

IMPACT OF DEMOGRAPHIC CHARACTERISTICS ON THE PERFORMANCE OF FAMILY BUSINESSES

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ABSTRACT:

Family businesses are a significant contributor to the global economy, accounting for a substantial portion of GDP and employment in a number of nations. In many nations, family businesses constitute a significant portion of the economy. However, the success of these businesses is frequently dependent on the age, experience, and level of education of the family business owners as it effects the operational and financial performance of the business. This study aims to examine the effect of demographic characteristics of the owner on the performance and longevity of family businesses. Family businesses are essential, but their demographic difficulties are unique.

Keywords: Family businesses, performance, conflicts, entrepreneurial spirit, demographic characteristics, operational performance, financial performance

INTRODUCTION

Family businesses often have unique characteristics that can affect their performance and management. One of the main challenges that family businesses face is balancing the interests of the family and the business. This can lead to conflicts between family members and can also affect the way that the business is run. Entrepreneurial spirit is one of the key internal traits that can drive the success of family businesses. This includes traits such as vision, risk-taking, innovation and proactiveness. An entrepreneurial owner can be a valuable asset for a family business, bringing new ideas and a sense of innovation to the company. However, this trait can also be a double-edged sword, as the owner's risk-taking and ambition can sometimes lead to poor decision making, over-extending the business and financial difficulties.

Similarly the Demographic Characteristics such as the age, education level, and experience of the owner or the managing entrepreneur and the other family members involved in the business, can have an impact on the operational and financial performance of a family business. Family businesses are an important part of the global economy, accounting for a significant portion of economic activity in many countries. Despite their importance, family businesses often face unique challenges related to the demographic characteristics of their owners. In particular, the age, Experience and education level of family business owners may have a significant impact on the performance and success of the business.

FAMILY BUSINESS

Family businesses are defined as businesses that are owned and controlled by members of the same family. These businesses can take many forms, from small, family-run stores to large, multinational corporations. Family businesses are often passed down from one generation to the next and are characterized by close relationships between family members and a strong sense of loyalty and commitment to the business.

Demographic characteristics such as age, education level, and Experience can play a significant role in the success of family businesses. For example, older family business owners may have more experience and knowledge about the industry, but may also be less willing to take risks and adapt to changing market conditions. Younger family business owners, on the other hand, may be more willing to take risks, but may lack the experience and knowledge of older owners. Education level can also have an impact on the success of family businesses. Research has shown that family business owners with higher levels of education tend to have more successful businesses, in terms of revenue and profitability.

Family businesses are unique in that they are typically run by a small group of family members, with the owner often playing a central role in the decision-making and management of the company. The demographic characteristics of the owner, such as age, and education level, and a personal characteristic such as Experience of the managing entrepreneur or owner can play a significant role in the success of the business.

REVIEW OF LITERATURE

Family businesses are among the most important sources of wealth and job creation in almost every country in the world. This is also true in the case of India and the Indian region. According to Chrisman et al. (2003) Family business is defined as “a controlled and/or controlled enterprise with a view to creating and pursuing the idea of a corporate governance entity controlled by members of one or more family members in a manner, which can be sustainable for all generations or families”.¹

Some experts suggest that the competitive advantage of the family business lies in the combination of business, traditional and human resources, and distinct family identity. According to Habbershorn et al (2003), a family business plan consists of the interaction of a family unit, a business unit, and each family member. Zahra, (2003) states that Zahra's family impact on profitable business..²

Tagiuri and Davis (1996) developed a model that introduces the various interactions that occur in the family business involving three related concepts, namely business, ownership and family as three sub-systems integrating over time, which they call the Three-Circle model. This model was modified by Gersick et al. (1999) to develop their Development Model that incorporates the features of the Three-Circle model and the various stages of development in the family

¹ Walsh 2013, Eric Gedajovic, Chrisman, Minichilli 2010. Whither Family Business, Markets hierarchies and Families 2004, Ownership profitability and firm structure.

² Whiteside, M.F. & Brown, F.H. (2011). “Drawbacks of a dual systems approach to family firms: Can we expand our thinking?”, Family Business Review 4(4), 383-395.

business proposed by them. This model provides a comprehensive and integrated framework for assessing the interaction between the business life cycle of the family, the family itself, and ownership characteristics. The model consists of three dimensions: family development, ownership development and business development.³

Although family businesses are the most common type of business in the world, only a few of them survive the next generation. Birley (1986) and Ward (1987) reported that 30% of family businesses survive to the next generation and only 10- 15% reach the third generation. Although many family businesses fail due to marketing, financing, and / or other reasons related to small and medium enterprises, family firms also have a unique feature — family, and they fail due to sequential problems.

PwC (2015)⁴ conducted this study to determine the US family corporate vision and practice in terms of efficiency, and the report reflects the US findings on family business ideas on various issues, as reported by 154 key decision-makers in various companies. industrial. The interviews were conducted over the phone and online by the independent agency Kudos Research from April 29 to August 29, 2014. -40. This study found that family firms differ from other business firms in a good mix of heart and head of doing business and their responsibilities in society. The study concluded that US firms were innovative and professionally engaged in running their business.

Ramachandran, K.K., Madhumathy, M., (2016)⁵ attempted to explore and understand a key factor namely family unity that affects family business with the aim of knowing issues where the family stands together or is divided. The survey was conducted in two phases in the first phase, with 21 participants' discussions on the family business education program and the second questionnaire being handled by family business conference participants or the family business management program. The study found differences in the level of integration at different levels as in the case of a business with a small number of members involved, disputes over financial decisions are a sign of downgrading. With the changes that are taking place in the business environment, the mix continues to decline due to differing perspectives. Over time a different view of business growth may question family reunions that affect family business. Research has concluded that for the well-being and growth of the business it is important to take timely corrective measures and setting a family business framework can have a positive effect on a business.

Lampel, J., Bhalla, A., Ramachandran, K. (2014)⁶ evaluated family firms as an inter-institutional system with differing views between institutions and this study using secondary data and corroborative data from existing studies and revised theory and discussions of 36 new organizations from eight factories of Indian families were formed. The study discussed

³ Tagiuri, R. & Davis, J. A. (1996). "Bivalent attributes of the family firm", *Fam. Bus. Rev.* 9(2) , pp. 199–208.

⁴ PwC (2015), "Family firm: A resilient model for the 21st century", PwC family business survey.

⁵ Ramachandran, K.K., Madhumathy, M., (2016),"A study on Capital Structure and Financial Performance of India Textile Industry", *Internation Journal of Management*, Vol. 7(3), pp. 313322.

⁶ Lampel, J., Bhalla, A., Ramachandran, K. (2014), "Family Values and Inter-Institutional Governance of Strategic Decision-Making in Indian Family Firms", *Indian School Of Business, Hyderabad*

conflicting family ideas and corporate views that influenced business decisions and revealed that unless there is a weird and strong family preference given to economic gain and consideration of firm thinking. The paper concludes with 4 elements - economics, technology, dignity and adherence that ensure survival, growth, stability and business sustainability in traditional communities.

Indirapriyadharshini (2013)⁷ focuses on the unique qualities and challenges of the family business. This research paper was natural and based on secondary data. The focus of the study was on family business diversity and discussed misconceptions about business weaknesses that were actually strengths and opportunities. The study addresses the need to understand the culture and appreciation of different perspectives and relationships between family and non-family members in business.

OBJECTIVE OF THE STUDY

The aim is to study the association between the operational and financial performance of the Family business and Demographic variables of the managing entrepreneur/owner i.e. age, Qualification and Experience.

RESEARCH METHODOLOGY

This study examined the effect of demographic characteristics of family business owners on the performance and success of the business. Data was collected through self-designed questionnaire from 150 respondents those are family business owners. This Study for the purpose of data collection focused on the family businesses in Textile Industry of Punjab.

The study focused on the demographic characteristics of family business owners: age, education level and Experience. This study will use a combination of quantitative and qualitative methods to investigate the effect of demographic characteristics of the owner on family businesses. The quantitative component involves questionnaire filling by the Family business owners, with a focus on demographic characteristics such as age, education level, and experience. The various aspects of the business, such as revenue, profitability, and growth were considered while collection of data. The qualitative component involved in-person discussions with a sample of family business owners, to gain a more detailed understanding of the relationship between demographic characteristics and business performance. This research divides the performance of the business into two categories: financial and operational performance. Data analysis has been done using a non-parametric test- chi-square test of Association and Fisher's Exact test.

DATA ANALYSIS AND INTERPRETATION

- Data analysis and interpretation about the business earned profits from the time the business changed hands over the generations the growth of family business on the basis of

⁷ Indirapriyadharshini (2013), "SWOT Analysis of Indian Family Business", IOSR Journal Of Humanities And Social Science, pp 37-42

demographical variables i.e. age, qualification and experience with the following tables with interpretation:

TABLE 1 VIEWS ABOUT BUSINESS EARNED PROFITS FROM THE TIME THE BUSINESS CHANGED HANDS OVER THE GENERATIONS

		Views about business earned profits from the time the business changed hands over the generations										Fisher's Exact Test	p-value
		Not since the time		Some of the years since the time		Most of the years since the time		All of the years since the time		Total			
Age of the principal	35-40	2	11.8%	1	5.9%	11	64.7%	3	17.6%	17	100.0%	17.749	.028*
	41-50	1	3.8%	5	19.2%	15	57.7%	5	19.2%	26	100.0%		
	51-60	9	20.0%	6	13.3%	25	55.6%	5	11.1%	45	100.0%		
	>60	8	12.9%	24	38.7%	24	38.7%	6	9.7%	62	100.0%		
Qualification of entrepreneur/ managing partner	Undergraduate	5	17.2%	5	17.2%	12	41.4%	7	24.1%	29	100.0%	5.768	.449
	Graduate	10	13.9%	17	23.6%	37	51.4%	8	11.1%	72	100.0%		
	Post graduate	5	10.2%	14	28.6%	26	53.1%	4	8.2%	49	100.0%		
Experience	6-15	4	21.1%	1	5.3%	9	47.4%	5	26.3%	19	100.0%	18.666	.020*
	16-25	5	8.9%	10	17.9%	33	58.9%	8	14.3%	56	100.0%		
	26-35	5	9.6%	19	36.5%	25	48.1%	3	5.8%	52	100.0%		
	>35	6	26.1%	6	26.1%	8	34.8%	3	13.0%	23	100.0%		
	Total	20	13.3%	36	24.0%	75	50.0%	19	12.7%	150	100.0%		

Source: Primary data

Table 1 depicts the information regarding opinion of respondents about business earned profits from the time the business changed hands over the generations and it is found that majority of respondents from the age group of 35-40 years (64.7%) 41-50 years (57.7%) and 51-60 years age group (55.6%) and more than 60 years age group (38.7%) respond in some of the years since the time. Fisher's Exact value (17.749) was found significant which means there is significant association between opinion of respondents about business earned profits from the time the business changed hands over the generations and age of the Principal or respondents.

On the basis of qualification of entrepreneur/managing partner, it was found that majority from undergraduate group of respondents (41.4%), graduate (51.4%) and post graduate (53.1%) respond in some of the years since the time. Fisher's Exact value (5.768) was found insignificant which means there is no significant association between opinion of respondents about business earned profits from the time the business changed hands over the generation and qualification of respondents.

On the basis of experience, table further shows that majority of respondents i.e. 47.4 % having experience 6-15 years, 58.9% having experience 16-25 years, 48.1% having experience 26-35 years and 34.8% having experience more than 35 years respond in some of the years since the time. Fisher's Exact value (18.666) was found significant at 0.01 level which means there is significant association between opinion of respondents about business earned profits from the time the business changed hands over the generation and experience of the respondents.

- Data analysis and interpretation about the maintenance and operational services and performance in relation with the demographical variables i.e. age, qualification and experience with the following tables with interpretation:

TABLE 2 OPERATIONAL PERFORMANCE

		If you contract for maintenance and operational services, are level of services, are level of service or performance threshold applied to contractor performance						Chi-Square	p-value
		Yes		No		Total			
Age of the principal	35-40	11	64.7%	6	35.3%	17	100.0%	1.383	.710
	41-50	13	50.0%	13	50.0%	26	100.0%		
	51-60	25	55.6%	20	44.4%	45	100.0%		
	>60	38	61.3%	24	38.7%	62	100.0%		
Qualification of entrepreneur/managing partner	Undergraduate	17	58.6%	12	41.4%	29	100.0%	1.884	.390
	Graduate	38	52.8%	34	47.2%	72	100.0%		
	Post graduate	32	65.3%	17	34.7%	49	100.0%		
Experience	6-15	10	52.6%	9	47.4%	19	100.0%	3.424	0.331
	16-25	33	58.9%	23	41.1%	56	100.0%		
	26-35	27	51.9%	25	48.1%	52	100.0%		
	>35	17	73.9%	6	26.1%	23	100.0%		
	Total	87	58.0%	63	42.0%	150	100.0%		

Source: Primary data

Table-2 reveals the information regarding opinion of respondents about contract for maintenance and operational services, are level of service or performance threshold applied to contractor performance and it is found that majority of respondents from the age group of 35-40 years (64.7%), 51-60 years age group (55.6%) and more than 60 years age group (61.3%) respond in yes whereas majority from 41-50 years (50.0%) respond in no. Chi-square value (1.383) was found insignificant which means there is no significant association between opinion of respondents about contract for maintenance and operational service, are level of services or performance threshold applied to contractor performance and age of the Principal or respondents.

On the basis of qualification of entrepreneur/managing partner, it was found that majority from undergraduate group of respondents (58.6%), graduate (52.8%) and post graduate (65.3%) respond in yes. Chi-square value (1.884) was found insignificant which means there is no significant association between opinion of respondents about contract for maintenance and

operational services, are level of service or performance threshold applied to contractor performance and qualification of respondents.

On the basis of experience, table further shows that majority of respondents i.e. 47.4% having experience 6-15 years respond in no whereas 58.9% having experience 16-25 years, 51.9% having experience 26-35 years and 73.9% having experience more than 35 years respond in yes. Chi-square value (3.424) was found significant at 0.05 level which means there is no significant association between opinion of respondents about contract for maintenance and operational services, are level of service or performance threshold applied to contractor performance and experience of the respondents.

CONCLUSION:

Members of the family business should learn that no generation is wrong but each generation has different abilities and cultures. Once families understand these changes and need to value different ideas whether they are young or old, they will be able to work in harmony with artists and generations after generation. Parental generation needs to embrace the involvement of the new generation. The next generation should learn to value parental wisdom and understand that nothing can replace hard work. Therefore, if family businesses are able to manage these changes, they will have more opportunities to develop in the Indian economy. In conclusion, demographic characteristics of family business owners, the study highlights the importance of considering both age and experience when examining the opinions of respondents regarding business profits after a change in ownership. This information can help decision-makers and business owners better understand the perspectives of their stakeholders and make informed decisions for the future of their businesses. Regarding operational performance, it was found that there is no significant association between the level of service or performance threshold applied to contractor performance and the age, qualification, or experience of the respondents. This means that other factors besides these demographic characteristics may play a more important role in operational performance of the business.

Further research is needed to understand the complex relationships between demographic characteristics and the performance of family businesses. It is suggested that future research should explore other factors that may impact the success of the business and the level of service or performance threshold applied to contractor performance. Additionally, it may be useful to collect more in-depth information on the experience of the respondents, including the type of experience and the specific skills or knowledge that they have acquired.

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