

An Empirical Study On Factors Influencing The Sustainable Performance Of Family-Owned Enterprises

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Abstract: This study examines the impact of managerial and governance practices, financial management practices, and succession planning on the sustainable performance of family-owned enterprises. The research is based on primary data collected from 45 family-owned businesses through a structured questionnaire measured on a five-point Likert scale. Reliability analysis confirmed acceptable internal consistency, with Cronbach's alpha values exceeding 0.70 for all constructs. The results of normality tests indicated that the data were normally distributed. Multiple regression analysis revealed that financial management practices and succession planning have a significant and positive influence on sustainable performance. In contrast, managerial and governance practices showed a significant but negative relationship with sustainable performance. The regression model explains 83.2% of the variation in sustainable performance ($R^2 = 0.832$), indicating strong explanatory power. The findings emphasize the critical role of effective financial planning, budgeting, and structured succession processes in ensuring long-term business continuity. The study provides valuable insights for family business owners, managers, and policymakers seeking to enhance sustainability and competitive advantage in family-owned enterprises.

Keywords: Family-Owned Enterprises, Sustainable Performance, Financial Management, Succession Planning.

1. Introduction:

Family-owned enterprises play a vital role in economic development, employment generation, and wealth creation. These businesses contribute significantly to GDP and long-term economic stability. However, sustaining performance across generations remains a major challenge for many family firms. Sustainable performance refers to the ability of a business to achieve long-term profitability, growth, continuity, and stakeholder satisfaction. Effective managerial and governance practices ensure clarity in roles, accountability, transparency, and conflict resolution. In family businesses, the overlap between ownership and management often creates

challenges that require structured governance systems. Financial management practices such as budgeting, financial planning, accounting, and investment analysis are essential for business stability and growth. Poor financial management can lead to liquidity problems and business failure. Succession planning is another critical factor affecting sustainability. Many family businesses fail during generational transitions due to lack of planning, leadership training, and family consensus. A well-designed succession plan ensures smooth leadership transfer and continuity of operations.

This study aims to examine the influence of managerial and governance practices, financial management practices, and succession planning on the sustainable performance of family-owned enterprises. By analyzing empirical data, the research identifies key factors contributing to long-term success and continuity of family businesses.

2. Review of Literature:

Family-owned enterprises differ from non-family firms due to the close interaction between family relationships, ownership structure, and management roles, which significantly influence long-term sustainability and decision-making. Early literature strongly emphasized succession planning as a critical determinant of business continuity. John L. Ward (1987) argued that the absence of a structured and well-prepared succession plan often results in leadership conflicts, uncertainty, and even business failure. Similarly, Danny Miller and Isabelle Le Breton-Miller (2005) highlighted the importance of governance mechanisms such as professional boards, clear role definitions, and formal strategic planning in ensuring stability and long-term performance. Carlock and Ward (2001) further stressed that aligning family values with business strategy helps minimize conflicts and improves overall decision-making effectiveness. In the area of financial management, Brigham and Houston (2019) emphasized that sound budgeting, forecasting, investment planning, and financial control systems are essential for profitability and sustainable growth. Effective financial discipline strengthens resilience and enhances competitive advantage in family businesses.

Recent studies (2020–2024) expand these foundational insights by focusing on sustainability, resilience, and adaptability in a dynamic business environment. Contemporary research indicates that early succession engagement, formal training of successors, structured transition processes, and digital governance tools significantly improve transparency and strategic continuity. Moreover, empirical evidence highlights that family firms adopting strong financial controls, risk management systems, and long-term investment planning achieve better performance outcomes and sustainability.

Overall, existing literature consistently demonstrates that managerial governance practices, disciplined financial management, and effective succession planning are interrelated and collectively contribute to the sustainable performance and long-term continuity of family-owned enterprises.

3. Research Gap: Although prior studies have examined governance, financial management, and succession planning in family firms, most have analyzed these factors separately. There is limited research examining their combined impact on sustainable performance within a single framework. Additionally, many studies focus on developed economies, with limited evidence from emerging and local contexts. Therefore, this study aims to empirically examine the integrated effect of governance, financial management, and succession planning on the sustainable performance of family-owned enterprises.

4. Objectives of the study

- a. To examine the impact of managerial and governance practices on the sustainable performance of family-owned enterprises.
- b. To analyze the influence of financial management practices on sustainable performance.
- c. To assess the role of succession planning in enhancing the sustainable performance of family-owned enterprises.

5. Hypotheses of the study

- **H₀₁:** Managerial and governance practices do not significantly influence the sustainable performance of family-owned enterprises.
- **H₀₂:** Financial management practices do not significantly influence the sustainable performance of family-owned enterprises.
- **H₀₃:** Succession planning does not significantly influences the sustainable performance of family-owned enterprises.

6. Research Methodology:

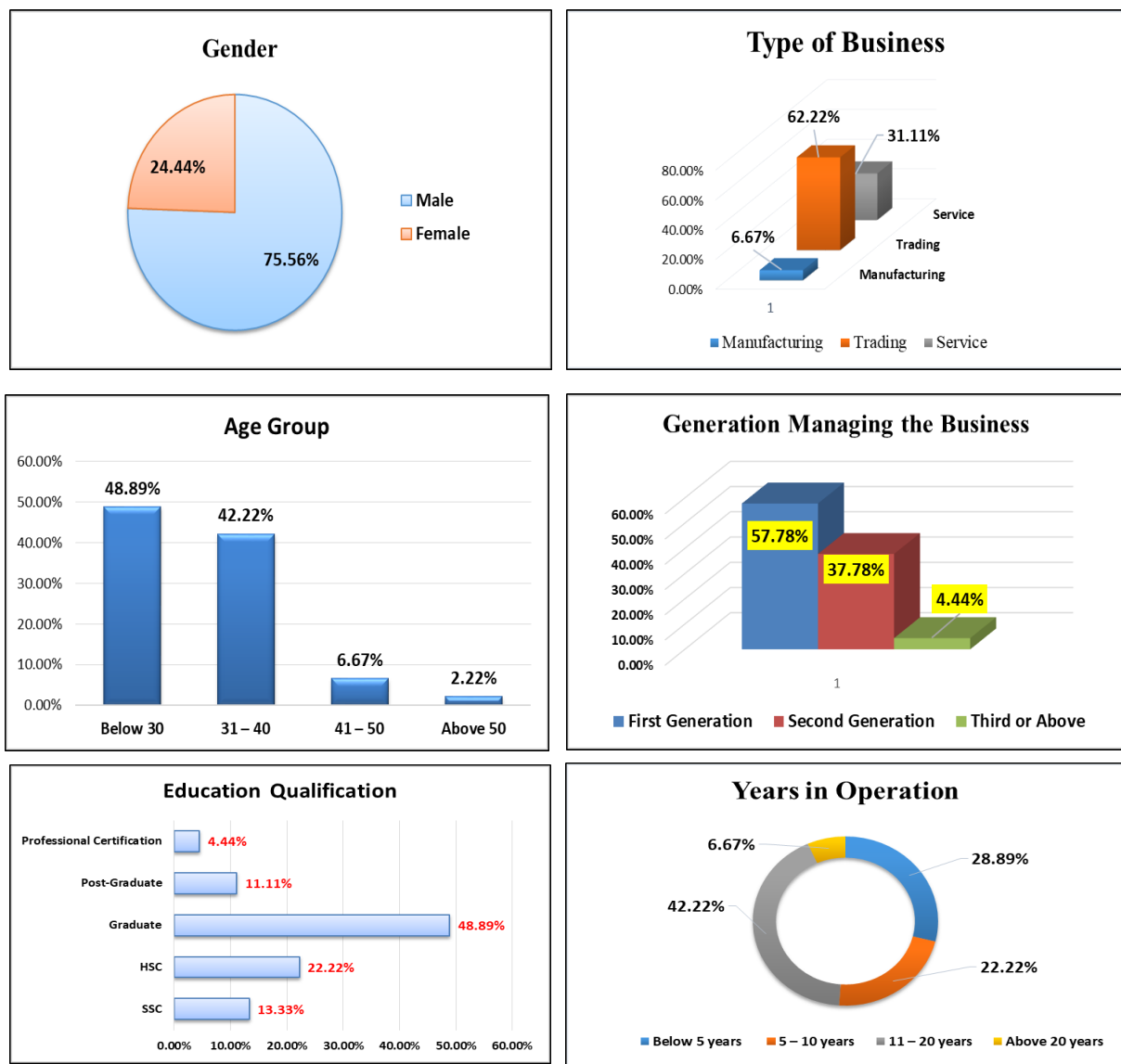
The study adopts a descriptive and analytical research design to examine the factors influencing the sustainable performance of family-owned enterprises. Both primary and secondary data were used for the research. Primary data were collected from 45 respondents belonging to family-owned enterprises through a structured questionnaire based on a five-point Likert scale. The questionnaire was designed to measure managerial and governance practices, financial management practices, succession planning, and sustainable performance. Convenience sampling technique was used for selecting the respondents. Secondary data were collected from

research articles, academic journals, books, theses, and relevant websites to develop the theoretical framework and review of literature. These sources helped in understanding previous studies and identifying research gaps.

The collected primary data were analyzed using Statistical Package for Social Sciences (SPSS). Statistical tools such as Reliability Analysis (Cronbach’s Alpha), Normality Test (Kolmogorov-Smirnov and Shapiro-Wilk), Multiple Regression Analysis, and ANOVA were applied to test the hypotheses and measure the relationship between variables. The study ensures systematic analysis to provide reliable and valid conclusions regarding the impact of managerial, financial, and succession factors on sustainable performance.

7. Data Analysis and Interpretation:

Figure No. 1: Demographic and Business Profile



Source: compiled from primary data

Interpretation:

- a. **Gender:** The majority of respondents are male (75.56%), indicating that family-owned enterprises are predominantly managed by males.
- b. **Age Group:** Most respondents are below 40 years (91.11%), showing active involvement of younger generation in business management.
- c. **Educational Qualification:** Nearly half of the respondents are graduates (48.89%), suggesting a moderate to high level of educational background among business owners.
- d. **Type of Business:** The majority belong to the trading sector (62.22%), indicating that trading businesses dominate among the selected family enterprises.
- e. **Years in Operation:** Most firms have been operating for 11–20 years (42.22%), reflecting business stability and experience.
- f. **Generation Managing Business:** A majority are first-generation businesses (57.78%), showing that many enterprises are still in the early stage of generational transition.

8. Inferential Statistics:

Normality test results showed that all significance values were greater than 0.05 in both the Kolmogorov-Smirnov and Shapiro-Wilk tests, indicating that the data are normally distributed. The reliability analysis revealed Cronbach’s Alpha values ranging from 0.772 to 0.841, which are above the acceptable threshold of 0.70, confirming good internal consistency of the constructs.

Table No. 01: Model Summary

Model Summary				
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.912 ^a	.832	.820	.08104
a. Predictors: (Constant), Succession Planning, Financial Management Practices, Managerial & Governance Practices				

Interpretation: The model summary results indicate a strong relationship between the independent variables and sustainable performance. The value of R (0.912) shows a very strong positive correlation between managerial and governance practices, financial management practices, succession planning, and sustainable performance. The R Square value of 0.832 indicates that 83.2% of the variation in sustainable performance is explained by the independent variables included in the model. The Adjusted R Square value of 0.820 further confirms that the model remains strong even after adjusting for the number of predictors. Additionally, the low Standard Error of the Estimate (0.08104) suggests good predictive accuracy. Overall, the model demonstrates a strong fit and high explanatory power.

Table No. 02: ANOVA

ANOVA ^a						
	Model	Sum of Squares	df	Mean Square	F	Sig.
1	Regression	1.338	3	.446	67.894	.000 ^b
	Residual	.269	41	.007		
	Total	1.607	44			
a. Dependent Variable: Sustainable Performance						
b. Predictors: (Constant), Succession Planning, Financial Management Practices, Managerial & Governance Practices						

Interpretation: The ANOVA results indicate that the regression model is statistically significant. The F-value of 67.894 with a significance level (p-value) of 0.000, which is less than 0.05, shows that the overall model is highly significant. This means that the independent variables managerial and governance practices, financial management practices, and succession planning collectively have a significant impact on sustainable performance. Therefore, the regression model is suitable for predicting sustainable performance in family-owned enterprises, and the null hypothesis that the model has no explanatory power is rejected.

Table No. 03: Coefficients

Coefficients ^a								
	Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
		B	Std. Error	Beta			Tolerance	VIF
1	(Constant)	.631	.219		2.888	.006		
	Managerial & Governance Practices	-.284	.132	-.260	-2.148	.038	.279	3.579
	Financial Management Practices	.649	.085	.714	7.667	.000	.471	2.124
	Succession Planning	.439	.097	.507	4.509	.000	.323	3.094
a. Dependent Variable: Sustainable Performance								

Interpretation: The coefficients table shows the individual impact of each independent variable on sustainable performance. The constant value (B = 0.631, p = 0.006) is significant, indicating that sustainable performance has a base level even without the influence of independent variables.

Managerial and Governance Practices have a negative coefficient (B = -0.284) with a significance value of 0.038, which is less than 0.05. This indicates a significant but negative relationship with sustainable performance. The standardized beta value (-0.260) shows a moderate negative influence.

Financial Management Practices show a strong positive and significant impact on sustainable performance ($B = 0.649$, $p = 0.000$). The standardized beta value (0.714) indicates that it is the most influential predictor among all variables. Succession Planning also has a positive and significant effect ($B = 0.439$, $p = 0.000$). The beta value (0.507) indicates a strong positive contribution to sustainable performance. Collinearity statistics show that all VIF values are below 5, indicating no serious multicollinearity problem.

Overall, financial management practices and succession planning significantly and positively influence sustainable performance, while managerial and governance practices show a significant negative impact.

Table No. 04: Hypothesis Testing Summary

Hypothesis	p-value	Result	Decision
H01: Managerial and governance practices do not significantly influence sustainable performance.	0.038	Significant ($p < 0.05$)	Rejected
H02: Financial management practices do not significantly influence sustainable performance.	0.000	Significant ($p < 0.05$)	Rejected
H03: Succession planning does not significantly influence sustainable performance.	0.000	Significant ($p < 0.05$)	Rejected

Interpretation: Since the significance values for all three independent variables are less than 0.05, all null hypotheses (H01, H02 and H03) are rejected and the alternative hypotheses are accepted. This indicates that managerial & governance practices, financial management practices, and succession planning significantly influence sustainable performance.

9. Limitations of the Study

- a. **Limited Sample Size:** The study is based on a sample of 45 respondents, which may restrict the generalizability of the findings to a broader population of family-owned enterprises.
- b. **Use of Convenience Sampling:** The adoption of convenience sampling may introduce sampling bias and limit the representativeness of the results.
- c. **Self-Reported Data:** The data collected are based on self-reported responses, which may be subject to personal bias, perception errors, or socially desirable responses.
- d. **Geographical/Contextual Limitation:** The study is confined to selected family-owned enterprises, which may not fully represent all sectors or regions.
- e. **Time and Resource Constraints:** Limited time and resources may have restricted the depth of data collection and analysis.

10. Suggestions and Recommendations:

- Family-owned enterprises should adopt formal governance structures with clearly defined roles and responsibilities.
- Financial planning, budgeting, and control systems should be strengthened to improve sustainability.
- Professional financial advisors may be consulted to enhance financial decision-making and risk management.
- Succession planning should start at an early stage to ensure smooth leadership transition.
- Successors should receive proper training and development before assuming leadership roles.
- Effective conflict resolution mechanisms should be established to maintain harmony between family and business.

11. Conclusion:

The study concludes that sustainable performance in family-owned enterprises is significantly influenced by internal management factors. The findings reveal that financial management practices and succession planning have a positive and significant impact on long-term sustainability, while managerial and governance practices also show a significant relationship. Effective financial planning, structured governance systems, and early succession preparation are essential for ensuring business continuity and growth across generations. Overall, the study highlights that integrating sound governance, disciplined financial management, and proactive succession planning is crucial for enhancing the sustainable performance of family-owned enterprises.

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