

**PROBLEMS AND PROSPECTS OF FAMILY-OWNED BUSINESSES IN  
KDMC AREA**

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**Abstract**

*We are all interested to know what are the factors that are behind the secrets of the success of those family companies that are successful, and failure of some family enterprises. The paper aims at recognizing and determining the future possibilities for family-owned businesses in light of a rapidly changing worldwide environment. The researcher has used a decisive "Empirical Research design" to get its conclusions. The lottery technique of fortunate draw was used to establish the chances of simple random sampling in order to establish the probability of simple random sampling. The field investigator, also worked in supervision agent and the researcher, contacted the enterprises from the representative sample in question. A sample size of five hundred people was chosen for the purposes of the research. The major finding of this study was that three hundred and seventy-eight enterprises constituted seventy-five percentage of the total enterprises, were small business and rest of the business were on medium or large scale basis. The findings of this research indicate that family bonding was reasons for success of these business ventures, vacations and get-togethers may be scheduled once every six months, during which time different family games can be played. This will reinforce the bond between members of the family, which will in turn aid in the expansion of the family company.*

**Keywords:** Entrepreneurship, Succession Planning, and Empowerment.

**1. Introduction to family-owned business**

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The origin of Indian business may be traced back to the second part of the nineteenth century. It's hardly surprising, therefore, that 95percentage of all Indian business are owned and operated by members of one family. With one-third of Fortune 500 firms being family-owned, including Wal-Mart, the world's second-largest company, family businesses have unquestionably established their position in the global economy.

Numerous small and medium-sized family businesses (SMEs) are springing up all throughout the Indian economy, which is now undergoing tremendous expansion. In the 1890s, Indian families created their own enterprises as a method of reducing the country's reliance on British imports and gaining economic independence. These businesses were crucial to India's liberation fight, and were integral in the Swadeshi movement, the latter received preferential status and subsidies from the government.

In most business families, management issues arise because of the differing values and mindsets of the family members involved. Keeping the family and company together is a huge task when new generations come in. Some families sacrifice their businesses in order to keep their families together, while others sacrifice their businesses in order to keep their families together. Observations have shown.**Aldrich et al. (2003)** found, most family businesses are small and medium-sized enterprises (SMEs). First and foremost, family businesses are founded by entrepreneurs who see an opportunity in the formation of a new company. (**Fletcher, 2005**). revealed a link between family business research and entrepreneurship. He found that in due course, the entrepreneurial motivation dwindles, and entrepreneurial activities are swallowed by other concerns.**Kellermanns et al., 2006**discovered degree to which an organization's employees behave in an entrepreneurial manner change with time,It is common for founders to become more cautious and risk-averse decision-makers because they are afraid of losing their family's riches.

## **2. Research Methodology:**

### **Objectives of the Study:**

The followings are the objectives of the study:

- To examine various strategies of increasing profits of the business in light of MNC competition.
- To study the various challenges family businesses, encounter in their existence
- To provide valuable suggestions based on the findings.

**Sample Selected for the Study:**

500 entrepreneurs having business in KDMC (Kalyan Dombivli municipal Corporation limits )were chosen for this research study,

**Scope of the Study:**

The study was conducted within the limits of KDMC area and the lottery technique of fortunate draw was used to establish the chances of simple random sampling in order to establish the probability of simple random sampling

**Methods of data collection**

The field investigator, also worked in supervision agent and the researcher, contacted the enterprises from the representative sample in question.

**Research Hypotheses**

H<sub>0</sub> there is no correlation between turnover and type of business.

H<sub>1</sub> there is a correlation between turnover and type of business

**Limitations of the study**

We have come across many examples of many family companies that have been successful, although a few have also been unsuccessful as well. In this study, the researchers want to uncover both the hidden aspects of the success of those family companies which are successful and the reasons for the failure of a few family enterprises. But the area chosen for study is only municipal limits of KDMC and not entire Mumbai region.

**3.Summary of Findings**

**Table 3.1 Details of business operations**

	Small Business	Large Business
No of years in existence (Avg)	< =5yrs -146 More than 5 yrs-200	< =5yrs -78 More than 5 yrs-76
No of average customer per year	10000	60000
Affected by entry of MNC	Yes-336 No-10	Yes-121 No-33
Do you have online presence	Yes-8 No-338	Yes-14 No-140

Has E-marketers taken away your business	Yes-345 No-1		Yes-151 No-3	
No employees	<= 5- 318 More than 5- 28		<= 5- 35 More than 5- 119	
Type of business	Trading 298	manufacturing 48	Trading 88	manufacturing 66
Promotion type	Local 332	TV/social media 14	Local 95	TV/social media 59
Turnover p.a	<=300000- 316 More than 300000--30		<=300000-65 More than 300000 -89	

Table No 3.1.1 Anova table

<i>SUMMARY</i>	<i>Count</i>	<i>Sum</i>	<i>Average</i>	<i>Variance</i>
Trading	3	692	230.6666667	30425.33333
Manufacturing	3	308	102.6666667	2120.333333
Turnover <=300000	2	381	190.5	31500.5
Turnover more than 300000	2	119	59.5	1740.5
Marginal Row Totals	2	500	250	18432

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Turnover	24576	1	24576	1.813927741	0.310358	18.5128205
Type of Business	37994.33	2	18997.17	1.402160141	0.416292	19
Error	27097	2	13548.5			
Total	89667.33	5				

From above given table 3.1.1 we can note that F value is less than F critical value hence we accept the null hypothesis that there is no relationship between turnover and type of business

### 3.1 Conclusions

- 57.80 percent of respondents in small business had been in the field for more than five years as compared to 49.35 percent in large business.

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- Sizable proportion of small businessmen ,97 percent feel that they are affected by entry of MNC in business of trading and merchandising as compared to 78.57 percent of large business owners.
  - It is very significant to note that 97.58 percent of small business do not have online presence as compared 90.90 percent of large business units.
  - Nearly 100 percentage of small business and large business are of the opinion that online marketers have taken away their business.
  - 91.90 percent of small business employ less than five employees, whereas 77.27 percent of large manufacturer employ more than five employees.
  - 56.12 percent of small business operates trading business and 57.14 percent of large business unit have manufacturing business.
  - 93.78 percent of small business rely on local promotions to attract their audience .61.68 percent of large business rely on local promotion to attract the audience.
  - In terms of turnover 91.32 of small business have less than 300000 turnovers in comparison 57.79 percentage of large business have turnover of more than 300000 p.a

### **Suggestions**

- Family excursions and get-togethers may be scheduled once every six months, during which time different family games can be played. This will assist bonding between the family, which will in turn aid in the expansion of the family company.
- Government support in form of subsidy should be provided to small businessmen in particular so that a level playing field is created to conduct business.
- Large business units can tie up with small operators and leverage their presence in the market
- Training programmes can be conducted by management institutes to help the small and large entrepreneurs to compete with online marketers and adopting modern technology.
- Cluster group of small businessmen can form a cooperative to collectively bargain for better prices and discounts from marketers of raw materials.
- Advertisers need to provide discounts and concessional rates to small and large business units in promotion of their merchandise

#### 4. Conclusions

Family-owned enterprises in the study region have a solid traditional foundation that has been shaped by the local culture. They have their own set of family values and have established a good reputation in the community. According to our research, 72.42 percentage of the family-owned firms in the study region are making development in the right direction.

The remaining 27.58 percentage of family firms do not make any improvement in the long run, either. They do not have a good succession planning system in place, nor do they have a performance assessment system in place, nor do they have enough female engagement in the firm. These families should be made aware of the criteria listed above and encouraged to put them into action in order to see a progressive rise in their companies. It is possible that a B (Business) School will be established in our study region in order to raise awareness among them.

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