



Professionalism and Family Business Management the Synergy Leading towards Business Excellence

Mayanka Sharma, Manish Mundada

Abstract: *If family businesses are praised for the expertise with technology and deeper knowledge about the markets, they are criticized for lack of professionalism in management. Business excellence models demand professionalism and strong leadership with a systematic analytical approach to business. This article posits that if family business owners can adopt professionalism they in fact would be in a commanding position in their business. They can forge a synergy, leveraging their domain expertise with the help of a professional approach and achieve sustained business excellence. The article evaluates this possibility of the family business owners-cum-managers adopting professionalism in order to achieve business excellence. It is based on a survey of 400 family business managers and this article presents the results of the survey that gathered relevant inputs in line with the objectives framed for the study.*

Index words –Business excellence, Family business, Professionalism, Synergy

I. INTRODUCTION

Business excellence has been a widely researched concept. Evolving from the Deming days in the 1950s, the concept has gained huge popularity and has been institutionalized in the US (Malcolm Baldrige National Quality Award) and in the Europe (European Foundation for Quality Management – EFQM). Country like India has the Tata Business Excellence Model. It passes through a continuum of process excellence, operational excellence and business excellence. It reflects all round sustained long-term performance. This calls for a synergetic effect of technology and management, of market leadership and business leadership and of domain expertise and professionalism. This study tries to understand the positioning of the family businesses to leverage the synergy of domain expertise and professionalism. It explores the possibility of a larger than sum-of-the-parts effects for family businesses that would be managed professionally. The paper is based on an empirical research done with the following objectives

- To understand the role of synergy of domain expertise and professionalism culminating into business excellence,
- To assess the possibility of family businesses getting a professional make-over to leverage the synergy and
- To suggest a framework for family business owners to successfully transform their businesses into professional enterprises.

The primary data for the study was collected by way of a survey from owners and managers of 400 family businesses; questionnaire was devised and was bifurcated into three areas

- Synergy of business expertise & involvement and professionalism,
- Assessment of potential of family business enterprises to achieve the synergy and
- Likely areas of concern in transformation to professional enterprises.

II. LITERATURE REVIEW AND RESEARCH QUESTIONS

Business Excellence

Business Excellence plays a vital role in promoting and rewarding performance and organizational excellence. Receiving a business excellence award is the highest honor an organization can achieve [1] and adopting a relevant business excellence models plays a significant role in a firm's success. The first quality award that was introduced to reward organizations that demonstrates significant growth in performance was the Deming Prize. The Deming Prize was launched by the Board of Directors of the Japanese Union of Scientists and Engineers (JUSE) in 1951. The marked improvement in performance of Japanese companies under the influence of quality gurus such as, Deming and Juran triggered the United States to develop the Malcolm Baldrige Award. The prestigious American quality award was named after President Reagan's Secretary of Commerce who was killed in an accident in 1987 [2]

The Malcolm Baldrige award was designed to appreciate American organizations that practice effective quality management and made significant improvements in the quality of their goods and services. On similar lines, the European Quality Award (EQA) and the corresponding model were officially launched by the European Foundation for Quality Management (EFQM) and led the fourteen leading Western European nations of EFQM to realize that the key to survival in today's

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competitive world economy was to adopt the practice of quality [2] In 1988, Australian Quality Council (AQC) first established the Australian Quality Award that was later acquired by SAI Global (formerly known as Standards Australia International Limited) in February 2002.

It seeks to increase management's quality awareness and recognizes accomplishment in productivity and quality improvement.

The award also lays down a benchmark for their achievements among Australian organizations. This led to a worldwide interest in following the approach of quality. In the late 1990s, the Deming Prize criteria and the Malcolm Baldrige framework were improved further and integrated into a Business Excellence framework [3]

While the business excellence models (BEMs) have been hailed as extremely effective generally, some researchers have suggested otherwise. Researchers have pointed out that BEM does not assure success for every company, and companies at times criticize the effectiveness of those models [4]; [5]; [6]; [7] In order for BEMs to get functionalized, both the employees and employers need to be thoroughly involved and accept the system in place. Each organization is different, implying that the amount of commitment, infrastructure, resources and drive for success varies.

Companies often are not quite receptive to change and do not actively pursue the education of their staff and improvement of their customer service (Corbett & Angell, 2011). In order for a Business Excellence Model to work the leadership of the company needs to strongly steer the behavior of all the stakeholders, which is a difficult task in itself [8]

This leads us to the first research question and hypothesis for the study.

RQ1 – Can the synergy of higher level of involvement of owners and professionalism in management lead to business excellence?

Ho1 – The synergy of higher level of involvement of owners and professionalism in management does not lead to business excellence

Ha1 – The synergy of higher level of involvement of owners and professionalism in management can lead to business excellence

III. FAMILY BUSINESS ENTERPRISES AND PROFESSIONALISM

Some of the BRICS nations like Indian and Brazil have businesses that are predominantly family owned [9] The unique problem of separation of ownership from management to some extent gets overcome where the shares are held in large numbers by only a few of the family members. It should be remembered that "professional" management does not necessarily mean "better" management. It refers more of a change in the management "style." It is related with the contrast between "content" (professional matter expertise) and "process" (interpersonal relationships and interventions) [10] of late, family businesses are converting their weaknesses to their strengths and are rapidly getting transformed into professional organizations, which make the experts believe that the 21st century belongs to family-owned business organizations [11]

Most of the founders of family business organizations face the inevitable issue

In what way should our style of working change to adopt and meet the challenges of leading and managing a growing organization? Experts offer quite a peculiar standard solution which is of professionalization.

This implies that they should reorganize themselves into governance, systems, structures and processes of a 21st century corporate. Ironically in many cases, such an approach to professionalization actually hinders what made the family business special in the first place.

Also many founders of family-owned business also fear that they will lose the control which is an integral part of their identity and they are quite logical in thinking so [12] the term "professionalization" is quite often taken to mean "changing from family management of a business to non-family (read professional) management." However, there is no assurance such type of professionalization will bring success for the organization [13]

While all businesses encounter various challenges in transition, the family-owned business has a typical aspect which other companies never have to face: the family itself! The issues here are relatively difficult to address.

They're quite complex, highly risky and more personal in nature, [14]

The impact of education and training on development of family managed business enterprises was sizable, and reflected in the expansion and/or diversification of family managed enterprises in India, and that members of the family take longer to join their businesses after professional education and sometimes do so after working in other firms [15] A relevant issue is the direction of managerial competitiveness and innovation in professionalization. Managerial systems are believed to provide benefits by way of better decision making processes across different functions of the business [16] transition of businesses from being entrepreneurial to being professional, assumes great importance. But implementing such transitions involves several challenges in terms of the processes and governance mechanisms.

The outcome of professionalization largely relies on the clarity of role the leader has and also on the structure of the team to whom the business task is delegated and her/his terms of engagement with the team [17]

Professional management of family owned business is driven by two important factors, formal and cultural, of which the large part of existing research only recognizes the former of an equal importance is the cultural competence as well without which the CEO of a family business is likely to end up being less effective, in spite of his good formal qualifications and of family membership [18]

The family led businesses might need to look for professional help these days because with the advent of technology the dynamics of the economy have rapidly changed. Technology has brought challenges to quite a few family managed businesses with older generations feeling uneasy to adapt to technology and further some with newer generations lacking enough competencies to understand the dynamics [19]

The above discussion leads us to the next two research questions and related hypotheses as under
RQ2 –What is the assessment of the potential of family business enterprises to achieve the synergy?
RQ3 – What can be the likely areas of concern in transformation to professional enterprises?

Ho2 – The family-owned business organizations do not have potential to transform themselves into professional organizations.

Ha2 – The family-owned business organizations do have the potential to transform themselves into professional organizations.

Ho3 – There are no specific areas of concern in transformation of family-owned business into professional enterprises

Ha3 – There are some specific areas of concern in transformation of family-owned business into professional enterprises

IV. RESEARCH METHODOLOGY

- The primary data was collected from 400 family business owners and managers from the state of Maharashtra which is one of the leading industrial states of India. Responses were sought on the three areas as stated below –
- Synergy of business expertise & involvement and professionalism,
- Assessment of potential of family business enterprises to achieve the synergy and
- Likely areas of concern in transformation to professional enterprises.

The sample size of 400 was selected by approximating results from the Cochran’s formula (used in case of large population)

$$n_o = \frac{Z^2 pq}{e^2}$$

Where - e is the desired level of precision (i.e. the margin of error), p is the (estimated) proportion of the population which has the attribute in question and q is 1 – p.

The sample size was worked out at 95% Confidence Level with 5% Confidence Interval. This gave us the sample size as under –

$$((1.96)^2 (0.5) (0.5)) / (0.05)^2 = 385.$$

This was rounded of to 400.

Convenience method of sampling was chosen.

Since the standard deviation of the population was not known the t-test was applied to test the null hypotheses. For this purpose the population mean was hypothesized at 50% agreement level and the sample mean was compared with the same.

The questionnaire had six sub-constructs each for the three areas and responses were sought on a Likert scale of agreement and disagreement.

The reliability of the constructs from the questionnaire was tested applying the Cronbach’s alpha and the results obtained were as under

Table 1 – Test of reliability results

Sr. No.	Part	Cronbach’s Alpha
1	Entire questionnaire	0.9758

2	Section I (Synergy of business expertise & involvement and professionalism)	0.9362
3	Section II (Assessment of potential of family business enterprises to achieve the synergy)	0.9202
4	Section III (Likely areas of concern in transformation to professional enterprises)	0.9615

Since the scores were more than 0.70, the instrument was considered reliable.

The agreement and disagreement percentages were derived after applying a weight of 2 each to the completely agree and disagree category of responses.

V. RESULTS AND DISCUSSION

Results

The agreement percentages for the 18 areas were as under

Table 2 – Comparative responses to the 18 questions in the survey

Q-No.	Agreement %
1	74%
2	71%
3	72%
4	74%
5	78%
6	75%
7	69%
8	74%
9	75%
10	67%
11	78%
12	73%
13	77%
14	73%
15	74%
16	74%
17	77%
18	73%

The t-test gave the following results

Table 3 – Results of the hypotheses testing

Questions/Parameters	Section I	Section II	Section III
1	74%	69%	77%
2	71%	74%	73%
3	72%	75%	74%
4	74%	67%	74%
5	78%	78%	77%
6	75%	73%	73%
Average	74%	73%	75%
SD	1.40427	1.42608	1.39237
H1	50%	50%	50%
H0	0.74	0.73	0.75
n	400	400	400
t-value	3.41	3.16	3.53
p-value	0.000363	0.000844	0.000231



Where SD = Standard Deviation, H1 is the hypothesized population mean at 50%, n is the sample size, t-value is t-test statistic calculated with the formula $((H_0 - H_1) / ((SD) / \sqrt{n}))$ and p-value has been calculated using the MS Excel = t dist formula.

Since the p-values were <0.001 all the three null hypotheses were rejected in favor of the alternate.

Discussion

The descriptive statistics pertaining to profile data were as under

a. Status

Table 4 Status of respondents

Sr. No.	Group	Number	%
1	Owners	214	54%
2	Managers	186	46%
	Total	400	100%

Numbers of owner respondents were slightly more (54%) as compared to those who managers were (46%).

Age-group

Table 6 Age-group of respondents

Sr. No.	Group	Number	%
1	20-29 years	45	11%
2	30-39 years	83	21%
3	40-49 years	147	37%
4	=>50 years	125	31%
	Total	400	100%

Majority of the respondents were from the age-group 40-49 years (37%). The lowest from the age-group 20-29 years (11%).

b. Gender

Table 7 Gender of respondents

Sr. No.	Group	Number	%
1	Male	282	70%
2	Female	118	30%
	Total	400	100%

70% of the respondents were male whereas 30% were female.

c. Current experience

Table 8 Work experience of respondents

Sr. No.	Group	Number	%
1	<5 years	45	11%
2	5-10 years	41	10%
3	>10 years	314	79%
	Total	400	100%

Almost 80% of the respondents, 79% to be precise were having work experience of more than 10 years.

The average agreement response percentage for the first section of the questionnaire, synergy of business expertise & involvement and professionalism, was 74% and was significantly higher than the hypothesized mean of 50%.

Thus the null hypothesis Ho1 – the synergy of higher level of involvement of owners and professionalism in management does not lead to business excellence was rejected in favor of the alternate Ha1 – the synergy of higher level of

involvement of owners and professionalism in management can lead to business excellence.

The average agreement response percentage for the second section of the questionnaire, assessment of potential of family business enterprises to achieve the synergy, was 73% and was significantly higher than the hypothesized mean of 50%. Thus the null hypothesis Ho2 – the family-owned business organizations do not have potential to transform themselves into professional organizations was rejected in favor of the alternate Ha2 – The family-owned business organizations do have the potential to transform themselves into professional organizations.

The average agreement response percentage for the third section of the questionnaire, likely areas of concern in transformation to professional enterprises, was 75% and was significantly higher than the hypothesized mean of 50%.

Thus the null hypotheses Ho3 – there are no specific areas of concern in transformation of family-owned business into professional enterprises was rejected in favor of the alternate Ha3 – there are some specific areas of concern in transformation of family-owned business into professional enterprises.

The six concerns were – the family itself, succession planning, division of work and distribution of authority, cultural and background differences, slightly aggressive approach of the younger generation managers and overcoming resistance to change.

VI. SUGGESTIONS

The suggestions were framed in line with the six concerns that were agreed to by the respondents.

- a. Family issues should be sorted out with mutual understanding and respect. If required professional arbitration should be used to resolve conflicting issues.
- b. Succession issues should be sorted out on the basis of merit and other logical principles. Long-term considerations should be given due regards.
- c. Division of work and distribution of authority should be according to competence of the members and the need of the organization.
- d. Both the elder generation and younger generation should accept the fact that there are bound to be differences and should respect perspective of the other side.
- e. While controlled aggression is desirable, younger generation should learn to exercise reasonable restraint and show steadiness in their approach.
- f. Resistance to change is quite a natural phenomenon and effective communication is an important tool to convince people about accepting the change.
- g. They need to be convinced that the change is in their interest.

VII. CONCLUSION

The survey results leads us to conclude that the synergy of higher level of involvement of owners and professionalism in management can lead to business excellence. The overwhelming agreement to this aspect of the respondents is a clear acceptance to the fact that higher involvement on the part of the owners when



combined with professionalism can produce results which would be more than the sum-of-parts.

Further the respondents have shown high agreement to the possibility of the family owned business being able to transform themselves into professional organizations.

An important enabler for this is the training and education available to the younger generation. However, there would be issues during the transition. Six of them have been agreed to by the respondents. These include things like family issues, resistance to change etc. But these problems can be solved with a systematic approach. Suggestions for each of these issues have been offered.

All in all it can be said that the family-owned business organizations are well positioned to leverage the strengths arising out of their core competence, involvement and professionalism and achieve excellence in business.

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Prof. Manish Mundada Founder President, SBIIMS, Pune, India words. Under his dynamic leadership he has created a strong educational hub in Pune. Under his leadership he is having couple of management schools, CBSC pattern school, He is also an active member of couple of CSR group. He has a passion in research. He has couple of International and National repute of journal research publications too.