

SUSTAINABILITY AND PERFORMANCE ISSUES IN FAMILY-OWNED ENTERPRISES

Sushama Chaudhary

Students of Masters of Management Studies, MMBGIMS, University of Mumbai

Harshal Devare

Students of Masters of Management Studies, MMBGIMS, University of Mumbai

Ibrahim Chaudhary

Students of Masters of Management Studies, MMBGIMS, University of Mumbai

Shivani Tiwari

Students of Masters of Management Studies, MMBGIMS, University of Mumbai

ABSTRACT:

Family-owned enterprises play a significant role in economic development by contributing to employment generation, entrepreneurship, and long-term wealth creation. However, these businesses face unique sustainability and performance challenges arising from the intersection of family relationships and business management. The present study examines key performance issues in family-owned enterprises, focusing on decision-making conflicts, lack of professional management, resistance to change, and the impact of family involvement on operational efficiency and strategic performance. The research is based on both primary and secondary data. Primary data were collected from 100 respondents associated with family businesses using a structured questionnaire, while secondary data were obtained from journals, reports, and academic sources.

The findings reveal that internal conflicts, absence of professional management practices, and resistance to technological and organizational change are major challenges affecting business performance. At the same time, family involvement was found to positively influence daily operations and long-term strategic planning due to strong commitment and shared vision. The study also highlights that sustainability in family enterprises depends on structured practices such as succession planning, professional hiring, financial planning, and adoption of innovation. The research concludes that balancing traditional family values with modern management systems is essential for improving performance and ensuring long-term sustainability of family-owned enterprises.

Keywords: Family-Owned Enterprises, Sustainability, Business Performance, Family Involvement, Professional Management, Succession Planning, Decision-Making Conflicts, Organizational Efficiency.

INTRODUCTION

Family-owned enterprises play a vital role in the Indian economy by contributing significantly to business ownership, employment generation, and capital formation, with many operating under the traditional Hindu Undivided Family (HUF) system where ownership and management are passed across generations. This structure encourages trust, shared responsibility, and long-term commitment, which helps in preserving family wealth and ensuring business continuity. However, these same characteristics can also create challenges, as excessive reliance on family relationships may lead to weak governance, lack

of formal accountability, and unclear separation between ownership and management. In many cases, leadership roles are assigned based on family hierarchy rather than competence, resulting in nepotism and inefficient decision-making. Additionally, the absence of professional management practices and transparent evaluation systems can increase the risk of internal conflicts, misuse of authority, and instability, especially during succession periods. As Indian family businesses expand and face global competition, these issues become more critical. Therefore, it is essential for such enterprises to balance traditional family values with modern management practices, ensuring proper governance, accountability, and strategic planning to achieve long-term sustainability and improved performance

LITERATURE REVIEW

1. Environmental sustainability orientation and performance of family and nonfamily firm

Business Strategy and the Environment 28 (6), 1250-1259, 2019

2. The impact of the family and the business on family business sustainability

Journal of business venturing 18 (5), 639-666, 2003

3. Sustainability practices of family firms: The interplay between family ownership and long-term orientation

Journal of Sustainable Tourism 26 (1), 9-28, 2018

4. Ownership and management issues associated with family firm performance and company objectives

Paul Westhead, Carole Howorth

Family Business Review 19 (4), 301-316, 2006

5. The Romanian family businesses philosophy for performance and sustainability

Camelia-Daniela Hategan, Ruxandra Ioana Curea Pitorac, Vasile-Petru Hategan S

Sustainability 11 (6), 1715, 2019.

OBJECTIVES

- To examine performance challenges such as decision-making conflicts, lack of professional management, and resistance to change.
- To study the impact of family involvement on operational efficiency and strategic performance.
- To suggest strategies and best practices that can help family businesses improve sustainability and overall performance.

RESEARCH METHODOLOGY

This study employs a Descriptive Research Design to quantify the relationship between family governance and business sustainability.

Research Type: Descriptive and Analytical.

Data Collection: Structured Online and Personal Questionnaires.

Sampling Technique: Convenience Sampling.

Research Instrument: 16-Question Survey across five thematic domains.

Sample Size: 100 Respondents (Owners, Family Managers, and Professional Staff).

Data Analysis Tools: SPSS utilizing Percentage Analysis, Mean, and Standard Deviation

DATA ANALYSIS & INTERPRETATION

5.1 Performance Metrics: The Mean Score Analysis

Analysis of 100 responses reveals critical insights into the FOE landscape:

Succession Planning (Mean: 3.20): Identified as the single most critical factor for long-term viability.

Professional Management Gap (Mean: 3.08): Strong consensus that a lack of professional oversight actively degrades performance.

Technology Adoption (Mean: 2.78): Highlights a significant "Resistance Gap" where FOEs struggle to pivot toward modern digital tools.

Demographic & Structural Insights

Generational Attrition: 47% of businesses are first-generation, but only 4% reach the fourth generation, signaling a "Sustainability Ceiling".

The Conflict Reality: 60% of FOEs experience frequent or occasional decision-making conflicts, undermining operational speed.

Primary Challenges: Resistance to Change (28.3%) is the leading obstacle, followed by financial constraints (20.2%).

HPOTHESIS TESTING

We tested our hypotheses using 100 survey data collected from respondents in family-owned enterprises.

- **Testing H1 (Professionalism): ACCEPTED.**
The findings show that 40% of businesses use skill-based roles, while 44% still rely on hierarchy and seniority. This indicates a shift towards professional practices, improving clarity in roles and operational efficiency. Hence, professionalism positively impacts business performance.
- **Testing H2 (Management Impact): STRONGLY ACCEPTED.**
A significant 76% of respondents reported a negative impact on performance due to the lack of professional management. This highlights issues such as poor decision-making, inefficiency, and internal conflicts, proving that absence of structured management severely affects business performance.
- **Testing H3 (Family Involvement): ACCEPTED.**
The data shows that 68% of respondents agree that family involvement improves long-term strategic planning. This reflects stronger commitment and shared vision within the organization. However, it also suggests the need for balance to avoid bias and conflicts.

FINDING & DISCUSSION

Data analysis is conducted to present accurate and reliable information collected through the survey. It helps in understanding respondent characteristics and drawing meaningful conclusions for the research on Sustainability and Performance Issues in Family-Owned Enterprises. The following interpretation is based on 100 responses collected through the questionnaire.

Sr. No.	Variables / Statements	Mean	Std. Deviation
1	Decision-making conflicts occur frequently	2.92	0.89
2	Lack of professional management affects performance	3.08	0.95
3	Openness to adopting new technology	2.78	0.91
4	Family involvement influences daily operations positively	3.00	0.87
5	Family participation improves strategic planning	2.88	0.93
6	Roles are assigned based on skills	2.82	1.02
7	Communication among family members is efficient	2.94	0.90
8	Professional hiring improves sustainability	2.70	1.05
9	Succession planning importance in business	3.20	0.88
10	External consultants improve performance	3.02	1.01
11	Major challenges affect business performance	2.96	0.94
12	Focus areas for future growth and sustainability	2.85	0.97

Sr. No.	Aspect	Summary of Findings
1	Age Distribution	Majority of respondents (36%) are below 25 years, followed by 25% in the 25–35 age group. Respondents aged 35–45 account for 17% and 45–55 for 16%, while only 6% are above 55 years. This indicates that most participants are young and middle-aged individuals actively involved in business decisions.
2	Gender Distribution	Out of 100 respondents, 64% are male and 36% are female. This shows higher male participation, though female representation is also significant, ensuring diverse and balanced viewpoints.
3	Business Ownership Type	Sole proprietorship is the most common (35%), followed by private limited companies (27%), family/joint family businesses (18%), partnerships (13%), and LLPs (7%). This reflects a mix of individual and family-based business structures.
4	Generation Managing Business	About 47% businesses are managed by the first generation, 30% by the second, and 19% by the third, while only 4% reach the fourth generation and above. This suggests declining survival across generations, largely due to family disagreements affecting business decisions.
5	Decision-Making Conflicts	Around 32% respondents report conflicts occur occasionally and 28% very frequently, meaning 60% businesses face regular family conflicts. Only 14% report no impact from disagreements.
6	Impact of Lack of Professional Management	About 54% respondents believe lack of professional management has a moderate impact, while 22% say it has a very high impact. Together, 76% see it as a major performance issue.
7	Openness to Technology Adoption	About 37% businesses are very open and 31% somewhat open to adopting new technologies. However, 19% are slightly resistant and 13% highly resistant, showing overall positive but cautious adoption attitudes.

8	Family Involvement in Operations	Around 60% respondents view family involvement positively in daily operations, while 29% see it as neutral and 11% as negative. This indicates generally favourable perceptions.
9	Family Participation in Strategic Planning	About 68% respondents believe family participation improves long-term planning, while 24% see no difference and only 8% think it worsens planning.
10	Role Assignment in Business	Most businesses (40%) assign roles based on skills, while 25% rely on seniority, 19% on family hierarchy, and 16% follow informal approaches.
11	Communication Efficiency	Communication is generally moderate, with 36% rating it high efficiency, while others report varying levels, indicating a need for improvement in many businesses.
12	Best Sustainability Strategy	Financial planning, employee training, and market expansion received stronger support compared to professional hiring, which had relatively lower ratings.
13	Importance of Succession Planning	Most respondents (44%) consider succession planning highly important, while only 12% view it as unimportant, showing strong awareness of its role in sustainability.
14	Role of External Consultants	About 50% respondents remain neutral regarding consultants' effectiveness, while equal proportions agree and disagree, indicating mixed perceptions.
15	Future Growth Focus Areas	Customer relationship management, sustainability practices, and cost reduction are viewed as key priorities, while digital transformation receives comparatively lower emphasis.
16	Biggest Business Challenge	The biggest challenge is resistance to change (28.3%), followed by financial issues (20.2%) and market competition (18.2%). Lack of skills and decision conflicts are comparatively lower concerns.

Research Objectives Based on Survey Data (N = 100)

Objective	Justification Based on Findings
1. To examine performance challenges such as decision-making conflicts, lack of professional management, and resistance to change.	The data clearly supports this objective. Around 60% of respondents reported that decision-making conflicts occur either very frequently (28%) or occasionally (32%), indicating that internal disagreements significantly affect business performance. Further, 76% respondents agreed that lack of professional management has a moderate to very high impact on business performance, showing it is a major challenge. Additionally, 28.3% respondents identified resistance to change as the biggest challenge faced by family businesses, making it the most dominant issue. These findings justify the need to examine key performance challenges in family enterprises.
2. To study the impact of family involvement on operational efficiency and strategic performance.	Survey results strongly validate this objective. About 60% respondents reported that family involvement positively influences daily operations, demonstrating its impact on operational efficiency. Similarly, 68% respondents indicated that family participation improves long-term strategic planning, showing its importance in strategic performance.

	However, communication efficiency was rated moderate by many respondents, suggesting that while family involvement provides benefits, it also creates operational coordination challenges.
3. To suggest strategies and best practices that can help family businesses improve sustainability and overall performance.	The data provides clear direction for recommending best practices. Respondents identified key sustainability strategies such as financial planning, employee training, and market expansion as the most effective measures. Moreover, 44% respondents rated succession planning as highly important, highlighting its role in long-term sustainability. Responses also indicate that professional hiring and external advisory support can enhance performance. These findings justify the objective of suggesting practical strategies for improving sustainability and overall business performance.

CONCLUSION

The study examines sustainability and performance issues in family-owned enterprises, highlighting their important role in economic development. It identifies key challenges such as decision-making conflicts, lack of professional management, and resistance to change, which negatively affect business performance and continuity. Despite these issues, family involvement is found to positively influence daily operations and long-term strategic planning by promoting trust, commitment, and a shared vision. However, problems like role ambiguity, communication gaps, and reliance on hierarchy over skills can limit efficiency. The study concludes that adopting structured practices such as succession planning, professional hiring, financial discipline, and technological innovation is essential. Overall, balancing traditional family values with modern management practices is crucial for achieving long-term sustainability and improved performance.

SUGGESTIONS & RECOMMENDATIONS

Based on the findings, the following recommendations are proposed:

1. **Professionalization of Management:**
Family businesses should adopt professional management practices by hiring skilled professionals and implementing formal organizational structures.
2. **Conflict Management Mechanisms:**
Clear decision-making frameworks and communication systems should be established to minimize family conflicts.
3. **Succession Planning:**
Businesses must develop structured succession plans to ensure smooth leadership transition and continuity.
4. **Skill-Based Role Allocation:**
Roles should be assigned based on competence rather than family hierarchy or seniority.
5. **Adoption of Technology and Innovation:**
Family enterprises should embrace digital transformation and innovative practices to remain competitive.

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