

# **AN EXPLORATORY STUDY OF THE DETERMINANTS OF FAMILY HARMONY IN FAMILY BUSINESSES**

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## **ABSTRACT**

Family businesses are the backbone of almost every country on earth, but their contributions towards local, national and the global economies have been and are still underestimated by millions of people. Family businesses can range from very small businesses to multinational empires found in every country and city one can think of, covering all household items, industrial equipment, automobiles, hotels and many more.

Millions of people would be jobless if it was not for family businesses, but many have also lost their jobs due to the inability of families to solve their differences in order to sustain their legacy's existence. Many possible reasons exist for these businesses that have failed, but one of the most common reasons is a lack of family harmony within families.

The main objective of this study is to evaluate the determinants of family harmony of family businesses and to make recommendations to enable family businesses to obtain family harmony to ensure the future continuity of family businesses.

The research was conducted by means of a literature review and an empirical study. The purpose of the literature review was to gain an in-depth knowledge on family businesses. Specific topics covered in the literature review include; definitions of family businesses, the uniqueness of family businesses, the advantages and disadvantages of family businesses, family harmony, the determinants of family harmony and perceived future continuity. The determinants or constructs of family harmony were empirically tested in twenty-nine family businesses by means of a structured measurement instrument (questionnaire) and subsequently evaluated. A total of one hundred and twenty questionnaires were collected from participating family businesses. Eighty-one of these respondents were actively involved in the day-to-day activities of the family business; the other thirty-nine respondents were inactive.

The reliability of the questionnaire was determined by calculating the Cronbach alpha coefficient of the constructs. None of the constructs' Cronbach alpha coefficients were lower than the routine cut-off value of 0.70. This suggests that the questionnaire used in this study to measure the latent constructs has acceptable reliability and can be accepted as internally consistent.

The evaluation of the constructs determining family harmony revealed that the average score ranges between ( $\bar{x} = 6.250$ ) for the construct, family commitment, and ( $\bar{x} = 4.350$ ) for the construct corporate governance. This indicates a high level of agreement with the statements / items concerned with family commitment and a relatively low agreement with the statements / items concerned with corporate governance.

The correlation between the dependent variable, family harmony, and the independent variables revealed that based on Cohen's rules, it is evident that the independent variables, non-family members ( $r = 0.313$ ), governance ( $r = 0.392$ ) and inactive family members ( $r = 0.465$ ) have a medium effect on the dependent variable, family harmony. The rest of the independent variables, however, have a large or practical significant effect ( $r > 0.50$ ) on the dependent variable, family harmony.

No practical significant differences could be found between the means of the demographical variables and the constructs.

Practical recommendations are suggested to improve family relationships in family businesses.

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