

“Study on requirement of Skills for Family Owned Businesses – A Case of Jalgaon”

Ms. Richa A. Modiyani

Asst. Prof, SSBT's College of Engineering & Technology, Jalgaon

Abstract: *Family Owned Businesses have contributed towards significant wealth creation and nation building. Their overall global impact has contributed more than half of the GDP, employment, and account for a sizeable proportion of market capitalization.*

However there is a research gap of focusing the area of business practices of family owned businesses which have a high impact on their business success; also there is a requirement to find that whether there is any difference between the business skills possessed by Sindhis Entrepreneurs & Other Entrepreneurs in Jalgaon. The researcher identified the business families belonging to selected communities for carrying out the study. The conclusions drawn from the study could provide some insight of business skills of FOB's in Jalgaon city.

Key Words: *Family Business, Skills, Community.*

I. Introduction:-

A person starts his/her business to fulfill the needs of his/her family. When this business passes from one generation to other is known as family business.

Family business can be regarded as the interaction of three distinct but related systems –ownership, management & family. Family members often create new firms together; fund new ventures rather than seeking true venture capital. It has also been observed that as exit strategy, entrepreneurs are more likely to pass their firms to their families instead of going public.

Family businesses are basically two types. The first one is the business having only the family members are principals as well as agents. Usually, outsiders are suspected and sullied. The second type of business represents the family members and outsiders.

Definition of Family Business:-

Donnelly (1964) defined the family firm as “one which has been closely identified with at least two generations of a family and when this link has had a mutual influence on company policy and on the interests and objectives of the family.”¹

Characteristics of Family Business:-

1. High involvement of family members in the business
2. Learning and sharing environment within the organization is high
3. High reliability and trust in each other
4. Family-hood management style
5. Less formal management and dual leadership²

Research Problem:-

The possession of business skills affects the level of success attained by the family owned businesses in Jalgaon.

Objectives of Study:-

- To identify the different business skills possessed by the family business owners in Jalgaon.
- To study the difference between the business skills possessed by Sindhis Entrepreneurs & Other (Non-Sindhis) Entrepreneurs in Jalgaon.

Hypothesis of Study:-

- In Sindhi Community, the business skills are different from other business community.

1. Donnelly, R. (1964), *The Family Business*, *Harvard Business Review*, Vol. 42, No.4, 94-105.

2. “*Characteristics of Family Business*”, available at <http://www.scribd.com/doc/51062095/100-marks-final> accessed on 24 Oct, 2012

- There is significant difference between Sindhi & Other Entrepreneurs in their perception towards business skills that affected their success.

Research Methodology:-

- **Sources of data collection:-** Primary & Secondary
- **Sample Size:-** 320
- **Area of Study:-** Family Businesses in Jalgaon District.
- **Scope of Study:-** The study will focus on the skills of FBOs in Jalgaon.
- **Data Collection Method:-** Convenient Sampling Method.
- **Limitations:-** Time constraint & Money Constraint. Some businessmen were not willing to disclose their views openly.

II. Review of Literature:-

Churchill & Hatten (1987) also explained family business as “a founder operated business where there is anticipation that the business will be passed to the next generation”³.

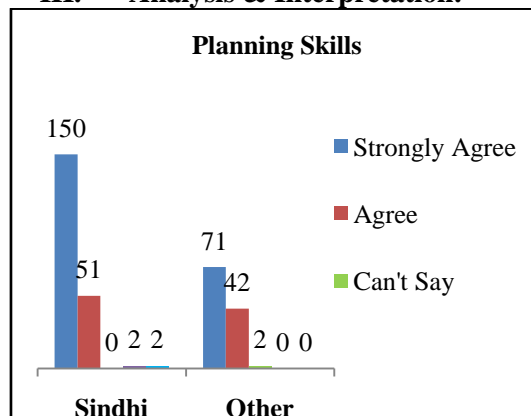
Sundaramurthy (2008) has presented a model of sustaining trust based on an integration of trust literature with the family business literature. The basic premise of the model is that trust in dynamic and multiple dimensions of trust need to be developed through structures and processes to sustain interpersonal trust inherent in the early stages. Implications of the model and future research directions are outlined⁴.

Dyer and dyer (2009) state that the recent research on family business has focused on how the family affects business performance. Their commentary suggests that researches should also consider how certain variables affect both the business and the family. Suggestions for how to do such research are presented⁵.

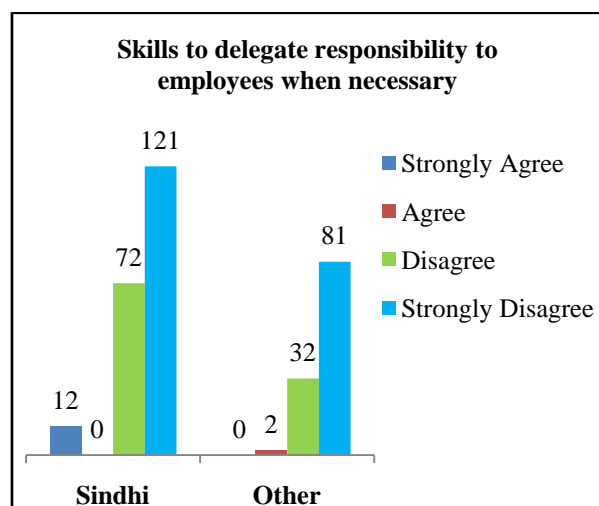
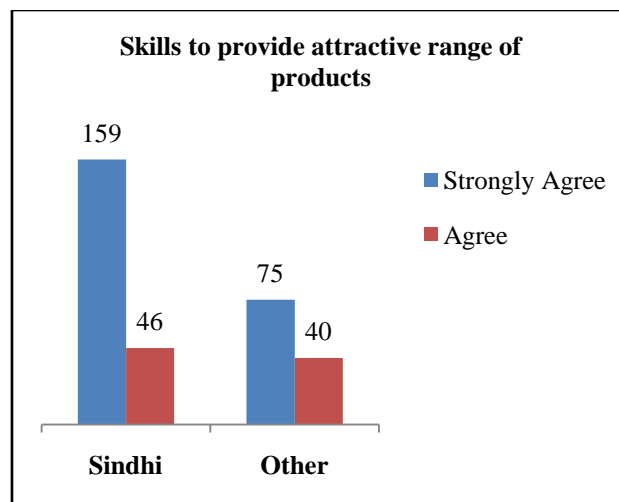
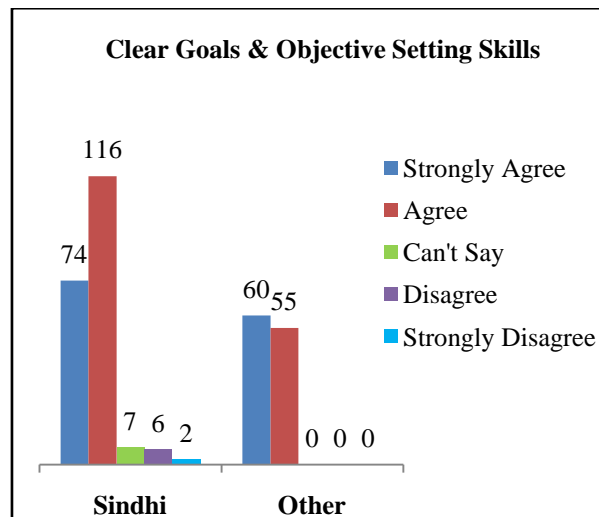
Castillo (2009) offered a model or framework outlines for an effective succession plan for a family owned business. The model provided factors such as; manage relationships, create a team to lead, look for leadership and prepare successor⁶.

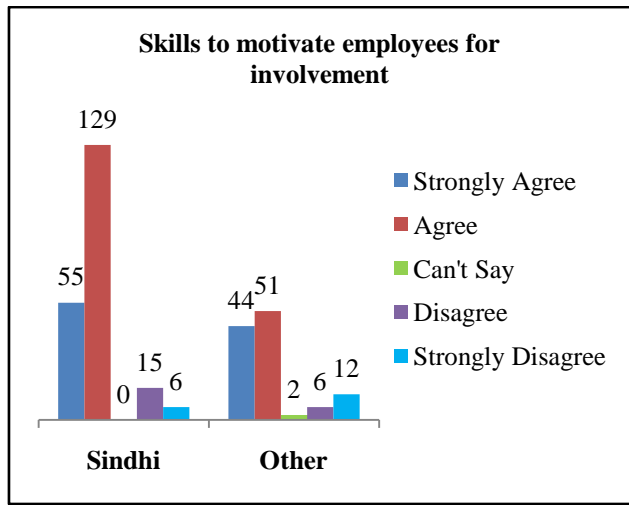
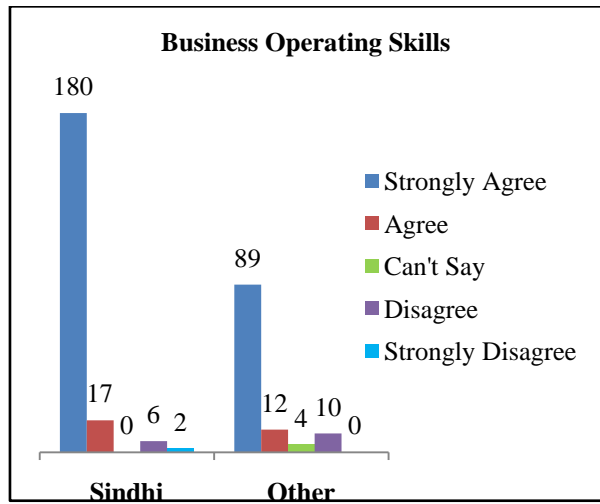
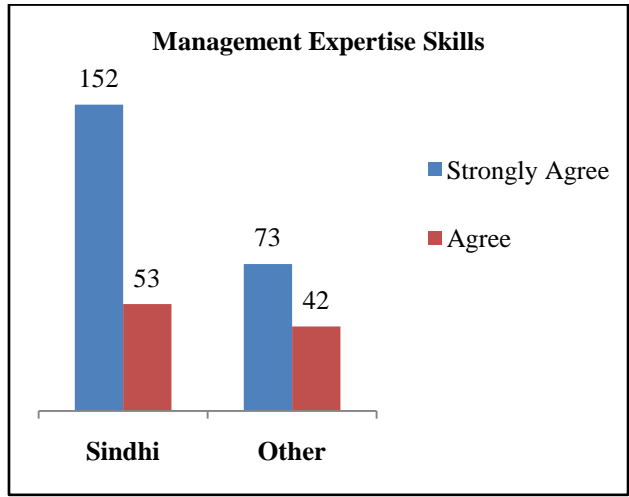
Lorna (2011) has asserted that family business continuity is important areas in succession that must not be neglected since it provide substantial proportion of employment in so many nations. Lack of true succession in family business has become the bane of family business continuity.⁷

III. Analysis & Interpretation:-



3. Churchill, N. C, and Hatten, K.J. (1987), "Non-Market Based Transfers of Wealth and Power: A Research Framework for Family Businesses." American Journal of Small Business 12, 53-66.
 4. Sundaramurthy Chamu (2008), "Sustaining Trust within Family Business", Family Business Review Vol.21, No.1, pp.89 -102.
 5. Dyer Gibb and Dyer (2009), "Putting the Family Business Research", Family business Review, Vol.22, NO.3, pp.216-219
 4. Charantimath, P. M. (2009), "Importance of Family Business", Entrepreneurship Development Small Business Enterprises, Dorling Kindersley (India) Pvt, Ltd., Delhi, (p. 286).
 7. Lorna, C. (2011), "Implications for Family-Owned Business Successions: A Multiple Perspectives Review and Suggestions for Further Research".





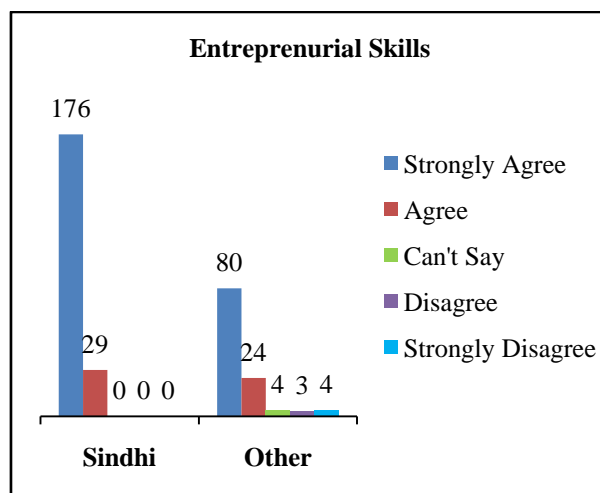
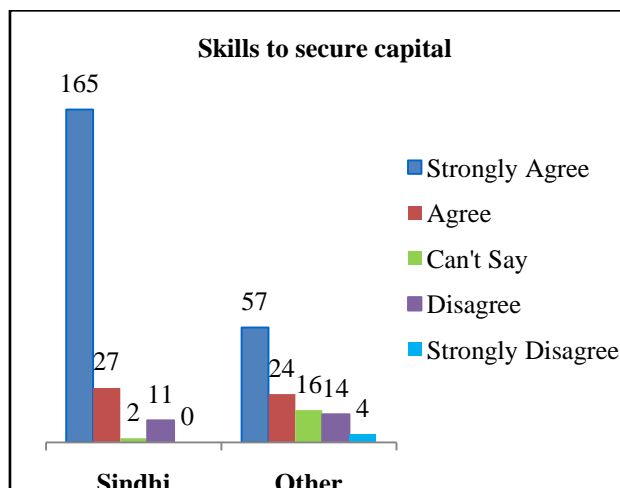
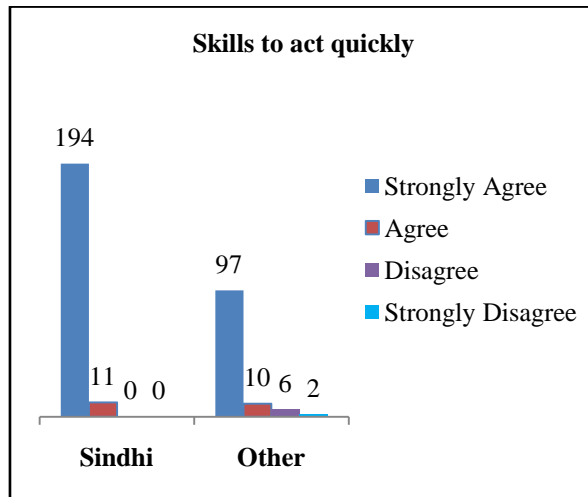


Table 1:- Testing of Hypothesis I: - Chi Square Tests

Business Skills	χ^2 Value	df	Asymp. Sig. (2-sided)
Planning Skills	10.640	4	.031
Clear Goals & Objective setting Skills	14.019	4	.007
Skills to provide attractive range of products	5.712	1	.017
Skills to delegate responsibility to employees	13.023	3	.005
Management expertise skills	4.017	1	.045
Business operating skills	14.479	4	.006
Skills to motivate employees for involvement	19.076	4	.001
Skills to act quickly (responsiveness)	16.363	3	.001
Skills to secure capital	46.317	4	.000
Entrepreneurial skills	24.063	4	.000

From the above table, χ^2 obtained $>$ χ^2 critical at 0.05 level of significance, hence the Null Hypothesis (H_0) is rejected and Alternate hypothesis (H_1) is accepted.

Descriptive Statistics:-

Means and standard deviations, and inter correlation between study variables of business skills and success are shown in **Table 2 and 3**. Mean scores for business skills indicated level of importance ranged between important and very important. Overall, the highest mean is for variable skills to delegate responsibility to employees ($M = 4.50$, $SD = 0.86$) and skills to motivate employees for involvement ($M = 1.99$, $SD = 1.04$) and the lowest mean is for skills to act quickly ($M = 1.15$, $SD = 0.56$).

As for Entrepreneurs from Sindhi community, the highest mean is for variable skills to delegate responsibility to employees ($M = 4.41$, $SD = 0.97$) and skills to motivate employees for involvement ($M = 1.97$, $SD = 0.90$) and the lowest mean is for variable skills to act quickly ($M = 1.05$, $SD = 0.23$).

The same applies for entrepreneurs from other community as well where the highest mean is for variable skills to delegate responsibility to employees ($M = 4.67$, $SD = 0.57$) and skills to motivate employees for involvement ($M = 2.05$, $SD = 1.25$) and the lowest mean is for skills to act quickly ($M = 1.31$, $SD = 0.86$).

Table 2

Business Skills	All (n= 320)		Sindhis (n= 205)		Other (n= 115)	
	Mean	S.D	Mean	S.D	Mean	S.D
Planning Skills	1.35	0.59	1.32	0.63	1.40	0.53
Clear Goals & Objective setting Skills	1.66	0.68	1.76	0.74	1.48	0.50
Skills to provide attractive range of products	1.27	0.44	1.22	0.42	1.35	0.48
Skills to delegate responsibility to employees	4.50	0.86	4.41	0.97	4.67	0.57
Management expertise skills	1.29	0.46	1.26	0.44	1.37	0.48
Business operating skills	1.29	0.78	1.21	0.68	1.43	0.92
Skills to motivate employees for involvement	1.99	1.04	1.97	0.90	2.05	1.25
Skills to act quickly (responsiveness)	1.15	0.56	1.05	0.23	1.31	0.86
Skills to secure capital	1.55	0.99	1.31	0.75	1.99	1.20
Entrepreneurial skills	1.27	0.66	1.14	0.35	1.49	0.95

Table 3:-Testing of Hypothesis II: - Independent Sample T Tests

Business Skills versus Success	t- value	Sig (2- tailed)	Result
Planning Skills	-1.199	.231	P>0.05
Clear Goals & Objective setting Skills	3.657	.000	p<0.05
Skills to provide attractive range of products	-2.315	.022	p<0.05
Skills to delegate responsibility to employees	-2.946	.003	p<0.05
Management expertise skills	-1.956	.052	p<0.05
Business operating skills	-2.298	.023	p<0.05
Skills to motivate employees for involvement	-.651	.516	P>0.05
Skills to act quickly (responsiveness)	-3.166	.002	p<0.05
Skills to secure capital	-5.488	.000	p<0.05
Entrepreneurial skills	-3.857	.000	p<0.05

The corresponding two- tailed p-value is less than the 0.05 level of significance. Hence, the Null Hypothesis (H_0) is rejected. The result of the t-test indicated that there is difference between Sindhis & Other in their perception towards business skills that affected their success.

IV. Findings:-

- Entrepreneur recruitments are informal and when most of the entrepreneurs recruit employees based on the recommendations done by family members, relatives or close friends. Customers are the key drivers of an organization and customer satisfaction is the hub of their success.
- It is revealed in the interview that all 320 entrepreneurs who are owner managers do not believe and do not have any formal plan for the organization.
- In these FOBs there are no functional managers and overall management of a business resides with the entrepreneur who is the owner manager.
- The leadership style of entrepreneurs who are the owner managers are somewhat mix of task oriented and people oriented. As they avoid formal planning, they are committed to informal controlling.

V. Conclusion & Recommendation:-

In conclusion, in this study, for family business entrepreneurs that operate in the Jalgaon District, high entrepreneurial success was associated with skills to delegate responsibility to employee's, skills to motivate employees for involvement and clear goals & objective setting skills.

There are differences in variables, between Sindhis and Other in their perceptions towards business skills that affected their success except for planning skills & Skills to motivate employees for involvement. Limitations of this study are as follows the result is true and applicable only for family business in the Jalgaon district trading sector, the data collected based on the sample are limited and the results are basically influenced by local culture, meaning that different geographical location might produce different results. In this study also, only business skills are being studied due to time constraint whereas in influencing entrepreneurs success there might be more perspectives to look upon.

Therefore, for future research it is recommended that other sectors such as manufacturing, retailing etc. be studied and other perspectives be added other than business skills alone.

Finally, in conclusion the researcher wishes to highlight the fact that business skills in family owned business are closely related to one's success informally. Further they are also related with the entrepreneur culture.