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ISSUES AND CHALLENGES IN FAMILY OWNED BUSINESS AND ITS IMPACT ON FIRM PERFORMANCE

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A B S T R A C T

Economic deregulation and quick development have resulted in a growing industrial base, which has given many people new prospects for advancement while also putting a strain on their resources and ability to adapt. It is the goal of this research to look at the concerns and challenges faced by family-owned businesses and how it affects the performance of the company. In a world where family, company ownership, and management are all intertwined, a favourable environment is created for family enterprises. In Iran's Tehran Province, the food industry's family companies account for a significant portion of the population. It's possible that the particular ownership and management structure of a family company might give distinct benefits to the firm. The impact of a family company' ownership and management structure on its success has long been recognized as critical. the effect on the financial performance of the Indian corporation of family ownership. In order to get secondary data, we looked at four different companies in total.

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Introduction

Today, family business is a hot topic for academics, investors, legislators, and many others, and for good reason. Recent studies have shown that family-owned businesses are among the best in the industry. Family businesses outperform their non-family counterparts on almost every metric, including profitability, shareholder value generation, and the ability to generate new jobs.

The majority of enterprises are owned and operated by family members. Over 80 percent of all enterprises, 12 percent of GDP, and 15 percent of the workforce in the United States are owned or managed by members of the same family. The distinct characteristics of family firms in comparison to organizations with diverse ownership and management have been extensively studied. Recent studies have shown that family businesses have distinct traits and advantages over nonfamily businesses. Family businesses are able to attain and maintain high levels of financial success because of their distinct and inimitable resources.

Latin American nations, even those with substantial stock exchanges, favour family-owned or managed businesses as the most common type of corporate structure: 51.5% of the 200 biggest publicly traded firms in Brazil are family-controlled, according to a recent survey.

Literature Review

Rui Silva (2021) When it comes to the global economy, the family company is one of the most important contributors. This research is significant, not only for analyzing the topic in this scientific sector, but also for understanding the features of family businesses in a society that relies so heavily on this form of enterprise. In this regard, the research project's overall goal is to get an understanding of the reality of family businesses in the footwear sector from the perspective of the CEOs of five firms in the north of Portugal. Qualitative research was conducted by interviewing five CEOs of family firms. It took place between June and July of this year, in a single interview done at the participants' workplaces, following previous scheduling. Recorded interviews were transcribed and imported for analysis using an audio recorder. These groups have a significant impact on the country's economic and social growth, according to the findings. Through interviews with CEOs in the footwear industry in Portugal's Northern area, this research adds to a deeper knowledge and exposure of this important and rising sector in an economy that is dominated by family companies. Furthermore, it attempts to shed light on the major factors and features of family enterprises in literature, such as ownership and professionalization, company–family ties, succession and management methods. To be sure, this study's findings might be compared and discussed with family firms in other nations, as well as in various business sectors.

Rossella Leopizzi ET AL (2021) Policymakers have paid a lot of attention to tourism. More than a million people are engaged in the supply chain, which makes the industry a major contributor to global economic development. The environmental impact of creating new productive activities also plays a role. As a result of this circumstance, family-owned businesses play a major role in the industry. These organizations' financial success can't be ignored when it comes to comprehending the governance processes that define them because of the possible divergence between "family" and corporate goals. New empirical data concerning this business model will be encouraged by this study, which focuses on the importance of family members in organizations' decision-making processes. Based on the examination of 343 Italian hotels, an empirical analysis was constructed for our needs.

Lude, Maximilian ET AL (2018) When examining the branding strategies of family-owned businesses, one startling finding emerges: a growing percentage of these businesses emphasize the "family" element of their businesses in their branding. In order to find out whether this approach of employing a family company brand influences customers' impressions of your brand, we believe controlled empirical testing are required. With the use of inference theory, two online research and a field experiment examine the impact of a family company brand on perception and intention. Consumers' improved buy intentions are a direct outcome of their increased brand trust as communicated by the firm's family aspect, according to the research. Consumers' perceptions of brand authenticity as a mediating factor in their trust in family-owned businesses encourage them to place a greater value on this kind of brand communication, which in turn increases their confidence in the company they're buying from.

Raj V ET AL (2020) We created and put to the

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test a model of family business turnover intentions based on social identity theory. According to our findings, the link between family member commitment and employee turnover intentions may be more complex than previously thought. [*] Our research shows that the connection between family member commitment and turnover intentions is moderated by the opportunity costs of staying, i.e, the disadvantages of remaining in a family company and, consequently, forsaking better career possibilities elsewhere. In order to test the model, we conducted a poll of 111 family members and used structural equation modelling (SEM). We find some evidence for the expected correlations, with a few exceptions. The study's practical consequences and future research initiatives are laid forth in this section.

Muhammad Saif UL Islam (2020) With the use of cash flow, this research explores the link between corporate investment decisions and business success. 68 non-financial organizations are included in this study's sample, which was drawn from audited annual reports and business recorder websites from 2013 to 2017. The research uses a combination of simple multiple regression and moderated regression analysis to accomplish its goals. Corporate investment choices have a major impact on a company's success, according to the study's results. Cash flows have a large but unfavourable impact on the association between investment choices and firm success, according to the findings of the total moderated regression. There is a strong correlation between accounting basis performance and investment choices, according to this research.

Methodology

This relationship between family business efficiency and logit technique has been studied by many, while simultaneous regression analysis has been used by others. Return on assets and return on equity are two metrics used to gauge a company's efficiency. Our research includes both explanatory and control factors, such as business size, sales growth, and age.

Table 1: Control Variables Affect the Efficiency

Variables		Explanatory Variables
Family Ownership	FO	%age of total ownership held by the family members in the business.
Return on Asset	ROA	It shows how much return is available from the assets of firm.
Return on Equity	ROE	It shows how much earnings of the firms are available for the commom shareholders.

Control Variables: Control factors influence the ability of a company to avoid any unequal outcomes.

- **Firm Debt:** The ratio of total liabilities to total assets was used to construct this variable.
- **Firm Size:** Using the natural logarithm of the total value of assets, we came up with this variable. According to prior research, diversity, economies of scale, access to less costly sources of funding, and so on are all connected to an organization's success, proposing that the size of the organisation be included as a control variable.
- **Country(y):** A country's culture may have a considerable impact on the research's outcomes; hence it is included as a Dummy variable in the study.

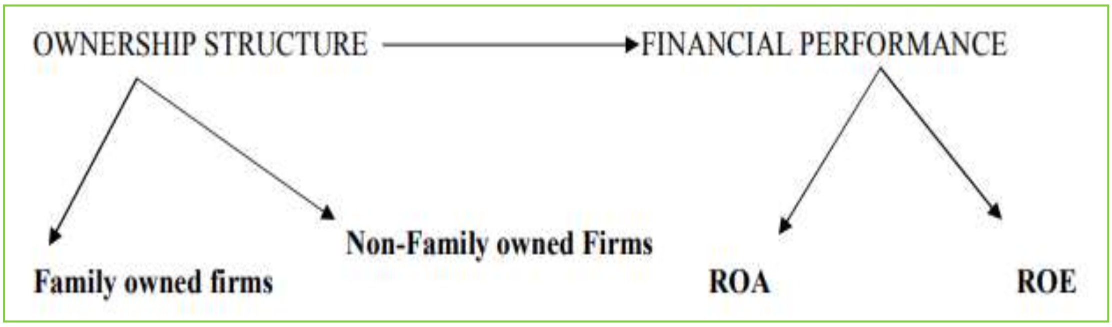

Figure 1: Given Above Tells About The Association Between Family Owned Business And Efficiency Of The Firm

The company's ownership structure shows either a family-owned business or a business

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controlled by an outsider. ROA and ROE are two metrics used to assess financial success.

Sampling

The NSE 500 Index firms have been used as the study's sample for the last five years. Because of the Banking Regulation Act, 1919 and the RBI Act, 1934, we have eliminated all financial and banking organizations from our sample. In addition, it is difficult to determine Tobin's q (TQ) for these firms. Secondly, public sector companies are not included because of their many social responsibilities. For the third time, the firms that did not have any data for the research period were omitted. As a result, we have a sample of 302 enterprises, accounting for 1,510 years of firm-year observation. If you look at our sample, family businesses make up 63% of NIC codes. This indicates their vast range of sectors. Using a corporate database (Prowess) as well as company annual reports, NSE reports, individual business websites, and other sources, the data for firms was compiled.

Variables

Prior literature on family businesses identifies two different measures of financial performance, that is, market-based measures and accounting-based measures of performances. Therefore, the current study recognizes both TQ and Return on Assets (ROA) as the essential financial performance measures. state that the full measure of profit on the company's total assets is given by both earnings before interest tax and depreciation (EBITDA) and net income (NI). Accordingly, EBITDA scaled by total assets is calculated to indicate the operating performance of the firms and NI divided by total assets represents the efficiency of the management in generating returns by using its assets. Market performance is measured by TQ which is calculated as the market value of the firm scaled by total assets. These measures have been largely applied in similar studies, for example, by Several control variables were introduced in the study to control for various firm and industry characteristics. We derive the control variables used in our study through prior and are as follows: Age—the number of years since the firms' incorporation; Size—book value of total assets; Leverage—calculated as long-term debt divided by total assets; Growth opportunities—measured as research and development expenses divided by total sales; Asset tangibility—computed as the ratio of (net) tangible assets to total assets; Risk (Beta)—a measure of stock's volatility relative

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to the market; Board size—total number of directors on board; Board Independence (Boarding)— the percentage of independent outside directors on board.

The univariate analysis is done to give descriptive information for the whole sample of companies. It gives information for all the key variables by providing mean, standard deviation, minimum and maximum values. To test the performance of family firms over non-family firms, we applied the difference of means tests between the performance indicators and other variables of the two groups.

Result And Discussion

Interviews were conducted with five family company CEOs for the purpose of this research, which is qualitative in nature. A qualitative case study technique was utilized to get a deeper knowledge of how family businesses are managed from the CEO's perspective, assessing the primary factors that influence the management of these firms and their success. This research was exploratory in nature. The use of exploratory case studies is advised when additional preliminary study is needed to better understand a scientific topic that has been understudied and underexplored. An important part of a case study's methodology is to make sure that its research questions are supported by a thorough literature evaluation. Based on the literature analysis, a semi-structured questionnaire was devised for use in this research. This research focuses on five family-owned companies in India.

These businesses were chosen for the study because of their features that fit the needs of the research. Only the CEOs of the mentioned firms consented to an interview out of the many that were contacted. The authors conducted a one-on-one interview with each participant at their place of employment, after a pre-scheduled meeting. Recorded interviews were transcribed and imported for analysis using an audio recorder. The interviews were analysed using the interpretive phenomenological analysis (IPA) approach, which is common in qualitative research in the social sciences. A sort of systematic investigation of personal experience, IPA aims to comprehend lived experiences in the first person, examining how people create meaning to their personal and social universes by the meanings they assign to their experiences. IPA An analysis technique is utilized to focus on the individual's lived experience based on the examination of their perspectives. An important part of performing

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this study was the use of the IPA technique to gather individual interviews. According to the themes that emerged from the literature, the interviews' material was analysed to create connections between them. When doing a research like this one, we are looking for ways to improve the consistency of interview material and better grasp the themes linked with Facebook (FB). It was also hoped that following this strategy would lead to more precise and understandable findings. Figure 1 explains the authors' approach to data analysis.

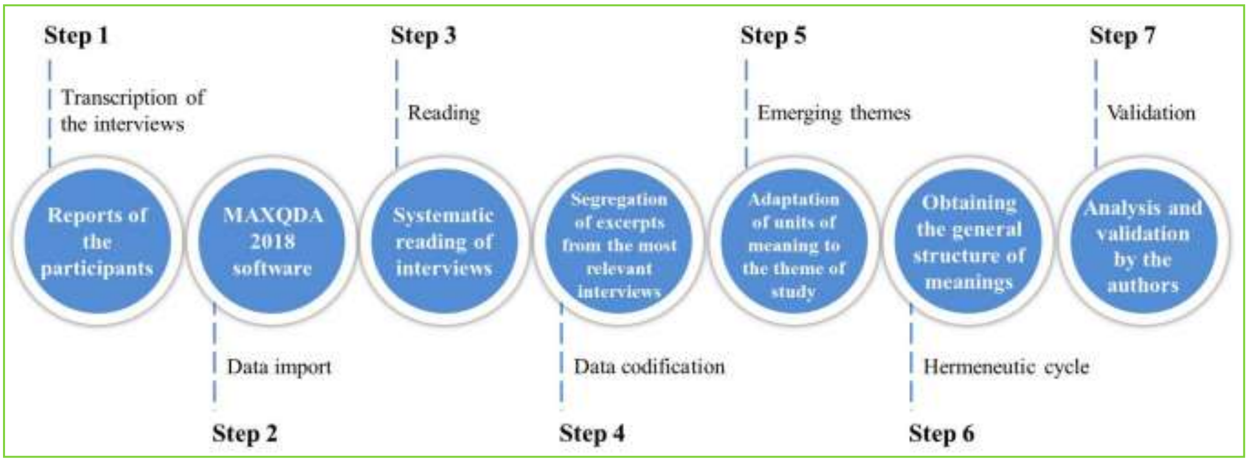

Figure 2: Description of The Analytical Process. Source

As part of this research, five CEOs of family businesses in the footwear sector were interviewed and analyzed for their personal accounts of what it takes to run an FB. This study was designed to gain an understanding of how these CEOs manage their businesses on a day-to-day basis and the impact that the fact that the company is family-owned has on their work, as well as to see if the level of preparation these CEOs put into their work is affected by this, or if they are unaffected. What emerged from the content analysis were the primary categories that characterize the semi-structured interviews according to their incidence. For the sake of this table, we will refer to the content analysis units as "meaning units."

A thorough and systematic analysis of the data revealed that participants had a straightforward approach to the major themes associated with family business management, including succession, professionalization, ownership and the relationship between the family business and its management practices and performance. In

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the eyes of respondents, the company's continuance in the family is particularly essential when it comes to family influence. Honor and pride loom large in the reactions of the CEOs. Most of them acquired the firm as a gift from their parents, which means they have an additional duty and obligation to keep the company in the family, even if the natural choice was to sell or introduce new shareholders. As a majority of footwear firms are owned and operated by members of the same family, the desire to become more professional has grown over time. This may be done via the use of human resources or organizational capability. As a result of new equipment and process development, organizations have grown more professional, according to the responses of respondents. It's becoming more common for family-owned firms to hire highly qualified employees. In order to compete in the present market and develop, they believe they need more and better-trained staff members. Today, it is not enough to create a lot and effectively; it is also required to be competent in the hunt for new customers, in design, and in marketing, specialized areas that demand personnel with unique ability to accomplish it, according to the interviewees

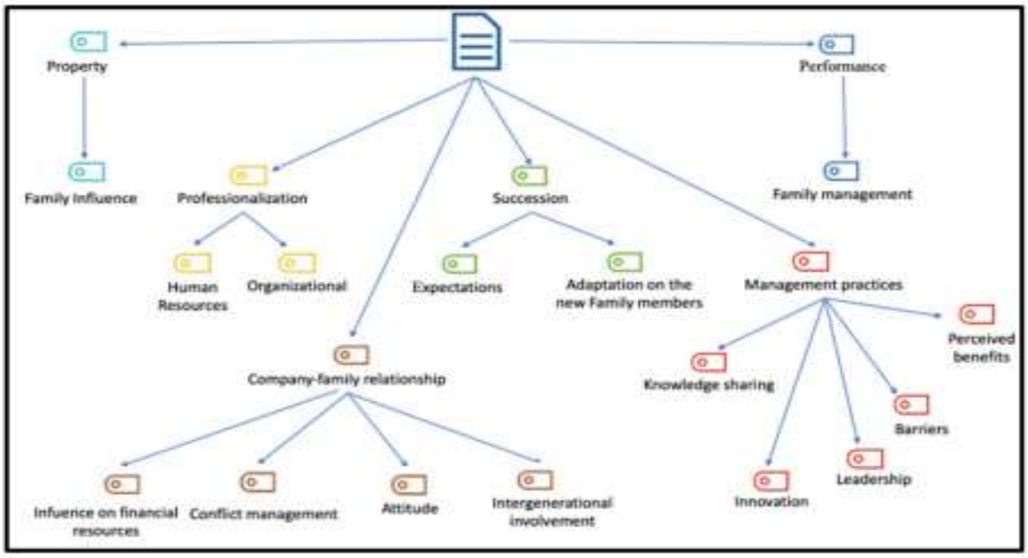

Figure 3: Global Category Map. Source: Elaborated by The Authors

Conclusion

The goal of this case study was to get an understanding of the realities of family company management in the footwear sector through the eyes of the CEOs of five firms who agreed to participate. Our goal in writing

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this piece was to provide a general overview of family businesses and the extent to which academics have studied these particularities in the past. It has therefore been concluded that the field of family firm research is still in its infancy, based on this article's comprehensive review of the literature. Business's place in society has changed dramatically in the last several decades. As a family company, we had a busy day yesterday. The study shows that family-owned businesses have a positive effect on a company's efficiency in the developing world.

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