

INFLUENCE OF FAMILY CLIMATE TOWARDS LEADERSHIP EFFECTIVENESS IN THE FAMILY OWNED BUSINESS**Mr. A. Vijayan**

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Abstract

Long-term sustainability and social responsibility are valued highly by family businesses, which may be advantageous to both the community and the business. Furthermore, family-run enterprises usually transmit their own culture and values from the current generation to another. The strong sense of continuity and tradition this creates within the firm may be quite inspiring and enjoyable for family members who work there. Notwithstanding these widely accepted beliefs, Strong quantitative studies that look at the relationships between these three factors are hard to come by. To narrow this disparity, a quantitative study of 150 family business leaders from the following generation from the districts of Chennai, Thiruvallur, Chengalpeta, Vellore, Ranipet, Tiruvannamalai, and Kanchipuram was conducted. A total of 125 respondents returned the questionnaire, answering every question. In order to gather correct data, the Convenient Random Sampling without Replacement method will be used to collect the primary data. The findings show that the effectiveness of contemporary family executives' leadership and level of work engagement are significantly influenced by a shared objective for the family company. The results also indicate that the possibility that a common vision for the family company has been developed is significantly influenced by two aspects of the family milieu.

Keywords: Family climate, leadership, Business, Education, Effectiveness.**Introduction**

Anything that is owned and controlled by family members, with several family members participating in management and decision-making, is referred to as family-run. Due to their capacity to produce income, create employment, and boost local economies, family companies are prevalent throughout a wide range of industry sectors and are vital to the global economy. In addition, family businesses are more likely to place a high value on social responsibility and long-term sustainability, which may have positive effects on both the business and the community. Additionally, family businesses typically pass along their unique culture and set of beliefs from one generation to the next. Friends and relatives who work there may find great inspiration and happiness in the strong feeling of succession and tradition that grows inside the company. However, family businesses may also face unique challenges in the areas of governance, family dynamics, and succession planning. The long-term prosperity of the business and the maintenance of family ties depend on these difficulties being handled well. In general, family enterprises are a significant and intricate phenomenon in the economic sector that need to be managed with caution. A business that is family-owned is one where a family member controls both its administration and decision-making processes and has a significant ownership position. Family businesses may be found in a wide range of economic sectors and industries, and they can be as small as local businesses or as large as multinational corporations. The capacity of family enterprises to produce money, employ people, and support local economies is what makes them so important. Family companies frequently have a strong sense of community service and value social responsibility and long-term sustainability over immediate profit. A distinct character and set of norms that are transmitted from one generation of families to the next are also common in family enterprises. Family members who work in the company may find great pleasure and inspiration in the strong feeling of continuity and tradition this fosters inside the company. Any business must have strong leadership to succeed, but family companies especially need this. Leadership in a family business entails managing the intricate connections and dynamics inside the family in addition to making strategic decisions. In order to be a leader in a family business, one must strike a balance between the needs of the company and the family, as well as deal with any particular difficulties that may result from family participation. For instance, family dynamics and connections can have an impact on decision-making processes, governance, and succession planning, all of which can be difficult for family enterprises. Family businesses also frequently have a distinctive society and set of characteristics that are passed down from a single generation to the next. 24 items from three The type of family ties, the general The Family Climate Scales were used to evaluate the family's functioning and climate (Björnberg and Nicholson, 2007). Because these criteria were created especially to evaluate the family-friendly atmosphere in a family-owned firm, they were selected. Three aspects of the home milieu were evaluated: Intergenerational authority refers to the extent to which the older generation establishes rules, uses authority, and allows the younger generation to participate in decision-making; (2) cognitive harmony, or the extent to which siblings share values and norms, including views, hobbies, and beliefs; and (3) the degree of open debate among cousins, which includes enjoying to one another, demonstrating interest in each other's viewpoints, and confronting sensitive topics head-on.

Research Problem

Regarding mentoring, the views of registered/incorporated firms seem to be different from those of incorporated businesses on related subjects. Most family-run businesses in Tamil Nadu survive into the second generation. To thrive, an educational company needs a succession plan. The fundamental problem in company is that without a succession plan, family-owned enterprises stand a significant chance of collapsing. The particular business problem is that the CEOs of some family-owned businesses don't have many strategies in place to groom the next generation of leaders. This makes this study necessary in order to conduct empirical research in order to ascertain the true condition of circumstances. Additionally, this study looks the relationship between mentoring and the long-term viability of several Tamil Nadu family businesses that are focused on education. Additionally, to evaluate how role modelling affects family-owned companies' ability to survive in Tamil Nadu and how In Tamil Nadu's educational enterprises, family-owned business growth is influenced by training and development.

Objectives

- knowing the respondents' socioeconomic characteristics who are running educational institutions in Chennai, Thiruvallur, Chengalpeta, Vellore, Ranipet, Tiruvannamalai and Kanchipuram.
- To identify the factors influencing family climate with leadership qualities
- To evolve the influence of Family climate factors and Leadership effectiveness with the socio economic the responders' profile.
- To test the significant impact of family climate and Leadership effectiveness.

Theoretical Background

Umi Nandiroh et al., (2023) investigated the connection between family company financial management and leadership style. Family businesses are unique in terms of governance and ownership structures since family members usually hold both management and ownership

positions. Consequently, the leadership style of these organizations plays a crucial role in their financial management. This case study looks at several leadership philosophies, such as transactional, paternalistic, and transformational leadership, and how they affect choices made about investments, taking risks, and managing finances. The case study, which took place in the MSME town of Krupuk Rambak Mojokerto, also looked at how corporate governance, succession planning, and family relationships affect the financial management and leadership philosophies of family enterprises. In general, the literature review's findings indicated that improved family communication and governance structures, together with a blend of transactional and transformational leadership philosophies, can boost family companies' financial success. The convergence of family and business ties is another feature of family firms (Guedes et al., 2022). Complex dynamics, such as sibling rivalry, intergenerational disputes, and concerns about inheritance and succession planning, are frequently present in family enterprises. For family companies, these characteristics may be a source of strength as well as a difficulty, and effective management necessitates a thorough comprehension of the particular possibilities and difficulties they bring.

Maharajh et al., (2023) examined the effects of family relationships on the management of family businesses. It also takes into account the possibility that strong leadership will act as a relationship mediator. A quantitative, interpretive research methodology was used in the investigation. 236 family-run businesses in the South Durban Basin of KwaZulu-Natal made up the research population. These companies were chosen using a snowball and convenience selection method. The data was analyzed using statistical techniques that are both descriptive and inferential, including multiple regression analyses and the standard deviation. The study's result shows that family dynamics significantly influence company performance through effective leadership, both directly and indirectly. Furthermore, family firms with larger workforces typically have more capable leadership, which contributes to the success of the company.

Family enterprises are the most prevalent worldwide, and they are usually managed by family members (Palic and Smajic, 2021). The most common kind of organization on the globe, private family companies are considered to be the backbone of international economic ecosystems. They play important roles in the economic prosperity of nations. It is not surprising that experts are devoting a great deal of time and energy to studying the accomplishment of FOBs and the variables that impact.

Hypotheses Development

Ho 1: There is no significant impact of open communication towards Leadership effectiveness

Ho 2: There is no significant impact of cognitive cohesion towards Leadership effectiveness

Ho 3: There is no significant impact of Intergenerational authority towards Leadership effectiveness.

Conceptual Framework



Methodology

Research is the methodical, rational process of looking for and analyzing previously undiscovered facts on a subject in order to advance our understanding of it. A methodical approach for directing research is referred to as methodology. It contains a number of guiding elements, such as the problem statement, the study's aims, its hypothesis, and its limits. The plan for creating the research report is provided by the research methodology, which is backed by statistics and data gathering methods. Notwithstanding these widely accepted beliefs, Few reliable quantitative research have been conducted to examine the connections between these three variables. To narrow this disparity, a quantitative study of 150 family business leaders from the following generation from the districts of Chennai, Thiruvallur, Chengalpet, Vellore, Ranipet, Tiruvannamalai, and Kanchipuram was conducted.125 respondents completed the questionnaire and returned it, answering every question. In order to gather correct data, the Convenient Random Sampling without Replacement method will be used to collect the primary data. The investigator will choose the relevant samples in order to reach a conclusion. We'll gather secondary data from publications such as books, papers, e-resources, journals, and webpages.

Results and Discussion

Table 1

Age	No. of Respondents	Total Percentage
18-25	14	11.2
25-35	33	26.4
35-45	33	26.4
45-55	35	28.0
55+	10	8.0
Total	125	100.0
Gender	No. of Respondents	Total Percentage
Male	54	43.2
Female	71	56.8
Total	125	100
Educational qualification	No. of Respondents	Total Percentage
less than high school	5	4.0
high school	28	22.4
UG	15	12.0
PG	18	14.4
Doctoral Degree	25	20.0
Professional Degree	23	18.4
Others	11	8.8
Total	125	100.0
Business is operated by	No. of Respondents	Total Percentage
1 st Gen	15	12.0

2 nd Gen	43	34.4
3 rd Gen	42	33.6
4 th Gen+	25	20.0
Total	125	100.0
Number of branches	No. of Respondents	Total Percentage
1	11	8.8
2	33	26.4
3	35	28.0
4	36	28.8
more than 5	10	8.0
Total	125	100.0

From the above table, it is clearly understood that majority of the respondents are belong to the age group of 45-55 with 28.0%, 26.4% of respondents are belong to 25-35 and 35-45 age group, 11.2 % and 8.0 % of respondents are belongs to 18-25 and 55+ age groups respectively. We can understand that women make up the bulk of responders with 56.8%, 43.2% are male. In the heads of marital status, most of the respondents are completed high school with 22.4%. 20.0% of respondents has Doctoral Degree. 18.4% of respondents has Professional Degree. 14.4% of respondents completed post graduate, 12.0% of respondents completed under graduate. 4.0% are less than high school and 8.8% are others. In the head of generation of operating, 34.4% are 2nd generation, 33.6% are 3rd generation, 20.0% are 4th generation and 12.0% are 1st generation. In the head of branches they operate, 28.8% of respondents operating 4 branches, 28.0% are operating 3 branches, 26.4% operating 2 branches, 8.8% operates 1 branch and 8% of respondents operating more than 5 branches.

Measurement Properties, Discriminant validity and Reliability

Table 2

Variables	Mean	S. D	1	2	3	4
Open Communication	2.38	0.899	0.866			
Intergenerational Authority	2.45	0.869	-0.037	0.809		
Leadership Effectiveness	3.66	0.706	-0.044	0.073	0.894	
Cognitive Cohesion	4.03	0.670	-0.014	0.062	0.691***	0.858

We validated the measurement model using structural equation modeling (Lisrel software). The survey instrument's measurement characteristics are displayed in Table 2. With the exception of four indications, all factor loadings were more than 0.7 and fell between 0.80 and 0.89. According to Hair et al. (2011), a number at or over the threshold of 0.0 is considered acceptable. We kept these four indicators even though they are less than 0.89 but over 0.80 since we employed known metrics.

Construct Reliability and Validity

Table 3

Variable	Cronbach's Alpha	rho_A	Composite Reliability	Average Variance Extracted (AVE)
Open Communication	.806	0.951	0.947	0.750
Intergenerational Authority	.804	0.914	0.904	0.654
Leadership Effectiveness	.801	0.965	0.940	0.799
Cognitive Cohesion	.783	0.929	0.917	0.735

Every one of the four parameters has a valid value, as the table above shows. All Cronbach's alpha levels yield significant results; the combined values fall between 0.92 and 0.96. At 0.799, the infrastructure problems had the highest average variance. Infrastructure difficulties have the greatest Cronbach's alpha, at 0.806.

Table 4

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.880
Bartlett's Test of Sphericity	Approx. Chi-Square	8769.534
	df	171
	Sig.	.000

As shown by the KMO and Bartlett test of sphericity in Table 4 above, the sample adequacy is valid, as indicated by the KMO measurement of 0.880, which is over 0.50 and estimates the correlation between variables between the variables.

Table 5

Communalities

	Initial	Extraction
Our perspectives on things are similar.	1.000	.746
we have shared interests and tastes	1.000	.849
we do not have much in common	1.000	.837
our values are similar	1.000	.787
Individuals don't voice their opinions in public.	1.000	.836
We largely keep our opinions to ourselves.	1.000	.812
We routinely discuss issues that are important to us.	1.000	.794
We spend time listening to one another.	1.000	.797
we put issues out in the open, good or bad	1.000	.825
We are open and honest with one another.	1.000	.727
The elder generation's desires are carried out	1.000	.761

There is no doubting the elder generation's authority.	1.000	.726
family members of the older generation set the rules	1.000	.652
Law is the word of the elder generation.	1.000	.838
The authority of younger and senior members is equal.	1.000	.701
Meet leadership performance standards	1.000	.860
comparison to leadership peers	1.000	.829
acting in a leadership capacity	1.000	.814
overall effectiveness as a leader	1.000	.834

Extraction Method: Principal Component Analysis.

The table makes it evident that the all-extraction value exceeds 0.7. Twenty variables are therefore selected in order to move on with the factor analysis of the study. These general indicators are used to do factor analysis on all 19 elements.

Table 6
Total Variance Explained

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.423	28.541	28.541	5.423	28.541	28.541	4.785	25.182	25.182
2	4.758	25.042	53.583	4.758	25.042	53.583	3.670	19.318	44.500
3	3.620	19.052	72.635	3.620	19.052	72.635	3.299	17.366	61.865
4	1.224	6.445	79.080	1.224	6.445	79.080	3.271	17.215	79.080
5	.496	2.613	81.693						
6	.406	2.136	83.829						
7	.393	2.067	85.895						
8	.379	1.995	87.891						
9	.324	1.708	89.599						
10	.273	1.435	91.033						
11	.268	1.412	92.445						
12	.241	1.268	93.713						
13	.227	1.196	94.908						
14	.197	1.037	95.946						
15	.193	1.017	96.963						
16	.168	.886	97.848						
17	.158	.829	98.677						
18	.147	.772	99.449						
19	.105	.551	100.000						

Extraction Method: Principal Component Analysis.

It is clear from the table that the four constructs—which are made up of 19 items—collectively account for 79.080% of the variation.

Table 7
Rotated Component Matrix^a

	Component			
	1	2	3	4
They keep their ideas to themselves and don't publicly voice them, whether they are positive or negative.	.914			
We spend time listening to one another.	.906			
We frequently talk about topics that are significant to us.	.890			
We routinely discuss issues that are important to us.	.889			
We are open and honest with one another.	.853			
Law is the elder generation's word.		.915		
The wishes of the older generation are fulfilled.		.869		
The authority of the elder generation is undeniable.		.850		
older and younger members have equal amounts of power		.834		
family members of the elder cohort set the rules		.807		
acting in a leadership capacity			.882	
overall effectiveness as a leader			.867	
comparison to leadership peers			.840	
Meet leadership performance standards			.820	
Our preferences and interests are similar.				.861
We don't really share many things.				.858
we have similar views on things				.846
We have similar ideals.				.799

Principal Component Analysis is the extraction method used.

Rotation Method: Varimax with Kaiser Normalization.

a. After four repetitions, rotation converged.

Factor 1:

Every item that loaded higher than the permissible threshold of 0.05, or 0.70, as well as those with low factor loading, were removed from the analysis. Consequently, every one of these items constitutes a distinct construct named as **Open Communication**

Factor 2:

Every item that loaded higher than the permissible threshold of 0.05, or 0.70, as well as those with low factor loading, were removed from the analysis. Consequently, every one of these items constitutes a distinct construct named as **Intergenerational Authority**.

Factor 3:

Every item that loaded higher than the permissible threshold of 0.05, or 0.70, as well as those with low factor loading, were removed from the analysis. Consequently, every one of these items constitutes a distinct construct named as **Leadership Effectiveness**

Factor 4:

Every item that loaded higher than the permissible threshold of 0.05, or 0.70, as well as those with low factor loading, were removed from the analysis. Consequently, every one of these items constitutes a distinct construct named as **Cognitive Cohesion**.

Structural Equation Model

Initial Model

Modified Model

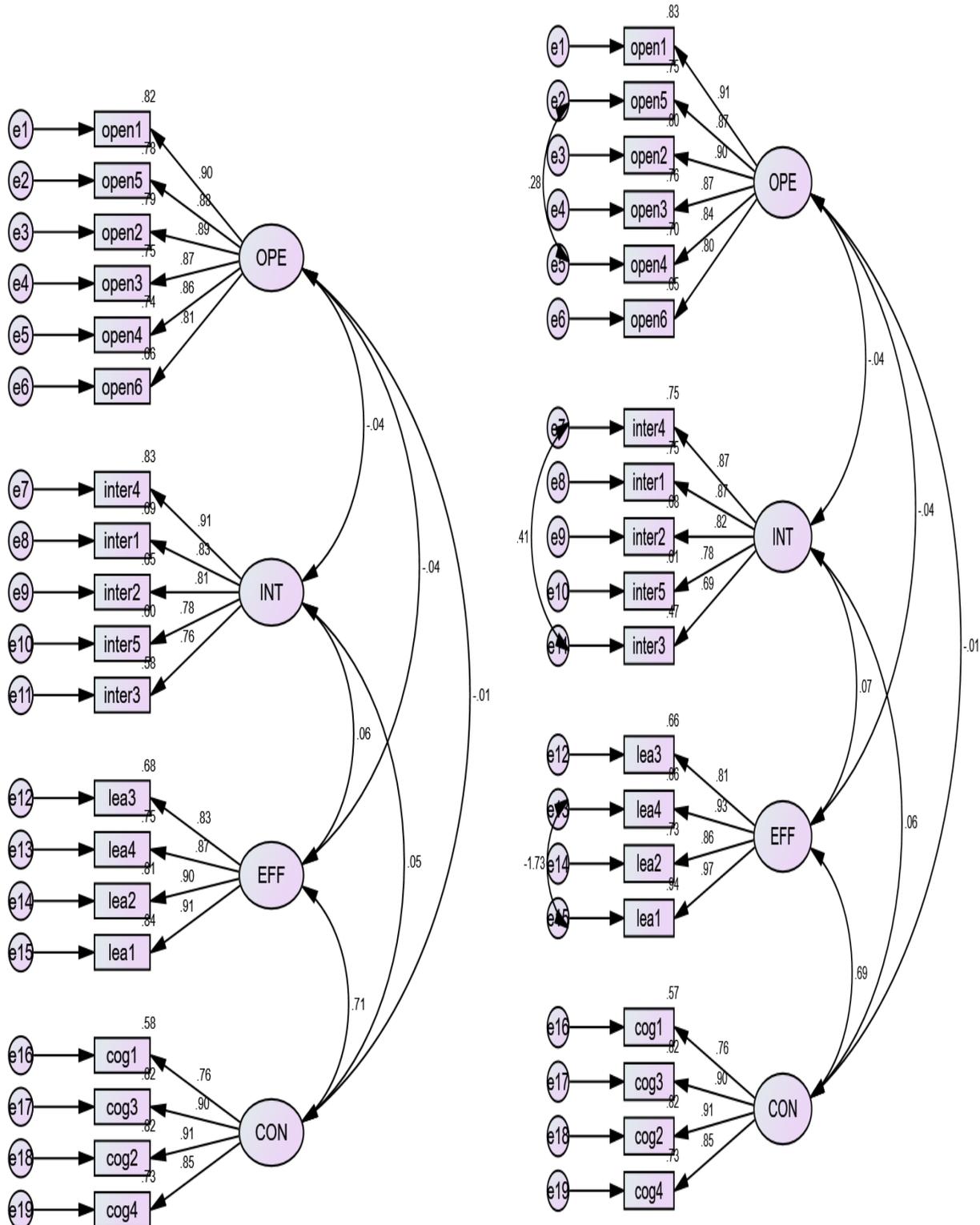


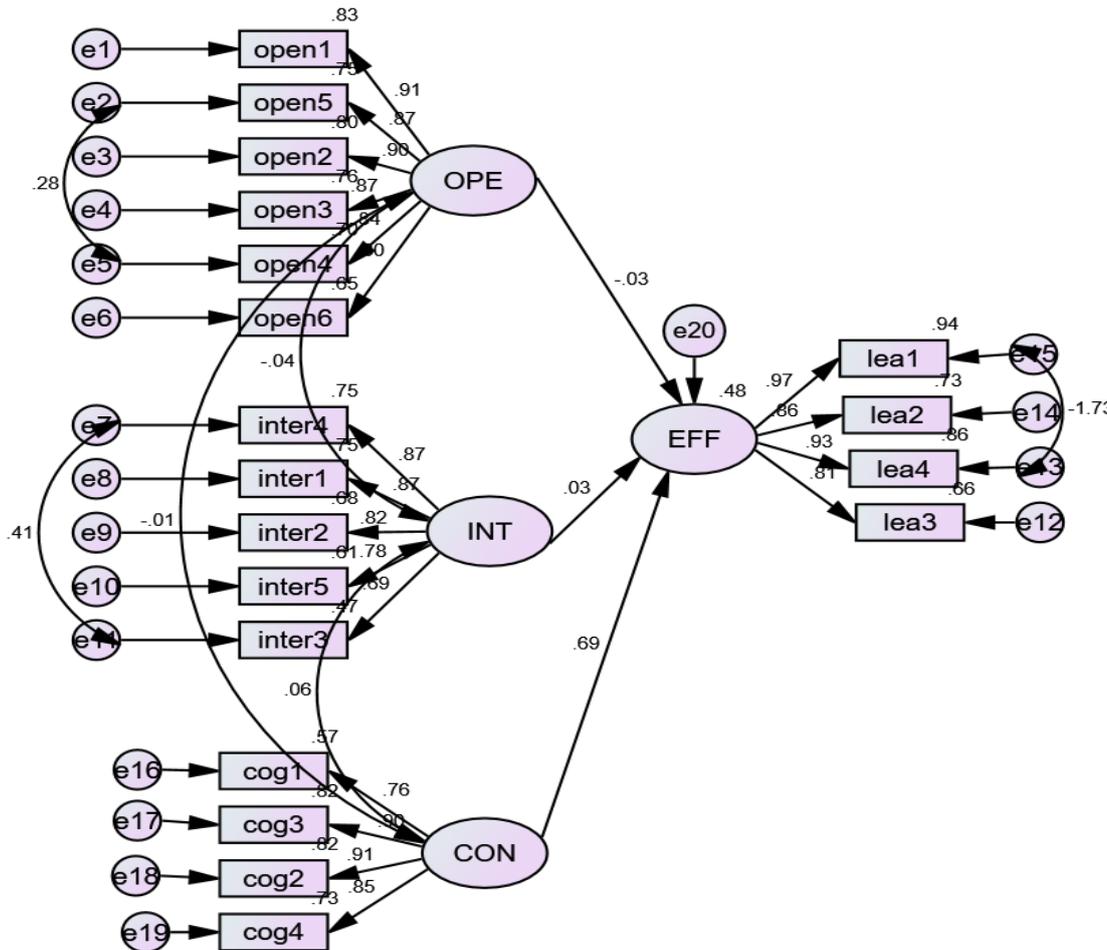
Table 8

Change in Fit Statistics Due to Error Interaction

Model	χ^2/df	GFI	AGFI	CFI	TLI	NFI	IFI	RMSEA	RMR
Before Error Correction	3.488	.913	.887	.958	.951	.943	.958	.068	.030
After Error Correction	2.217	.944	.926	.980	.976	.964	.980	.048	.028

Source: The model proposed in the present research is an over-identified framework that has positive degrees of freedom, as seen in the table that was generated from the AMOS output.

Structural Equation Model and Testing Hypotheses



Regression Weights:

Table 9

			Hypothesis	p Values	Results
Leadership Effectiveness	<---	Open Communication	H1	.193	Supported
Leadership Effectiveness	<---	Intergenerational Authority	H2	.004	Not Supported
Leadership Effectiveness	<---	Cognitive Cohesion	H3	***	Not Supported

We evaluated hypotheses after verifying measurement characteristics, reliability, and discriminant and convergent validity. Intergenerational authority was found to have an impact on the efficiency of leadership ($p = 0.193, p > .050$). H1. The path value of the association between Intergenerational Authority and Leadership Effectiveness was not supported ($p = 0.004, p < .005$). H2. The path value of the association between Cognitive Cohesion and Leadership Effectiveness was not supported ($p = 0.000, p < .005$). H3.

Conclusion

Until at least the next century, family-owned enterprises would continue to have a bigger influence on the global economy. For instance, there is a high demand worldwide for training on family-managed businesses. More than sixty institutions in the United States offer family business programs. Universities that hold business conferences, provide case study modules, create specialized curricula on family

businesses, and engage in family business research consortiums include Harvard University and University of California. Family company owners should respect the elders in the industry and put their newfound knowledge to use by implementing contemporary methods. In a same vein, the elder generation must embrace the engagement, ideas, and opinions of the younger generation. These insights might help family businesses operate peacefully across the generations and secure a long-term place in the Indian economy.

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