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**Family Dynamics and Family Business Success in Small Scaled Family Owned
Business**

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ABSTRACT

This research aims to identify the predictors of small scaled family business success within the tourism industry in Sri Lanka. To achieve this, content analysis was employed for a sample of five family business owners who were selected through convenient analysis. From this research, it has been made clear that spousal support, family harmony, and family structure, family culture, family domination in decision making, and generational involvement were the main predictors of family business success.

Key words: Family, Family resources and Demands, Family Involvement in Business, Family Business Success

INTRODUCTION

It has been generally accepted that family's involvement in the business makes the family business unique (Chua, Chrisman, & Sharma, 1999) and primarily, based on this platform, scholars have suggested broad-based conceptual models of sustainable family businesses that take into account the reciprocal relationship between family and business systems (Stafford, Duncan, Dane, & Winter, 1999). These models are aimed toward the simultaneous development of functional families and profitable firms. Moreover, the adoption of theories and perspectives embedded with family by including the characteristics of family systems in research studies (Aldrich & Cliff, 2003; Chrisman, Chua, & Steier, 2003; Habbershon, Williams, & MacMillan, 2003) with the aim of enriching the field also could be realised from the literature. Consequently, this paper also put an effort to enhance the existing literature by discussing empirically the relationship between family and business systems from the points of family capital on the ground of sustainable family business theory.

BACKGROUND

As in Sharma (2004) it is the mutual impact of family on business and business on family that differentiate the field of family business studies from others (Astrachan & Shanker, 2003; G. Dyer, 2003; Habbershon et al., 2003; Rogoff & Heck, 2003; Zahra, 2003). From this point of view, family could be considered as the key resource (Powell & Eddleston, 2016) for the family business. Hence to identify the behaviour of family and its impacts on the business, several theories and models have been developed so far in the field such as resource based theory (Sirmon & Hitt, 2003), family embeddedness perspective (Aldrich & Cliff, 2003) bulleye model of an open-system approach (Pieper & Klein, 2007), unified systems perspective(Habbershon et al., 2003), stewardship theory (Corbetta & Salvato, 2004; Eddleston & Kellermanns, 2007; Zahra, 2003), and the sustainable family business

theory model (Stafford et al., 1999). Each and every theory or model tries to explain how family is critical to the family business. On the other hand in terms of scholarship, a trend is emerging in the family business field to integrate the thinking from multiple disciplines. This trend may result in the development of new theories that combine family business and more mainstream concepts in new syntheses. More to the point Zahra and Sharma (2004) brought up that the family business field will become a discipline that gives back to other disciplines as much, if not more, than the field has gained in theoretical and conceptual content, and this will facilitate to shape other disciplines. In contemplating with these previous literature, in this study the researchers made an effort to enhance the existing body of knowledge on family's behaviour towards family business success by taking into consideration of family, its resource and demands based on family human and social capital explained by (Stafford et al., 1999).

Research Gap

Frameworks such as Bulleye model of an open-system approach (Pieper & Klein, 2007), the F-PEC scale (Astrachan, Klein, & Smyrniotis, 2002) and the notion of familiness (a unique bundle of resources a particular firm has because of the systems interaction between the family, its individual members, and the business) (Habbershon et al., 2003; Habbershon & Williams, 1999) do not pay direct attention on the family system in and of itself (Zachary, 2011). Agreeing with Zachary (2011), these models are examining family constructs as manifested within the business only, and do not address the family system as a separate, whole and unique system relative to the business. However, in itself, family system is distinct but inseparably involve with the business system. Therefore on that basis, the need of stressing out what could family as a separate system bring into business system is salient for better understand the uniqueness of family business. Pieper and Klein (2007) detailed it further by providing an example of that the family provides the business with funds (through the ownership subsystem) and labour force (through the management subsystem). Therefore a gap in literature could be identified that focusing on negative and positive impacts of family itself on business has not answered yet satisfactorily. Therefore it is needed indeed to better analyse the influence of family systems on business.

In addition to that there is a vast literature in developed countries on family business research, but much less research report on family business in developing countries. For example Sharma, Chrisman, & Gersick (2012); Sahrma (2004, 2007, 2012); Chrisman, Chua, and Sharma (2003); Chrisman, Sharma & Taggar (2007); Olson et al. (2003); Astrachan and Shanker (2003) significantly contributed to the family business literature by improving understanding on different aspects of family business while Getz & Carlsen (2000; Getz, Carlsen), and Morrison (2004), expanded the family business literature into cultural factors and multiple contexts including tourism and hospitality. Besides that, with the rising importance of family business throughout developed and developing economies, it is important to investigate the degree to which family and business intersection creates impacts on the relationship between family and business. This is especially relevant in developing economies given the much lower levels of research conducted on family business compared to other developed economies. Therefore this researcher wishes to expand family business literature into Asian region by conducting research in tourism industry in Sri Lanka which is an Asian country with rich tourism prospective. More to the point, Getz et al. (2004) highlighted that although it is widely accepted that the tourism and hospitality sectors are dominated by small, owner-operated business, little has been written about the family dimension and core family-related issues have been neglected.

Family in Family Business

The literature on family business success and business performance emphasizes mostly business system issues (Olson et al., 2003) and rarely family system issues. However, it is the family that makes a family business unique (Stafford et al., 1999; Zachary, 2011) and positive family interactions (Eddleston & Kellermanns, 2007) can enhance the value of family firm. Hence, the effect of the family on business ventures is significant (Olson et al., 2003). Nevertheless, the family can be a source of strength and competitive advantage or a source of weakness and hindrance for a family firm (Eddleston & Kellermanns, 2007). Turning to the definition of family, it depends on the cultural background of the researcher and the purpose of the research (Rothausen, 1999). Simply “family” can be defined as nuclear, joint, or extended family or as a kinship group (Pieper & Klein, 2007; Stewart, 2003). Generally family is the source which provides the resources to the family business such as financial and physical (Anderson & Reeb, 2003; Dyer, 2006; Habbershon & Williams, 1999; Sciascia

& Mazzola, 2008), labour, intellectual, and cultural, (Sirmon & Hitt, 2003; Astrachan, 2010) which ultimately creates the competitive advantage of the particular family business to make it success (Arregle, Hitt, Sirmon, & Very, 2007; Milton, 2008). Specially, family members are a valuable source of human, physical, financial, and social capital. They bring various resources and capabilities to their organizations: commitment, loyalty, trustworthiness, firm-specific tacit knowledge, quality social networks, and financial and physical assets (Kim and Gao, 2012). The resource-based view states that there are resources that are distinctive to firms as a result of family-based organizational efficiency and that families supply firms with competitive advantages (Habbershon & Williams, 1999). However families are different and so are their dynamics resulting in different implications for business strategy and behavior (Kellermanns, Eddleston, Barnett, & Pearson, 2008; Steier, 2001). The family influence can vary in the organization over time and can be manifested in many different ways in the organization (Astrachan et al., 2002; Kellermanns et al., 2008; Klein, Astrachan, & Smyrnios, 2005). Further Family dynamics permeate the business and mix with business and organizational dynamics giving family business many of their distinct characteristics (Astrachan 2010; Brunninge, Nordqvist, & Wiklund, 2007).

Hence family firms are formed to institutionalize the unique resources, capabilities, and visions of families in pursuit of common economic and, potentially, noneconomic motives (Chrisman, Chua, & Litz, 2003; Habbershon et al., 2003; Habbershon & Williams, 1999). In that sense, a family business is a representation of the aspirations and capabilities of family members, and because of that it has a strong social element affecting the decisions that determine its strategy, operations, and administrative structure as revealed by Chrisman, Chua, and Steier (2005). Explaining further, family is the main source of creating competitive advantage to the family and that will leads towards the value creation of the family business. In another words, families and businesses depend on the survival and success of one another in the family owned business (Danes, Haynes, & Haynes, 2016). In this case the resources and demands of a family play a critical role towards the family business survival and development. Therefore, to achieve value creation or maximisation (Chrisman, Chua, & Litz, 2003) of a family firm, family is vital because it is the main source of creating familiness. Familiness is a unique bundle of resources a particular firm has because of the systems interaction between the

family, its individual members, and the business. Clarifying further, the importance of family in family business, in troubled economic times, it is often the family business that survives, not necessarily because it is a “good business” but because of the family (Winter et al., 1998; Olson et al., 2003). Therefore, the recognition of the family system relative to the family business (Zachary, 2011) should be researched in depth to create a better understanding of the family business.

Family business could have been affected by family characteristics such as children, parents, spouse and financial stability of the family and so forth. Previous studies revealed that each additional child in the household, more individualized families, additional family employees living at home and higher family tension levels were negatively associated with the manager’s perceived success (Olson et al., 2003). Likewise family capital, the total resources of owning family members, enables and fosters short-term family business success and long-term sustainability (Danes, Stafford, Haynes, & Amarapurkar, 2009). Moreover, both the family system and the responses to disruptions had significant effects on gross revenue and owner’s perceived success. Reducing family tension, living in a two- or three-generation family, reallocating time from sleep to the business and hiring temporary help during hectic periods increased business revenue (Olson et al., 2003). More to the point, single generation households were associated with less business revenue and having children and functioning individually reduced the owner’s perceived success, even though they did not reduce business revenue (Olson et al., 2003). Hence, it can be presumed that the business supplies income to the family, the family may supply paid and unpaid labor, as well as the family system contribute additional resources such as money, space, equipment, and other factors of production to the business (Zachary, 2011). Overall what has to be noticed is that family and its resources and demands could have a positive significant effect on family business success. Thus, based on this, the following research question was developed as;

Do family dynamics predict family business success of small scale family businesses and what are they?

Methodology

Sampling strategy includes in this study is convenience sampling, which is usually used within qualitative research designs. With convenience sampling, elements are drawn from a subpopulation

according to its accessibility and research interests. Family businesses registered with Sri Lanka Tourism Development Authority (SLTDA) is used as sampling frame of the study since the research population is family businesses in tourism industry. To answer the research question, as researcher's interest lies with family business owner, the unit of the study is individual and consequently, ten family business owners were selected in a convenience sample. In qualitative research, data has to be collected in order to allow an in-depth understanding of the participants' perspective. For that reason, qualitative data collection procedures display a much lower degree of standardization compared to quantitative data collection (Gelo et al, 2008). Since the interview method is semi structured, researcher prepared an interview plan beforehand the interviews. Interviews were open ended interviews, which allowed investigation of the subject's perspective regarding a pre-defined set of topics, Interviews were audio-recorded with the consent of the participant.

Analysis

Initially arrangements were made to conduct ten interviews. However four of respondents were refused to participate at the last minute giving excuses of family and organizational constraints. Ultimately six were conducted. Apart from one interview all the others were audio recorded. Only one interview was written down at that time due to the particular respondent not wishing to audio record the conversation. It was found that female business owner was providing some contradictory answers to interview questions. Later she revealed that she thought the researcher was from the government tax department. Therefore, that interview was also omitted from the analysis due to doubt about the reliability of the data obtained through that interview. Hence, only five were analysed. Participants were also assured that the recordings would not be used for any other purposes outside of this research. The table 1 and 2 represents brief profiles of the research participants and their business and in order to preserve anonymity, only particular information which is relevant and constructive to the analysis at hand is presented.

Insert Table 1 and 2 about here

Content analysis is a method for analysing written, verbal or visual communication messages, such as the words written in documents and spoken by interview respondents (Silverman, 2006). Audio

recorded interviews were manually transcribed as soon as possible after each interview was completed to discover themes. All the identified themes were compared, contrasted and reviewed. Finally finalised themes were presented. Since the interviews were conducted in Sinhala language in Sri Lanka, it was decided to analyse the Sinhala language transcriptions (however, the quotes presented below have been transcribed into English). This method helped the researcher to grasp the meanings which are traceable in the interviews. Besides, this method is beneficial taking into consideration the original language of expression of interviewees. In that sense too, this method lessened issues relating to translation problems.

Findings Related to the research Question

1. Do family dynamics predict family business success of small scale family businesses in tourism industry in Sri Lanka?

To find out family dynamics which could predict family business success, respondents were asked how their family could affect their business, letting them to express it in their own way without interrupting. By carefully investigating, themes that emerged were spousal support, family harmony, and family structure, family culture, family domination in decision making, and generational involvement. All five family business owners agreed that, to maintain the smooth running of family and business domains, support from their spouse was vital. Especially when the business owner was male, they highly recognize and appreciate what their wives do in relation to family functioning, and getting children involved in the business. The below statement can be given as an example.

“I don’t think that I could do this without my wife. She is far more talented than me in managing relationships. She is all-rounder and she can concentrate more than one thing at the same time like.... you know..... kids, house work, and business. To be honest with you we had a fear that our son will not be engaged with our business, because you know he is young, think different, and he doesn't want to limit into one place, and many things..... but my wife, she always impress him to get involve into the business until he finally agreed to work in this. Only mother can do.”

More over when the business owner was a female, they valued their husbands’ support in terms of knowledge sharing with them and helping to make correct decisions as per the below statement.

“My husband’s support with regards to choosing the correct options for the business is invaluable. Sometimes I’m bit hesitate to make decisions spontaneously, may be I’m new to the field. But my husband is really good at handling customers, suppliers and employees. He knows to do the right thing at the right time. Still I’m learning from him. Regardless how busy he is, he is always there to help me.”

The second main theme derived is family harmony. A strong bond between family members, trust between family members, and emotional attachment of family members were identified as first order themes and they were categorised as family culture. Most of the interviewees stressed out that the relationship between family members such as parents, children, and sometimes grandparents and the other close family relatives is very important for the success of a family business due to the advantages of having good, strong relationships. As the advantages, they revealed that having a strong bond between family members ensures trust between family members, and leads to the fulfilment of business goal and reaching the success. Further respondents emphasised that emotional attachment of family members qualify them to work for a common goals within the family business. Ultimately, this will enhance the family business performance towards growth and survival of the business. This was revealed by many respondents as follows,

“This business is not just a business we run to make money. This is our life style. Our lives really closely connect with our business. We have a strong bond with each other and with the business. So I don't see any difference between our family goals and business goals. Both work towards the same result at the end. That is our happiness. I mean it's really connected with each other.”

“As a family we are really closed and attached, and I believe, that may be the reason, to work actively, in the business. When we make a decision we feel how will be each other response because we know each other very well and we know how to provide benefits to every family member whether they are involved or not in the business. Because finally we are a family”

The third theme derived for this research question was family structure. Several family business owners disclosed living as an extended family helps them to achieve business goals effectively

especially when the business owners are middle aged and have young children. The reason was the possibility of a grandmother to help with house work, and caring young grand kids, and possibility of grandfather to do school runs and look after the business when business owners are not in the business premises. Below is an example.

“I think I’m really lucky to have my parents with me. I couldn’t manage everything without them. Because my mum looks after my kid after they come from school so, I can stay in business for long hours and that’s a good relief to concentrate on business matters.”

“My mum’s sister is not married and lives with us. I feel that she is really does a big favour for us deciding to live with us. She is like a second mum to my children. Frankly speaking, it’s like ... I don’t have to do much, she looks after everything at home. So I can concentrate on business matters. In seasons she helps in guest house kitchen too. I don’t have enough words to appreciate her.”

The following illustrates how the business owners suffer when extended family does not live with them or live somewhat far away.

“My parents live bit far from our home. So it’s not that easy to ask their help with my work. But I wish I could make them stay with me. But they don’t like to leave the hose since it comes from generation to generation.” (In Sinhala, that type of house is called as “Maha Gedara” was inherited from an earlier generation or built by parents and where all the children raised and a type of house is highly valued in Sri Lankan culture)

In terms of controlling the business by family, ownership is an obvious factor, since all the interviewed business are small scale, not listed, and owned by one family. Apart from ownership, family’s participation in day to day business activities and decision making, and to a lesser extent, non-family member participation in a business, were identified through the careful analysis of the transcriptions. Consequently these first order themes were coded into a major theme as “family domination” in business. To support these themes the following phrases were detected.

“In my family I talk with my wife and son about the business and its current situation and where we are heading, my wife is not an active in management but she is really active in decision making”

“If you look at our business from outside you may think I’m the sole decision maker since I’m the only person always in the guesthouse. But normally I didn’t take sole decisions. It’s always participative with my wife and son.”

The above statements made by male respondents reflect how his family dominates in decision making even though his family is not active in day to day business operations. Following is an example of where all family members are active in decision making and day to day operations.

“We have only one non-family employee. So, as a family, we are really active in not only decision making, planning and that sort of things, but also day to day stuff. During non-season and when we have few customers my family don’t get that much involved but during season my sons visit Sri Lanka and help me. As you can see, these grill work and other decorations are done by my second son as he has skills on that. My youngest is good at photography and he brings us foreign customers since this is a good place to take photos of many rare birds. If you go to the up stare, you can see some of the pictures my son has taken”

When carefully analysing the transcriptions, family culture was also identified as another theme which affect family member involvement in the business. Many respondents stressed that commitment of family members to the business and identification with the family business as positive to the continuity of the business. Almost all respondents were happy to identify themselves with their business and promote their business as a family business. Regardless of gender, they are committed towards the success of their family business. Most of them believed that their business could provide satisfaction for them and their family.

“Honestly we are committed to the business. As responsible members in our business we know our role and what to do and when to do. That’s the main thing for our performance.....If you want be happy or satisfied with your business definitely you have to be committed. That’s what I learnt through my work so far.”

“I always introduce me with my business like my dad did, he still do that though he is not active in the business further. So I want to continue our traditions and I trust my son too will continue. Still my children are lucky to have their grandparents’ company, so no worries for me.”

Further, present participation of children in business and future plans to get them involved after their education were also exhibited by interviewees. More to the point, the respondents who have received the family business from their parents explained the value of advice, and consultation received from earlier generation. By considering the importance of involvement of earlier generations and future generations, a final theme termed generational involvement was recognised.

The following statements express how currently involved generations think about future generation's involvement.

“We have three children and we like to see the involvement of all of them so what our aim is to grow our business so as they all have something to take care in our business.”

“My two kids are still young to involve in the business. But in school holidays they visit the bungalow they see how thing going around the do small small stuff. I like that because that's an experience for them. One day they will be the forerunners.”

The following phrase given by one respondent is an evident for how present business owner see the earlier generations' involvement.

“Even though I got the control of this business from my dad, it doesn't mean that he is not involving..... Yes, he is not active but he always advises me. And that is really useful for me to achieve our goals. Still our employees like to see him coming to guest house, hanging around and chatting with them. Surely, my dad too enjoys that. And I too love to see that, this business is his.”

Discussion

Many empirical research have tried to determine how family and family member involvement influences family business success or performance. However, up to date the findings of these studies are inconclusive as Chrisman, Chua, Pearson, and Barnett, (2010) pointed out. The research question of this study attempts to investigate whether family dynamics would make an impact on family business success and if yes what are those factors. As the answer for this, mainly two themes were identified as family resources and demands, and family involvement in business. Family resources and demands was comprised with spouse support, family harmony, family structure, and family culture and family involvement in business was comprised with family domination in decision making

and past and future generational involvement in business. The themes emerged were summarised in Table 3.

Insert Table 3 about here

These results indicate that family and its effect on family business is somewhat similar with the previous literature (Corbetta & Salvato, 2004; Zahra, Hayton, & Salvato, 2004) despite of the context where the study has taken placed. More to the point, the results incurred through the analysis is compatible with the family capital introduced by Stafford et al., (1999) and the recent clarification of family capital by Danes et al., (2016). Notably the findings highlight that each of the resources have the ability to impose either an advantage or disadvantage on the family firm. For instance due to family structure of living with immediate family only could create constraint to achieve family business success. Hence family could be regarded as the focal point of family business success.

Conclusion

From this research, it has been made clear that the family itself, its resources specially human and social capital play a vital role in making the family business success. In terms of family resources, spouse support, family harmony, family structure, and family culture were revealed by the respondents as major predictors of family business success. Apart from that family involvement in business were derived through family domination in decision making and past and future generational involvement in business. Thus it can be concluded that even though the geographical setting is somewhat different in terms of culture and family structure, the significant of impact of family is critical for family businesses.

Limitations and Future Research

Despite all the significant findings and the productive recommendations in the research, limitations are inescapable. The following are some suggestions to be taken into consideration. This research only focuses on five family business owners. Thus, it makes it difficult to generalize the findings to the total population. Therefore, similar studies in Sri Lankan and across other Asia Pacific and other developing countries are recommended. Further, without limiting to qualitative studies, quantitative studies too are welcome to make a clear view on the predictors of family affecting to family business success. Future research could investigate both the spheres of family and business and their intersection to further clarify the situation.

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Table 1: Description of respondents who participated in the qualitative analysis

Interviewee	Age	Gender	Marital Status	Tenure	Education
Ms A	64	Female	Married	12 years	Former school teacher, Graduate
Ms B	43	Female	Married	9 years	Secondary education , passed Advanced level examination
Mr C	58	Male	Married	17 years	Secondary education, retired tour guide
Ms D	46	Female	Married	6 years	Diploma holder, currently work as an executive in a private company
Mr E	48	Male	Married	13 years	Secondary education and experience assisting his uncle restaurant

Table 2: Description of Firms in the Qualitative Analysis

	Age of the business	Location	Proximity to home	Business type	Size of the business	No. of non-family employees
Ms A	12 years	Major city	Home-based	Home stay	1 employees	1 employees
Ms B	32 years	Suburbs of a major city	Home-based	Guest house	4 employees	2 employees
Mr C and Son	17 years	Suburbs of a major city	Separate Location	Guest house	5 employees	4 employees
Ms D	6 years	Suburbs of a major city	Separate Location	Bungalow	2 employees	2 employees
Mr E	13 years	Suburbs of a major city	Home-based	Hotel	7 employees	6 employees

Table 3: Themes derived through Content Analysis

First order Themes	Second Order Themes	Final Themes
Spouse Helps to maintain good relationship with family and business	Spouse Support	Family Resources and Demands
Spouse Helps to make correct decisions		
Spouse shares the business knowledge		
Spouse Helps to get the children involved in business		
Strong bond between family members	Family harmony	
Trust between family members	Family structure	
Emotional attachment of family members		
Stay with parents		
Stay with parents-in-laws		
Having a relative to stay with the business family	Family Culture	
Immediate family only		
Commitment of family members to the business	Family Culture	
Identification with the family business		
Family ownership	Family domination	Family

Family in performing day to day business activities		involvement in business
Family in decision making		
Lesser extent of Non-family member participation in business		
Children participation in business activities	Generational Involvement	
Consulting parents with regard to business decision making		
Future planning to get involved children in business		