ROLE CONGRUITY’S IMPACT ON CORPORATE GOVERNANCE IN FAMILY BUSINESSES

Dr. Anjali Gokhru & Siddhartha Saxena

Abstract
Aim: Although there is a growing body of literature on family businesses, little is known about whether gender differences that are said to occur in while being in family businesses and also in the succession part of it. Do these differences exist when individuals negative feedback responses when they are headed by a female manager. In addition, relatively little is known regarding gender effects related to evaluation and acceptance of the family business leaders is very much questionable. Even if it is family business there is a strong presence of gender stereotypes being present. The paper focuses on understanding the negative interactions that take places when the family businesses are moving towards succession planning and expansion plans.

Method: We are using a statistical analysis of data from 40 family businesses and coding it using Furrman's instruments on 7 negative dimensions namely antagonism, conflict, pressure giving negative feedback to name a few. The sample is taken from 40 family businesses who are in there second generation and are moving towards succession which is considered a point of dynamic changes in organisations.

Research instrument: We are simply providing descriptive statistics of all the 7 emotions that add up towards role congruence for corporate governance

Objective: The objective of the paper is to identify the role congruence and decisions issues that come up in picture within family businesses while focusing on each of the stakeholders within the organization.

Keywords: Decision Making, Emotions, Negative, Role congruity

Introduction
Family business considers family activities to constitute the whole gamut of enterprises in which an entrepreneur or next-generation CEO and one or more family members significantly influence the firm. They alter it via their managerial or board participation, their ownership control, their strategic preferences of shareholders, and the culture and values family shareholders hold impacts the enterprise. Participation in this context refers to the nature of the involvement of household members in the business—as part of the management team, as board members, as
shareholders, or as supportive members of the family foundation. Ownership control refers to the rights and responsibilities family members derive from significant ownership of voting shares and the governance of the agency relationship. For FCBs (Family-centric businesses) that plan to pass the business on to the next generation, time horizons extend well beyond the tenure of any one leader. The 2003 Mass Mutual/Raymond Institute Survey of family businesses reveals that the vast majority of family business owners and leaders intend to keep the business in the family and the family in the business. So the owners and executives of many FCBs preoccupy themselves with the health and reputation of the company—not just over the coming years, but for decades to come (Miller & Le Breton-Miller, 2005). They want to leave the business in good condition for their heirs. This again is an incentive for long-term investment, and is expected to be especially prevalent where a family CEO or active chairman runs the business and plans to pass it to his or her own children. Thus succession and leadership becomes an important factor to look at and to gauge that particular part we require help of identifying the negative emotions that may gauge up the understanding of the roles and the mechanisms of governance. Governance cannot be depended just on leadership but it depends on multiple interactions as well.

**Family business and Leadership**

Family business considers family activities to constitute the whole gamut of enterprises in which an entrepreneur or next-generation CEO and one or more family members significantly influence the firm. They alter it via their managerial or board participation, their ownership control, their strategic preferences of shareholders, and the culture and values family shareholders hold impacts the enterprise. Participation in this context refers to the nature of the involvement of household members in the business—as part of the management team, as board members, as shareholders, or as supportive members of the family foundation. Ownership control refers to the rights and responsibilities family members derive from significant ownership of voting shares and the governance of the agency relationship. Strategic preferences apply to the risk preferences, and strategic direction family members set for the enterprise through their participation in top management, consulting, the board of directors, shareholder meetings, or even family councils. Culture is the collection of values, defined by behaviors, which become embedded in an enterprise as a result of the leadership provided by family members, past and present, family unity and the nature of the relationship between the household and the business. Being unique in their attributes, they are also unique in the assets and vulnerabilities that they bring to the marketplace. Family businesses that have been built, recognize the necessity to thrive under the tension between preserving and protecting the core of what has made the business successful and promoting growth and adaptation to changing competitive dynamics.

In this sense, leadership does matter for business success (Fiedler, 1996) for three reasons. First, family firms may have different goals than compared to publicly owned companies in e.g. non-performance-oriented goals, such as employment for family members, may take precedence over the goals of growth and profitability (Chua, Chrisman, & Steier, 2003). Second, when compared to non-family firms, family businesses have a greater potential for long-term conflict among involved actors (Morris, Williams, Allen, & Avila, 1997). This may lead to unclear precedence sent in the firm, where managing family members roles becomes more important that organisation’s goal to achieve targets, we have seen disaster like Kingfisher group on the same lines, where too much diversification by Vijay Mallya and underpreparation of Siddharth Mallya lead to disaster the company is in. Finally, the process of leadership succession is keenly perceived as critically important for family firms than it is for non-family businesses because of
a stronger link of the family to business survival (Rubenson & Gupta, 1996). Furthermore, it is worth mentioning that a research gap also exists in the family business literature because of the continuing focus of investigation on the founder of the business as a starting point for research (Handler, 1990).

**Objective:**
The objective of the paper is to identify the role congruence and decisions issues that come up in picture within family businesses while focusing on each of the stakeholders within the organization.

**Current Trends**
Although some may argue that gender stereotypes are diminishing, particularly in the workplace, recent Gallop Poll responses confirm that stereotypical attitudes regarding leadership and gender still exist. For instance, when it comes to choosing a boss, people still prefer men (Simmons, 2014: January 11). In addition, employees see women as emotional and affectionate, and men as more aggressive. Powell, Butterfield, and Parent (2002) performed a recent study which assessed attitudes about women managers. They gathered data from 348 undergraduate and part-time graduate business students. They found that although stereotypes about managers place less emphasis on masculine characteristics than in earlier studies, a good manager is still perceived as having a predominately masculine skill set (i.e. autocratic, decisive, assertive, etc.) (Powell et al., 2002). Heilman (2014) has noted that the glass ceiling is a natural consequence of gender stereotypes and the subsequent expectations stereotypes produce about what women are like and how they should act. She also proposed that stereotypes in the workplace often manifest in evaluation bias. She claims that bias in performance evaluation is the primary cause for the glass ceiling because when women receive inadequate leadership performance ratings, they are less likely to be selected for leadership positions. Bartol (1999) also noted that an important area of study relating to the advancement of women in organizations is whether there are systematic gender differences in performance evaluations.

**Need Of The Study**
Although there is a growing body of literature on family businesses, little is known about whether gender differences that are said to occur in while being in family businesses and also in the succession part of it. Do these differences exist when individuals negative feedback responses when they are headed by a female manager. Leader. In addition, relatively little is known regarding gender effects related to evaluation and acceptance of the family business leaders is very much questionable. Even if it is family business there is a strong presence of gender stereotypes being present. There is an opportunity here to explore how past findings regarding gender differences can be used to point out the simple but under stated complications. In addition, we need to explore what unique questions need to be answered regarding the role of stereotypes in the context of a feedback system. Therefore, the purpose of this research is to explore the theories which help to explain gender differences in evaluation and generalize and test those theories in the context of a leadership acceptance of gender presented.

**Rationale for choosing family businesses**
Most of the identified family business best practices are aimed at ensuring not only family business success but, also, long-term family business continuity and succession. In the best practice approach, the success of family businesses appears to be so inextricably tied to, and
dependent on, long-term continuity and succession as to be identified with it. However, not all family owned and managed businesses either aspire to long-term continuity and succession, or are capable of achieving it. Research indicates that a high proportion of family business owners plan to sell their businesses (Smyrnios & Dana, 2006, 2007). Accordingly, many family businesses do not survive beyond the first generation not necessarily because of failure, but because their owners make a positive choice to harvest (Bierly, Ng, & Godfrey, 1999, p. 607). Small business management research overall has shown that the business planning leads to better financial performance (Ibrahim et al., 2004), but a close examination of that relationship reveals a more complex picture focusing primarily on type, nature and extent of management (Danes et al., 2008b). Danes et al (2007) identified 10 business strategies which were factored into three categories namely business management, quality management and financial management. In a study of integrated inter functional approach to quality management (Danes et al., 2008) not only the business management practices but also the entrepreneurial management and firm owner values has effect on the financial and the quality of the organization. Although there is no agreement in literature on how to measure the “Familiness” of the family business but Danes et al (2007) Family influence in the firm is what makes the family businesses unique entities (Chua et al. 1999). This is because in family businesses as in no other organisational form, the family and the business are “inextricably intertwined” (Perason et al., 2009, p. 966). Family influences results from the overlap of the family and the business social systems. More specifically, if decisions are made in family businesses they are made with a dual system of family and business context to be kept in mind together. There is a very limited research on the work of HR strategies specifically towards succession planning. According to McCann et al (2001) management as well as family talent and resources are ranked at top in terms of sustainable business practices. Literature found significant differences in professional practices for succession in Family business versus non family business. Gender Stereotypes and Social theory acceptance are one of the most understated research area in this segment thus we need to look at growth of each opportunity with caution.

The complexity of Family businesses

To understand the complexities associated with family business we focus on two theories that give good spectrum of understanding of the issues involved. First, a model where differences in rationalities—family, business, and owner points of view forces—entrepreneurship, managerialism, and paternalism—can easily cause conflicts. Johannisson and Huse (2000) define this ideology as “a consistent and permanent way of perceiving and appreciating the world that, accompanied by an emotional commitment, generates a particular mode of conduct” (p. 356).

As Johannisson (1999) and Johannisson and Huse (2000) report, a family business system is often a ideological combination of:

• Entrepreneurship as an ideology (entrepreneurialism)
• The family institution as an ideology (paternalism)
• Management as an ideology (managerialism)

This kind of situation is, perhaps, the most typical one in small- and medium-sized family firms. Within small family businesses and SMEs the business has not grown large enough that every one operates in separate domains, thus there is intersection of all these three
Family business in India

Family business groups have dominated the private sector of the Indian industry since India’s independence from Britain in 1947. Old-line business families in India have seen both great opportunity and great hardship as socialistic governments and have struggled with the control of economic development. At the time of independence, most of the Indian manufacturing industry in the organized sector was in the hands of Indian families that had promoted these enterprises, for example, Tata, Birla, Sahu Jain, Walchand, Thapar, and Singhania families (Manikutty, 2000). Given an underdeveloped economy and the government’s hold on most of the key business opportunities, family groups became the response and quasi solution to inefficient markets. The family’s government contacts and political goodwill led to more investment opportunities. Their access to capital from past profits was a unique resource in a country with virtually no financial markets. Their good reputations and training opportunities drew the most competent managers and helped them survive economic cycles. In short, the family business enterprises were the economy and the economy’s market infrastructure at the same time. This system of intertwined economic activity was reinforced by the cultural norms of the times. Most Indians lived in “Hindu joint families” – three generations under one roof from grandparents to grandchildren; reconsolidating the business into a “one business” concept (Lalbhai Group), to make necessary resource allocation decisions without alienating family interests (Murguppa group) and building a single public identity.

Role Congruity Theory.

Recently, Eagly and Karau (2002) presented their Role Congruity Theory which builds on the ideas in Social Role Theory and the Lack of Fit Model. The theory itself integrates the social psychology perspectives regarding stereotyping with the industrial/organizational psychology perspectives on perceptions of leadership and management roles. There is an emphasis in Role Congruity Theory on the “gender” role as opposed to the “social” role discussed in Social Role Theory. Where social roles are socially shared expectations applied to persons belonging to a certain social position or social category gender roles are consensual beliefs about the attributes of men and women (Eagly & Karau, 2002). Role Congruity Theory contrasts with classic stereotype theories which portray prejudice as arising from unfavorable stereotypes toward a social group. From that perspective, the lack of women in top leadership positions would be attributed to a negative stereotype toward women in general. However, such a context-free theory could not explain why there is bias against women in some roles and not others (Eagly & Karau, 2002). The basic philosophy behind Role Congruity Theory, then, is that women in organizational leadership roles are perceived as being role incongruent because the role of a leader is inherently agentic. Eagly and Karau (2002) claim that “the potential for prejudice exists when social perceivers hold a stereotype about a social group that is incongruent with the attributes that are thought to be required for success in certain classes of social roles. When a stereotyped group member and an incongruent social role become joined in the mind of the perceiver, this inconsistency lowers the evaluation of the group member as an actual or potential occupant of the role” (Eagly & Karau, 2002; p. 574). Therefore, Role Congruity Theory suggests that bias toward female leaders generally follows from the incongruity that individuals perceive between the characteristics of women and the requirements of a leadership role. According to Role Congruity Theory, the perceived incongruity between leadership roles and the female gender role leads to two types of bias against female leaders. First, individuals may perceive women less favorably than men as potential occupants of leadership roles. Second, individuals may evaluate behavior that fulfills the prescriptions of a leader role less favorably when these
behaviors are performed by a woman. Consequences of these forms of bias include less favorable attitudes toward female as opposed to male leaders, and increased difficulty for women trying to advance into leadership positions. In presenting their Role Congruity Theory, Eagly and Karau (2002) reviewed evidence from various studies that substantiates these proposed consequences.

Research Gaps

1. There is lack of study in on role congruity and its impact in Indian Family business scenarios. (Yotter, Rider, 2011).
2. Role congruity talks about how your acceptance does get affected by your social roles, there are studies on gender stereotypes in on Indian working women but with reference to analysis on family businesses.
3. Damas (2014) work on family businesses clearly point out these research gap and also suggest that how we need focus on this untouched area.
4. Family businesses sector provides an ideal place where there is lack of studies on women’s growth (Gupta V, 2009).

Research Method

We used network questinaire which is used to map up the relations, the behaviour and the quality of ties that exist between people who are working at a particular space. For the sampling purpose we were dependent on the merchant associations data base to give us the details regarding second generation family businesses that might be existing at a particular place. Our sample belonged to Ahmedabad only and we used convenience sampling. The current paper shows data of only the pilot survey which was done on 40 family businesses in Ahmedabad. As this is only a representation of the pilot data, we are using descriptive statistic to represent the number. The data is shown of only of the life partner and the venture partner as Anderson & Reeb, 2003; Anderson, Mansi, & Reeb, 2003; McConaughy, Matthews, & Fialco, 2001) have strongly suggested that they are the most important people who help in taking decisions within the family businesses. The questinaire was 24 question placed on likert scale of 1 to 5, where 5 was most and 1 was minimum. The cronbach alpha calculation showed values of 0.792 on pressure, 0.763 on dominance and 0.832 on Criticism which shows the validity of the questianire and the application within the time period.

Data Analysis

We did a simple descriptive statistics test of three major negative qualities that have said to have negative effect on proving up the role congruity in when it comes to the governance issues within the family businesses. The aim is to highlight the strong presence of these three qualities that might affect the way decisions are being taken up within the family businesses and it will affect the role congruity and the acceptability within the family business.

Table 1) Showing Descriptive Statistics of three negative qualities from two major contributors in family businesses.
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<table>
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<th>Mean</th>
<th>4.711656</th>
<th>Mean</th>
<th>4.558282</th>
<th>Mean</th>
<th>4.779141</th>
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<tbody>
<tr>
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<td>Standard Error</td>
<td>0.195592</td>
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<td>0.223247</td>
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<tr>
<td>Median</td>
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<tr>
<td>Standard Deviation</td>
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<td>Standard Deviation</td>
<td>2.497154</td>
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<td>2.850221</td>
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<tr>
<td>Confidence Level(95.0%)</td>
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<td>Confidence Level(95.0%)</td>
<td>0.386239</td>
<td>Confidence Level(95.0%)</td>
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**Venture Partner**

<table>
<thead>
<tr>
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<th>Criticism (CRI)</th>
<th>Pressure (PRE)</th>
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<tbody>
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**Analysis**

One major point that turns out from the above analysis is that the three negative qualities that have been identified to contribute towards the role congruence in family business have significant role to play. One important aspect that needs to be looked at that the mean and the standard deviations are strong. Although the data representation is limited to three aspects only. These three have the maximum influence on providing up of the secure base within the family business and also encouraging how things are going to work out for various stakeholders in the organisations. The strong presence of these three also indicate why role acceptance as per the role congruity theory won't be an easy part.

**Conclusion and Discussion**

There are a number of qualifying conditions that make it more likely for a family business to embrace time horizons and investment policies. It is true that the vast majority of family enterprises remain small. The incidence of family firms in fields such as franchising, trading, and small-scale manufacturing suggests that this mode of governance has parsimony and efficiency advantages in numerous industries and at certain stages of the value chain. The geographical ubiquity of the family firm is suggestive of a universal governance advantage in small-scale production units relative to other governance modes. However, the growth and dominance of business groups in emerging markets suggest that family firms are capable of transcending the size constraint implied by the “thick social wall” thesis, and that some aspects of family firm advantage are characterized by scale economies that drive firm growth. It is probable that the efficiency advantages of family governance diminish with large firm size. A better candidate for scale economies is social capital. This social capital can be gained only by having the major contributors on the board. Family business have to balance out an important aspect between personal growth of family members and the professional growth of the firm. A cohesive ownership group committed to goals and values that include but supersede financial
considerations can lower the business's cost of capital. Thus, a family ownership group organized to sustain in the service of cherished values represented in the conduct of its business can be the most potent force for family business continuity and persistence. GMR by makes its own constitution and Reliance has successor planning module. The challenges become larger when it comes to cross generational leaders as there mechanisms and ideas may not be same, and this may have the risk of clash among the leaders. Wagh bakri group is a good example of the same and thus when three generation of leaders work together value systems, culture of empowerment and mentoring becoming important as indicated in table 1. The market evidences respect for long-lived family businesses that play upon their heritage. Not surprisingly some of these firms have not been operated by the same family businesses for a lifetime. Though longevity across generations is the common family business objectives, which can be unreasonable. Social interaction within the firms becomes essential for organisation to survive drastic changes, these social interactions can be with external stakeholders like going to a consultancy group to bring about changes in the organisation, or contrary to it in other cases the leadership may not be ready to take up the reins but the mentors within the business (parents) will make things possible. Family business having distributed leadership centres will face problems in terms of having multiple accountability centre which can be an disabler.
In addition to contribution towards the debate of leadership in family businesses, the literature can contribute towards how start-ups and diversification within family businesses and can grow using the same mechanism. Bootstrapping ventures and intrapreneurship within the organisation has changed the way companies grow organically in future.

Future Research
The authors would strongly recommend that the research can be taken up further using network theory and mapping behaviour and relationship part of the family businesses. The authors are currently working on the same to also compare the role congruence that exist between various nature of stakeholder within the family businesses.

References


