

Comparison of Family and Non-Family Businesses in Terms of Family Performance and Economic Development

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ABSTRACT

Family businesses that along with high economic performance have high internal family consistency are known as The most successful businesses of this type. This study aimed to compare the economic development and family function of family and nonfamily businesses. study was conducted in the carpet industry in the cities of Kashan, Aran and Bidgol that are hub of this industry in Iran. Its implementation took time from January 2011 to September 2012. Causal-comparative research method was chosen. Population was the managers / owners of carpet firms of Kashan and Aran Bidgol city which are carpet industrial hub in this country. Among them 122 members were selected through stratified random sampling as the sample society. research method was Causal-comparative. Family Function Device and Economic Development Questionnaire were used for data collection. Data were analyzed by independent T-test and MANOVA. Analysis of the results showed that in terms of economic development and family performance of family and non-family carpet industry, there is no difference between two groups. According to this result, to grow and maintain its competitiveness in the carpet industry, preserve precious heritage and transmit it to next generations, family businesses, should seek to promote their economic growth and performance and try to promote coordination, cooperation and synergy system.

KEYWORDS: Management, Family system, Family businesses, Family performance, Economic development

1. INTRODUCTION

The studies of Global Entrepreneurship monitor Center (GEM) shows that In 2002, the share of total investment in family firms in the informal economy around the world was about 30 to 80 percent [2]. In this research, 78% of sample was made up of family businesses. Considering the importance and impact of domestic industries in all countries including Iran, The study of the role of the family and its impact on the management and performance of family firms is necessary.

Second International Festival of Kashan carpets Newsletter November 2011, offers a short history of Iran's carpet industry: "in October 1972 the first industrial carpet factory in Kashan was established and launched which was known as Ravand Carpet Factory. It was the largest carpet manufacturer in the country and even the Middle East. After the Islamic Revolution in Iran and Looking for Industrial Estates Development Policy in 1991, gradually other large and small industrial towns were established and grow. Currently, two adjacent cities, Kashan and Aran Bidgol are carpet industry Pole in Iran" [8]. More than 57% of the industrial capacity of the two cities belongs to this industry. So that 65% of Iran's carpet production and 70 percent of exports belong to them [8, 19, 4]. According to these industry experts, a large percentage of this industry is family owned companies. In the sample of this study, it was 78% that confirmed their idea. In this research, the company refers to as family when more than 50 percent of its management or ownership belongs to one or more family members (parent, spouse, brother or sister, child, uncle, uncle, niece, a nephew, cousin births); otherwise, it is a nonfamily firm.

McMaster has provided a model for family assessment that determines structural characteristics, job and family interaction [15]. This study measure seven aspects of family functioning based on The McMaster approach, these include: *problem solving, roles, affective involvement, communication, responsiveness, or expressing emotions, controlling behavior, and overall performance*. In this study business growth subjective criteria were used. Subjective criteria are the judgment of the owners / managers of companies which freely expressed. Questions related to the economic development which were in Likert scale, were designed to measure the following components:

- Increase in Sales
- Increase in profitability
- Increase in the number of personnel
- Increasing the number of branches and customers in the country.
- Business Internationalization (Export)
- Increase in customer satisfaction
- Using new technology, diversity and innovation in products
- improving the quality and standards of products
- Durability and business transition to the next generation

2. RESEARCH LITERATURE

Lamp (2010) in his multi case study, examined three kinds of family business and their families management in America[11]. These companies were in multi-branch, multi-generational form And had maintained its existence until the 21st century. He investigated three factors that positively influence Family, business and property. He emphasizes that there are six methods of family management which if the family follow will positively affect the family and the whole system. These Include: *integrity and family unity, strengthening family values, education, family relationships, more open, more reliable, and more adaptability and flexibility.*

Emotional Intelligence(EI) is an essential skill for managers of family business[7]. Empathy is one of the components of emotional intelligence. People who have the ability to understand their feelings and others’ are more successful in establishing effective interpersonal relationships. In Relevance emotional intelligence and its role in the functioning of managers of companies and organizational growth has been much research. EI is non- cognitive psychological aspects that influence human behavior and social relations [9]. Among the concepts introduced in the field of organizational communication, emotional intelligence, which enables individuals to understand and control their own behavior and that of others[9, 13].

(Kamalian, Yaghoubi, poori, 2011) In their literature review concluded that people with high emotional intelligence,are safer, happier and more successful and more productive in working environment[9]. They are optimistic and have qualities that will enable them to focus on solving the problem (Tischeler et al, 2002) quoted by [9]. They are able to contol their own negative emotions which lead to undesirable results and reduce them (moghaddam et al, 2009) quoted [9]. Conclusion of Kamalian, Yaghoubi, poori(2011) research showed that empathy and motivation have more influence on entrepreneurial orientation than other scales of EI and the empathy has the greatest effect on proactiveness.

Today, companies are growing in a constantly changing environment. Science has revolutionized our live, so learning and continuing education is a fundamental component that the management of a family business should consider to survive and grow family and business. This knowledge affects the financial and non-financial performance of the employees[1]. (Abdullah, Rashid, Umair, 2013) in reviewing their literature of research concluded that communication and continuous learning for employees and directors of a company can improve function of a company[1].

A simple method that can be used to study behaviors of family and career is systematic approach in which the interaction among family, ownership and business is examined. Changes in each component of the system, affect the entire system. Members within each of these categories have different goals and expectations [17]. so the theorists of family business have provided different models to study these business. One of the most well-known is three-dimensional model of Gersick, Davis, Hampton, & Lansberg (1997) which consists of three sub-systems, "property", "family" and "business" [6]. According to this model, there are seven subsections, given the relationship between an individual and their family business; he may be placed in one of these sections. Thus, people may be only an owner, a manager, one of the family members or a combination of them [2, 14, 6].

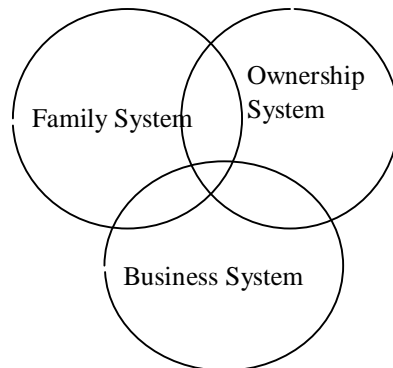


Figure1-Three-dimensional model Gersick et al

Some definitions of family business is due to the nature of the family business [12] in which the focus is on the impact of family on the strategic orientation of the company (Bagby, 2004) quoted [12]. Moghimi and Seyyed Amiri believe that there are four conditions which are complementary and can provide a unified definition of family businesses: 1 - to control the business by family 2 - unique, integral and synergistic sources that arises from the contribution and interaction of family, 3 - Adjust the perspective of the dominant coalition under family control And intend to be pursued by other generations 4 - Follow the landscape.

Under the above conditions, one can recognize the distinction between family and nonfamily firms. Prerequisite for company to be considered as family is family participation in the business however; this participation must be effective at corporate landscape and direction of behavior. The results of Seyyed Amiri and Moghimi (2010) research showed that the business outlook and strategic vision of the family business is in bad condition and owners / managers of family businesses in oil and textile industry in Iran have a poor job prospects for the future of their business and in regard to the use of unique, inseparable and synergistic resources failed to take advantage [12].

In the Ahmadpoor Dariani, Yadollahi Farsi and Samizadeh research (2009) which was conducted over 160 Family and nonfamily Iranian oil and the textile industry, It was concluded that to create business In the family textile and oil industry, communication, has been instrumental, But the same factor in a non-family business in the oil and textile industry haven't been instrumental [3]. So in terms of the relationship between family and nonfamily firms, there was difference.

Based on the above-mentioned three-dimensional mode, investigators of the family business believe that Interaction and interplay that exist between the three sub-systems, family, ownership and business, can distinguished these businesses from non-family firms. Chua, Chrisman, & Steier, (2003) Quoted [12] have described Differences between family and non-family firms on the basis of family ownership, family management and family stability (between different generations). If Favorable interactions and coordination establish between the family and the business it will lead to further growth in family businesses than non-family businesses and will allow them to compete with other companies (Klein, Astrachan, & Smyrniotis, 2005) quoted [12, 10]. But result of investigation Moghimi and Seyyed Amiri (2010) showed that their findings are inconsistent with the above comments. In their study, they concluded that development of family businesses is close to the average of society and in this respect there is no difference between family and nonfamily firms [12].

3. RESEARCH QUESTION

- 3.1.** Is there any difference between family performance in family and non-family businesses?
- 3.2.** Is there any difference between economic development in family and non-family businesses?

4. METHODOLOGY AND SURVEY INSTRUMENT

The aim of this study was to compare the family performance and the economic development of family and non-family businesses. this study was a causal comparative. Data were collected using a library and field method. Independent t-tests and the MANOVA test were used to examine the research questions. Moreover, to analyze the assumptions of the tests, Levene and Kolmogorov-Smirnov test was used. This survey was conducted in Iran's carpet industry in the Kashan and Aran Bydgosz cities. The population consisted of 600 managers / owners of carpet companies in these two cities which were centralized In 6 clusters (region). Due to The six industrial clusters, stratified random sampling was performed. The names and addresses of the members of the original sample were extracted from the List. Determination of sample size was according to previous research and Cochran formulas. In The 95% confidence level, $600N = \frac{Z^2 P Q}{D}$ And $D = 0.7$. The initial sample size in this study were 118/5 companies but for enhancing the accuracy of the obtained results, 122 companies were considered.

Of total 122 participants, 95.9% are engaged to the activity of texture and 4.1% to the texture and finishing texture. The units of participating in the study, 15.6% are limited joint stock (LJS), 82.8% private joint stock (PJS) and 1.6% other types of ownership. 82% of the participants, owner were also the manager and in 18% of cases, the manager is chosen by the owner. 77.9 percent were family firms and 22.1% was non-family. In 48.4% of the participants, their families were not involved in corporate management's affairs and on 18.9% of cases families' involvement were below 50 percent. In 20.5 percent, level of family involvement in the company described high.

In this study to measure the family function and economic development, Family Function Device (FAD) and Economic Development Questionnaire (EDQ) were used respectively. Family Function Device is a questionnaire

with 60 questions which has been developed to measure family functioning according to the McMaster model; this pattern determines structural characteristics, job and family interaction and determine six dimensions of family functioning, plus a seventh dimension that defines the overall functioning of the family. The dimensions are as follows: Problem solving, communication, roles, emotional support(responsiveness), emotional involvement and controlling behavior [15]. Its validity has been approved by (Noroozi, 1998; Amini, 2000; Golizadeh,2009; Mohsenzadeh, 2004) quoted [16]. Reliability has been confirmed by many researchers (Najarian, 1999; Amini, 2000; Bahari, 2000; Golizadeh, 2004; Lashgary, 2004; Tahmasbpour ,2006) as quoted by [16].

Economic Development Questionnaire has two parts; the first part is the profile of the managers or owners of companies and demographic variables through which family and non-family firms is also determined Another major part is about the economic development and include 8 sentences which is graded by five-point Likert scale. In this study, two methods were used to check the validity of the questionnaire. A - Face and content validity: Questionnaire, was examined by a few of the teachers, including teachers who had done research in the carpet industry and textile industry, to know their idea. B - Construct validity: to check the construct validity, the correlation between the question and the total score was examined. The Correlated between each exam questions with the total score was as follows: Sale of Products = 0.704, number of employees = 0.702, producing variation = 0.612, number of sale branches and customers = 0.561, standard production, = 0.541, national and international awards = 0.455, Profitability = 0.593, customer satisfaction = 0.532. To calculate the reliability of the test to evaluate questions SPSS software was used that the Cronbach's alpha was 0.849. According to a measure of the amount of alpha that should be at least 0.7 as quoted by [5], it can be concluded that the obtained value, provided acceptable reliability.

4.1 Data analysis

To examine normality of data Kolmogorov Smirnov test was conducted and the results of these tests showed that all variables in the data are normally distributed.

Table 1: Results of the Kolmogorov-Smirnov test for normality of the data

Variabes	Problem solving	Communications	Roles	Affective response	Emotional involvement	Behavior control	General performance	Economic development
Average	1.37	1.53	1.75	1.53	1.6	1.57	1.43	2.88
Z	0.968	0.751	1.19	1.07	1.8	0.651	0.819	0.702
Significance	0.306	0.626	0.118	0.127	0.114	0.548	0.743	0.591

According to the data presented in Table(1) and with respect to Z values and significance levels that in all cases is $p > .05$, it can be admitted that the assumption of normality is true.

The results of the Levene test to check the assumption of homogeneity of variances confirmed that the variance of family and non-family group is homogeneous. So we can use multivariate analysis of variance (MANOVA) test for comparing the families' performance of both groups. MANOVA is a statistical test procedure for comparing multivariate means of several groups. Unlike ANOVA, it uses the variance-covariance between variables in testing the statistical significance of the mean differences.

MANOVA is used when there are two or more dependent variables. It helps mainly to determine the effects of changes in the independent variable(s) on the dependent variables. Indeed, MANOVA takes scores from the multiple dependent variables and creates a single dependent variable and tests for the above effects. Statistical reports will provide individual p-values for each dependent variable, indicating whether differences and interactions are statistically significant.

4.2 Analysis of variance

First question: Is there any difference between family performance in family and non-family businesses?

Regarding this question, Table 2 reports three most common statistics, i.e. Pillai’s trace, Wilks’ Lambda and Hotelling’s trace and their p-values. Based on these criteria, we can reject the null hypothesis (no difference between two or more groups when F statistic is significantly high.

Table 2 - Results of MANOVA test to evaluate the family performance difference between family and non-family household carpet industry groups

Effec	Value	F	Hypothesis df	Error df	Significance level
Pillai's Trace	0.024	0.351	8	113	0.944
Wilks' Lambda	0.976	0.351	8	113	0.944
Hotelling's Trace	0.025	0.351	8	113	0.944

According to the information provided and with respect to values of “F” and Significant levels it can be concluded that In terms of family performance variables there was no significant difference between family and nonfamily groups.

Second question: Is there any difference between economic development in family and non-family businesses?

To answer this question requires a usual “t” test. Table 3 gives the results of comparing the difference between economic development of carpet business in both family and non-family carpet firms.

Table 3 - Results of independent t-test to compare the economic development of the carpet industry in both family and nonfamily

Group	Average	Std. Deviation	t	df	Significance
Family	2.89	0.71	0.434	120	0.655
Non family	2.83	0.57			

As table 3 shows, the “t” Value is 0.434 and with regard to the reported significance level (0.655), it can be said that there was no significant difference between the two groups in terms of economic development.

5. CONCLUSION

Managers of carpet firms in this study have been unable to use capacity and dynamics of their family resources In order to strengthen and grow their business. If the firms had a better family functioning, based on the alignment and synergy between the family and the economy(Klein, et al, 2005) quoted [10], necessarily their economic performance and growth would improve but, as it was observed in the second question of the study; In terms of economic development, there was no difference between them and non-family firms. (Hess, 2006, Translated by Tasavvori and Zafranyan, 2007) believes that the management of the family business requires skills that many managers of family businesses do not pay attention to them. Skills such as *listening, patience, education, empathy* and *having Emotional Intelligence(EI)* [7].

(Rahat Dahmardeh, Yaghoubi, Estanesti, 2011) believe that managers of company who have Emotional Intelligence are able to achieve the necessary success to achieve their organizational goals as well as increase productivity, employees satisfaction and their commitment to company[13]. The result of their research showed a significant relationship between manager's emotional intelligence and firm’s performance.

Since family and business have interaction with each other, so their members can improve effective performance of both family and business through self awareness of own and other members’ emotions and behaviors and achieve to life satisfaction. Ahmadpoor Dariaani and Samizadeh (2011) believe if the family atmosphere is indicated satisfaction business will be successful [2].

It seems that managers of family businesses and their related entities should consider educational programs and projects for the promotion of both families and business management skills. A clear verbal and non-verbal communication on along with empathy, honesty, common purpose and consistency between the family and the couple prevent the conflict within the family and guarantee the health of both systems. According to Sharma (2004) who believes that the economic performance of family businesses which has simultaneously high internal family harmony, are successful and have ability to grow and survive in the harsh conditions of both the family and the business[18] ; No differences in economic development in both family and nonfamily firms in this study shows that family businesses couldn't be able to grow up in compete with family firms. To be successful in the business, family

and business systems need to support each other. Thus the increase, improvement or decline in performance of any system can affect the others. The lower growth indicates disharmony between family and business systems that exist in this industry.

(Hess, 2006, Translated by Tasavvori and Zafranyan, 2007; Ward, 1987; quoted Moghimi and Seyyed Amiri, 2010) concluded that less than one third of these businesses are transferred successfully to second-generation of the family [7, 12]. Managers/owners of family carpet industry should effort to resolve performance shortcoming that mentioned in this study. The continuous growth of the business increases the chances for surviving and transmission of business to future generations of the family.

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