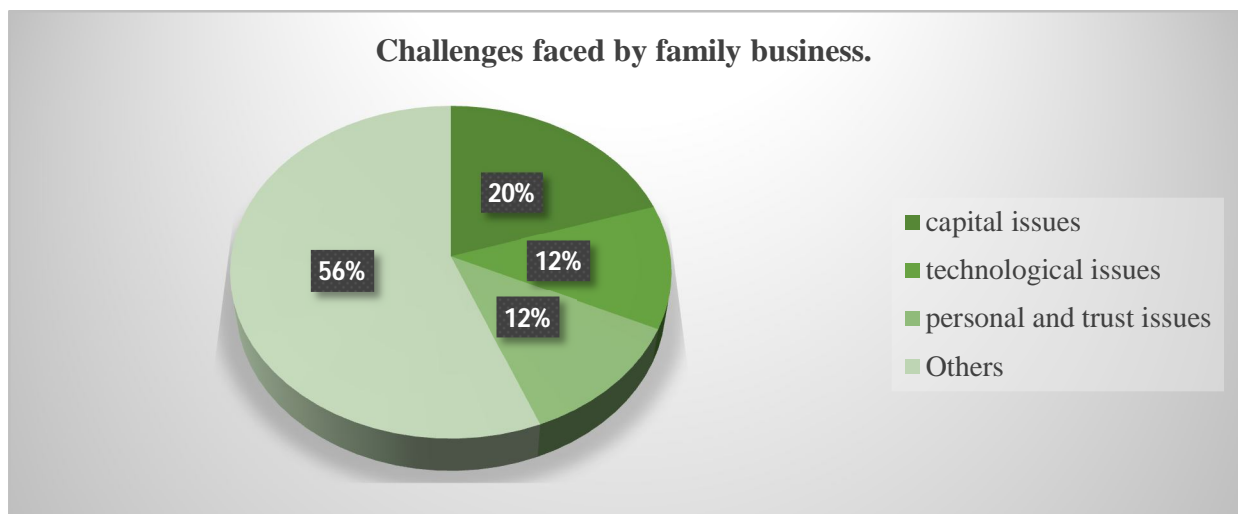
**A. Statistics**

Challenges faced by family business

N	Valid	25
	Missing	0

**B. Challenges Faced By Family Business**

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid		3.8	3.8	3.8
capital issues	5	19.2	19.2	23.1
technological issues	3	11.5	11.5	34.6
personal and trust issues	3	11.5	11.5	46.2
Others	14	53.8	53.8	100.0
Total	25	100.0	100.0	



1) *Interpretation:* In above chart it is shown that 56% of families were having other issues than shown above, 20% of family businesses where having capital issues, 12% family business where having technological issues and other 12% were having the personal and trust issues.

**VIII. STATEMENTS**

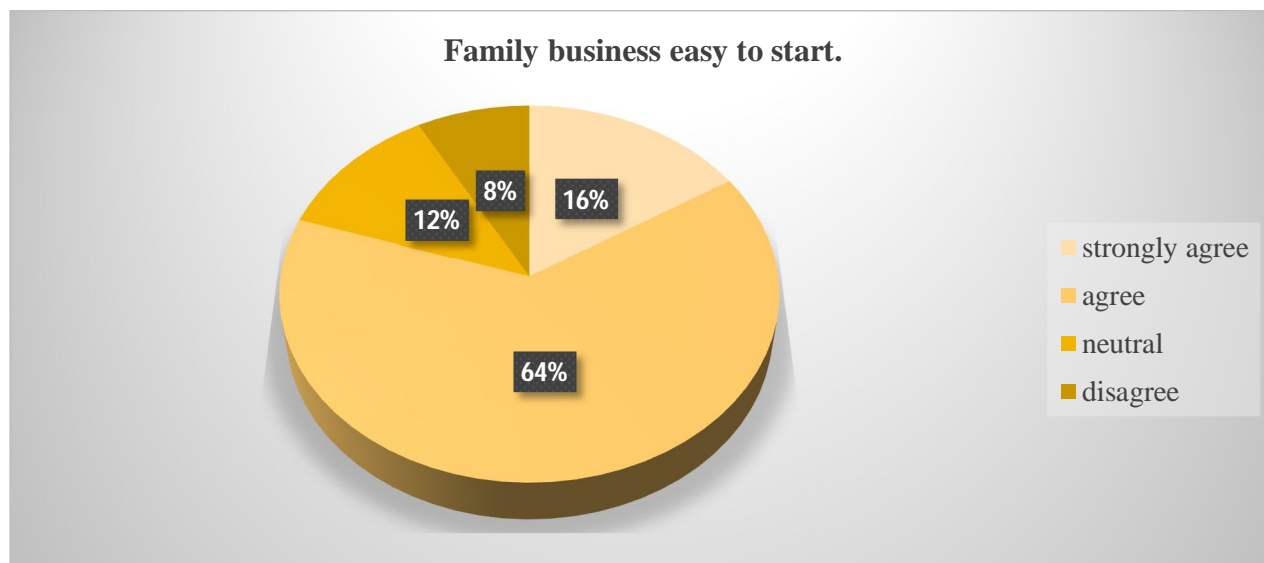
**A. Statistics**

		family business is easy to start	FB have complex and rigid structure	FB taking time to resolve conflict	mgmt. of FB is not good as other form	FB facing difficulties to overcome competition
N	Valid	25	25	25	25	25
	Missing	0	0	0	0	0

**B. A family Business is Easy to Start-up.**

Family business is easy to start

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid		3.8	3.8	3.8
strongly agree	4	15.4	15.4	19.2
Agree	16	61.5	61.5	80.8
Neutral	3	11.5	11.5	92.3
disagree	2	7.7	7.7	100.0
Total	25	100.0	100.0	



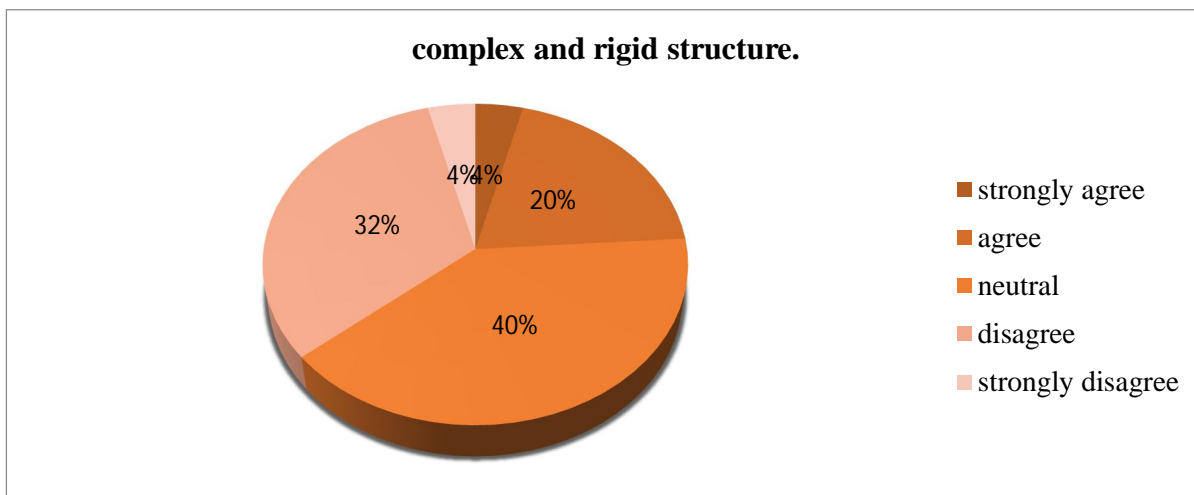
1) *Interpretation:* From the above graph it can be said that majority of the respondents that is 64% owners agree that family business is easy to start. 16% of respondents strongly agree that family business is easy to start. Whereas, 12% of respondents have neutral answer that it is easy to start whereas hard too and 8% are disagree that family business is not easy to start.



C. Family Business Have A Complex And Rigid Structure

FB have complex and rigid structure

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid		3.8	3.8	3.8
strongly agree	1	3.8	3.8	7.7
Agree	5	19.2	19.2	26.9
neutral	10	38.5	38.5	65.4
disagree	8	30.8	30.8	96.2
strongly disagree	1	3.8	3.8	100.0
Total	25	100.0	100.0	



1) *Interpretation:* The above pie chart shows that 40% of respondents have neutral thought that in some point it has complex and rigid structure and in some it does not have complex and rigid structure. 32% of respondents disagree that family business does not have complex and rigid structure. 20% of respondents agree that family business have complex and rigid structure. And 4% each strongly agree and strongly disagree on complex and rigid structure of family business.

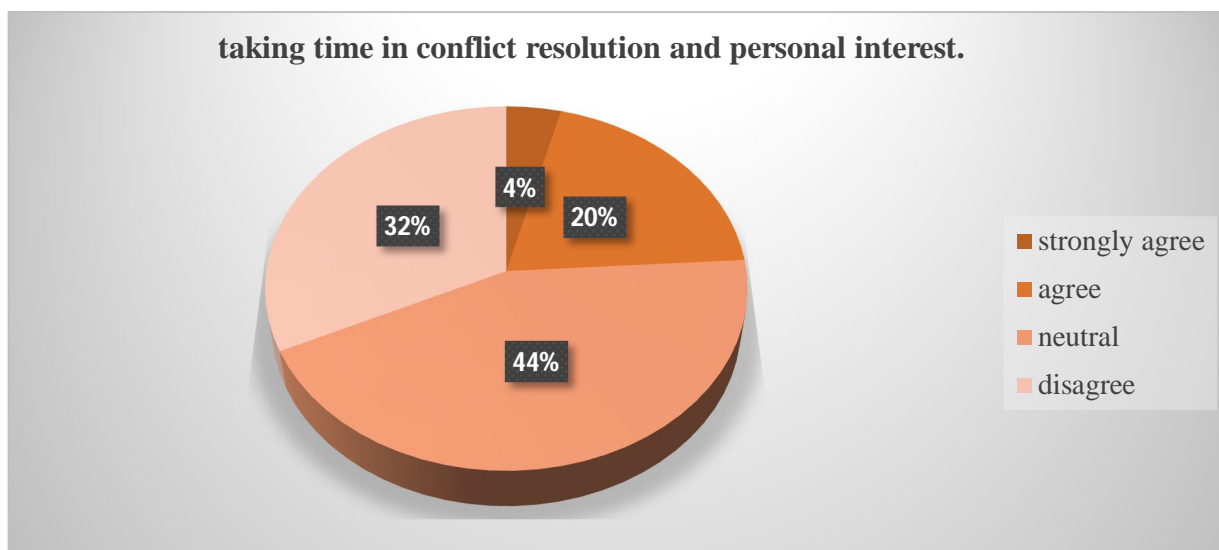
D. Family Business Taking More Time In Conflict Resolution And Personal Interest

FB taking time to resolve conflict

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid		3.8	3.8	3.8
strongly agree	1	3.8	3.8	7.7
Agree	5	19.2	19.2	26.9
Neutral	11	42.3	42.3	69.2
Disagree	8	30.8	30.8	100.0

FB taking time to resolve conflict

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid		3.8	3.8	3.8
strongly agree	1	3.8	3.8	7.7
Agree	5	19.2	19.2	26.9
Neutral	11	42.3	42.3	69.2
Disagree	8	30.8	30.8	100.0
Total	25	100.0	100.0	

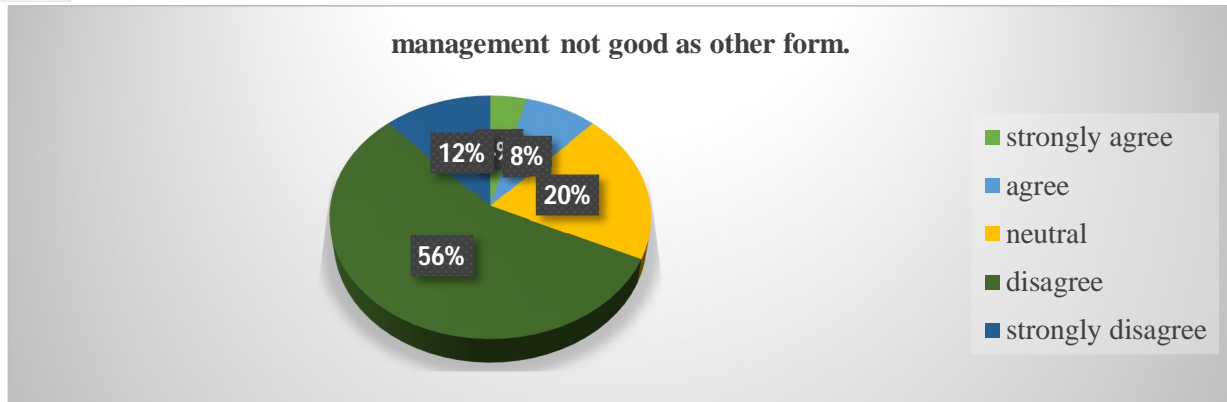


1) *Interpretation:* From above pie chart we can see that 44% of respondents have neutral answer that in family business conflict resolution and personal interest take time. 32% disagree that conflict resolution and personal interest does not take time to solve. 20% agree that conflict resolution and personal interest take time to be solved. Also 4% strongly disagree that it does not take time.

*E. Management Of Family Business Is Not Good As Other Form Of Business*

MGMT. of FB is not good as other form

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid		3.8	3.8	3.8
strongly agree	1	3.8	3.8	7.7
Agree	2	7.7	7.7	15.4
Neutral	5	19.2	19.2	34.6
Disagree	14	53.8	53.8	88.5
strongly disagree	3	11.5	11.5	100.0
Total	25	100.0	100.0	

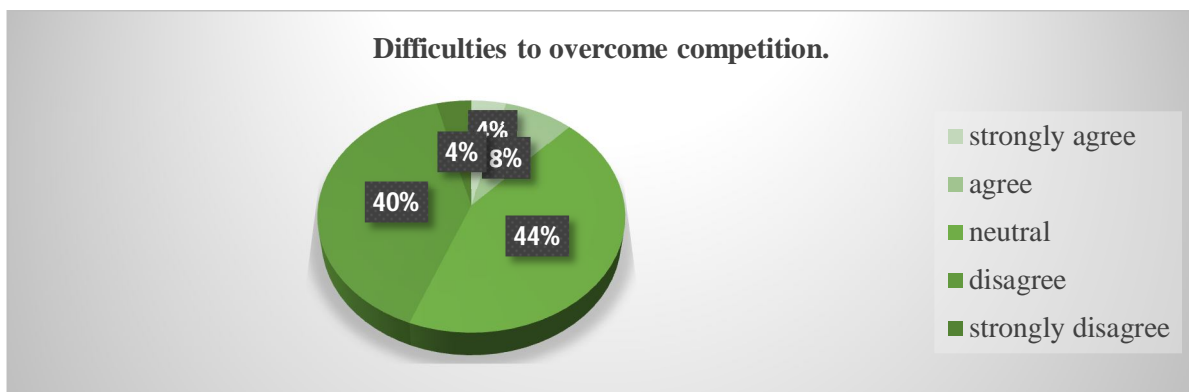


1) *Interpretation:* In the above chart, 56% of respondents disagree that management of family business is not good as other form, according to them management of family business is good then other form of business. 20% of respondents have neutral respond as they think management is good than other form in some ways also management is not good as other form. 12% of respondents strongly disagree as they only like the management of family business than the other of form of business. 8% of respondents agree on that management of family business is not good as other form and also 4% strongly agree on same.

**F. Family Business Facing Difficulties To Overcome Competition**

FB facing difficulties to overcome competition

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid		3.8	3.8	3.8
strongly agree	1	3.8	3.8	7.7
Agree	2	7.7	7.7	15.4
Neutral	11	42.3	42.3	57.7
Disagree	10	38.5	38.5	96.2
strongly disagree	1	3.8	3.8	100.0
Total	25	100.0	100.0	



1) *Interpretation:* Above pie chart shows that 44% respondents have neutral response that family business face difficulties to overcome completion. 40% disagree that family business does not face difficulties to overcome competition. 8% agree that family business face difficulties to overcome competition. Here, 4% strongly agree that family business face difficulties to overcome competition and 4% strongly disagree that family business does not face difficulties to overcome competition.

**IX. DELEGATION OF BUSINESS**

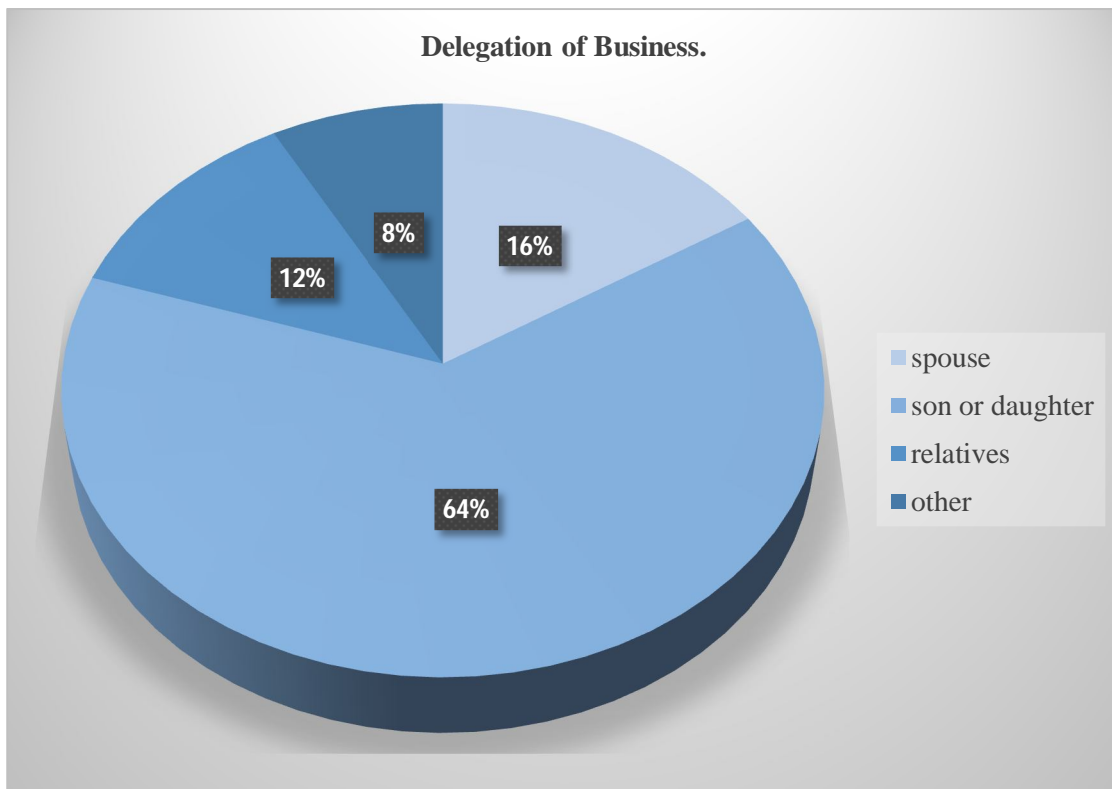
**A. Statistics**

Delegation of business

N	Valid	25
	Missing	0

Delegation of business

	Frequency	Percent	Valid Percent	Cumulative Percent
Valid		3.8	3.8	3.8
Spouse	4	15.4	15.4	19.2
son or daughter	16	61.5	61.5	80.8
Relatives	3	11.5	11.5	92.3
Other	2	7.7	7.7	100.0
Total	25	100.0	100.0	



1) *Interpretation:* above information shows that 64% owners are going to pass their businesses to their son or daughter, 16% of owner’s are going to pass their businesses to their spouse, 12% of owner’s are going to pass their businesses to their relatives, and 8% are going to pass it to other than any family member.

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