



## **FIRST GENERATION GRADUATES TOWARDS ENTREPRENEURSHIP, WITH REFERENCE TO THIRUVALLUR DISTRICT, TAMIL NADU, INDIA**

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### **ABSTRACT**

*Survival and motive of financing in family business in the decision of decedents is based on their perspective towards venturing attitude. In general, the more distant in the past the person who created the wealth, the more cases his or her descendants will lose it. The studies conducted by the Harvard Business Review along with family business institute resulted that the survival status is below 30 percent of family business in second generation and it is more only 30 percent of family-owned businesses survive into the second generation and it is more feasible to the extent of 12 % into the third generation. Finally 3 % only operate in 3 rd and 4 Th generations. The long gap is found in past literature review with regard to the factors influencing the first generated literates towards the venturing attitude in continuing the family business finance. The Researcher conducted exploratory study with reference to Thiruvallur district district in Tamil Nadu after conducting pilot study. 650 first generation educated respondents were selected from the family business and their present perspective was analyzed towards financing family business. The 100% confidence resulted with 621 were participations. All the primary data that were collected analyzed with the SPSS statistical software. The result of the study depicted that venturing attitude has reduced due to the influencing factors of globalised competitive status and education has paved the way for their confidence in survival rather exert in painful risk towards financing family business.*

### **INTRODUCTION**

Venture financing perspective was found vehement in the first generation of the illiterate family with the thirst of achieving high in either financially and esteem in the society. Some with born quality in wealth creation and entrepreneurial qualities. Family business financial attitude initiated by both husband and wife and they enjoy the result of their toiling work. They are trying to handover their business and impart the vitality of expanding finance towards family business. But Survival of Family business in descendent transform with the motive of expansion or contraction is based on the next generation and their perspective towards venturing attitude. In general, the more distant in the past the person who created the wealth, the more likely his or her descendants will lose it. The studies conducted by the Harvard Business Review along with family business institute resulted that the survival status is below 30 percent of family business

in second generation and it is more only 30 percent of family-owned businesses survive into the second generation and it is more feasible to the extent of 12 % into the third generation. Finally 3 % only operate in 3<sup>rd</sup> and 4<sup>th</sup> generations. Understanding the importance of financial literacy for the next generation finance in family business, they endow for making their next generation strong in the financial literacy. Imparting financial education to their wards with the hope that those future generations will maintain and build their inherited wealth and thereby permanently outdate the old shirtsleeves adage. But there were no study undertaken for about 10 years in connection with the first generated educated perspective towards further family business finance. Thus researcher conducted with respective of factors influencing towards the changing perspectives towards first generated educators changing attitude towards family business finance.

## LITERATURE REVIEW

Accounting to by Christian Weber CEO, Karlsberg Brauerei, Germany and his Next Generation Survey of Family Business Leaders / April 2016 268 interviews with family business next generation in 31 countries resulted that 47% percentage are really interested to establish new entrepreneurial venture to run as succession. [www.pwc.com/nextgen](http://www.pwc.com/nextgen). According to Miller et al. (2008) this stagnation perspective can manifest itself in several ways, such as a lack of financial and managerial resources often found in family firms, risk-averse and conservative behavior, reluctance to growth, and the short-lived nature of many family firms resulting from the former “weaknesses.” The authors conclude by suggesting that the stagnation perspective can become particularly relevant to explain the characteristics and behavior of family businesses developing over generations. Several studies are based on the idea that when family firms move from one generation to the next, their goals change, which can result in stagnation. First-generation family firms are more business oriented than are later generation firms, which are more family oriented, and firms with a business orientation have a higher capacity to grow (Cromie, Stevenson, & Monteith, 1995; Dunn, 1995; Reid et al., 1999). According to Ward (1997a), increased conflicts among family members are one of the main reasons behind the stagnation of a family business. Blanco-Mazagatos et al. (2007) point to the increasing weakness of family ties and problems of opportunism and altruism over the course of generations. Davis and Harveston (1998, 1999) introduced the idea of “generational shadow.” This term refers to those successions that prove to be incomplete because of the continuing influence of older generation family members who no longer directly control the company. Davis and Harveston further show that the generational shadow cast by the founder is much greater than the generational shadow cast by subsequent generations. They also point to the effect of organizational learning that occurs in companies that have already experienced a succession. Villalonga and Amit (2006) examine the impact of family ownership, control, and management on firm value. Their results show a no monotonic relation between generation and firm value. Descendant CEOs seem to exert a negative effect on firm value that is totally attributable to second-generation family firms. Successors often need to borrow high amounts of capital to buy the shares of the company, which requires them to draw money out of the business through higher salaries or dividend payments to pay off their mortgages and interests (Bjuggren & Sund, 2001, 2005). This contrasts with the findings of Perez-Gonzalez (2006), who observes that especially third-generation family firms are less profitable in running their business, given the significant declines in return on assets of these companies compared to family firms in which control is handed over from the first to the second generation. Perez-Gonzalez argues that promoting family CEOs in publicly traded corporations can significantly hurt performance

because of the lower talent of family descendants. he study of Morck and Yeung (2003) brings forward that lower growth can be expected in firms controlled by descendants as the latter might be less hard working and less able compared to the founder as the real entrepreneur. Zahra (2005) and Fernández and Nieto (2005), for example, find that when new generations of family members become actively involved in the company, wealth increase and strategic renewal become more important. The underlying argument is that with each succession in a firm, new family members bring fresh knowledge and insights into the company, which positively affects the incentives to innovate, internationalize, and grow. Diwisch, Voithofer, and Weiss (2009) identify a significant positive effect of past succession on the performance of Austrian SMEs. Sraer and Thesmar (2007), on the other hand, does not find any relation between performance and generational renewal in listed family firms in France. according to De Massis, Chua, and Chrisman (2008), the tax burden that may result from a transfer in ownership during the succession can put a serious strain on the family firm's resources

### OBJECTIVES OF THE STUDY

There are four fold objectives on the basis of next generation family business finance interest and motivation are framed for the study 1) To understand the correlation between Perception towards running business after globalization and interest towards family business finance 2) To find out the extend of interest from the First generation liberators towards financing family business 3) To know the Preferences of first generation literates either towards job or family business 4) To understand the most important factors affecting in succession plan in financing family business.

### RESEARCH METHODOLOGY AND DATA ANALYSIS

Researcher conducted in the aspect of appreciating interest level of first generation liberation in family business further finance for the extension of the business. Their perceptions were analyzed with the primary data collection in both quantitative and qualitative approach to explore the descriptive or ex post factor results. The self administered questionnaire framed after completion of pilot survey. Closed ended type of questionnaire administered with a view to get answers "Yes or NO". Statements of questionnaire were grouped into current society trends after globalization, educational influences towards continuity of family business, preferences towards job or family business, factors affecting in succession plan in the business family. By testing internal consistency and reliability of the responses the reliability coefficients calculated. Before distributing the questionnaire a pilot test was conducted. Primary data was analyzed with the help of software tool SPSS. The responses were collected from the HR personal on the basis of the following:

<b>Perception towards running business after globalization</b>
1) Globalization drives away domestic business.
2) My father was traditional but my scenario is modern
3) Government encouragement is ok but effective implementation is weak.
4) I want to work smarter way not harder way
5) Fore sighting payback period is formidable
6) Raising fund is possible. But risk taking is not advisable
7) Debt management cannot be efficient

<b>Fist generation liberators interest towards financing family business</b>
8) My financial literacy knowledge prefer safer investment
9) I am not educated in Business discipline. So my option is not business
10) Financial strength is prominent rather literacy strength
11) My forefathers were not educated .Thus they had no other go except involving venture
12) My educational knowledge in my discipline will pave the way to earn easy way. So no need to risk
<b>Preferences towards job or family business</b>
13) I want to go job to have strong niche in my discipline of knowledge.
14) Continuing family business is good rather preferring job
15) Multinational corporations job offers the same earning done in my family business
16) Not advisable to prefer job when I have experience in my family business
17) I can move confidently in family business with my family support.
<b>Factors affecting in succession plan in financing family business</b>
18) My family members are supporting to continue in financing family business
19) Present society impact in continuing to finance my family business
20) All Literates should not waste their knowledge in the
21) My family members are pressuring to go for job
22) I am motivated by my friends towards abroad job

**HYPHOTHESIS I:** Null Hypothesis There is no correlation between Perception towards running business after globalization and interest towards family business finance

Answers/variable no	1	2	3	4	5	6	7
Yes	321	343	351	452	378	289	358
No	140	187	189	178	122	256	141

*Note: Numerical numbers represents variables as stated in grouped data*

The questionnaire drafted for the purpose of recognizing the relationship between Perception towards running business after globalization and interest towards family business finance. Resulted with seven variables. There are 321 respondents responded “yes” and 140 “No” for the variable Globalization drive away domestic business... For the variable number (2) my father was traditional but my scenario is modern 187 managers responded “no” and 343 responded “yes”. In relation to variable 3, Government encouragement is ok but effective implementation is weak, 189 respondents mentioned “no” and 351 respondents answered “yes”. The 4<sup>th</sup> variable I want to work smarter way not harder was responded as “No” from 178 and “Yes” from 452. As for as 5<sup>th</sup> variable concerned “Fore sighting payback period is formidable”, there are 122 responded “No” and 378 responded “Yes”. 289 responded “yes” and 256 responded “No” to the variable “Raising fund is possible. But risk taking is not advisable” In connection with question 7<sup>th</sup>, Debt management cannot be efficient there were 358 answered “yes” and 141 answered “No” Result Details & Calculation: X Values  $\sum = 1463$ , Mean = 209,  $\sum(X - Mx)^2 = SSx = 42776$ , Y Values  $\sum = 2242$ , Mean = 320.286,  $\sum(Y - My)^2 = SSy =$

58415.429, X and Y Combined,  $N = 7 \sum (X - M_x)(Y - M_y) = -42124$ , R Calculation:  $r = \frac{\sum ((X - M_x)(Y - M_y))}{\sqrt{(\sum (X - M_x)^2)(\sum (Y - M_y)^2)}} = -0.8427$ , Meta Numerics (cross-check),  $r = -0.8427$  Key X: X Values Y: Y Values  $\sum M_x$ : Mean of X Values,  $\sum M_y$ : Mean of Y Values :X -  $M_x$  & Y -  $M_y$ : Deviation scores  $(X - M_x)^2$  &  $(Y - M_y)^2$ : Deviation Squared  $(X - M_x)(Y - M_y)$ : Product of Deviation Scores. The value of R is -0.8427. This is a strong negative correlation, which means that high X variable scores go with low Y variable scores (and vice versa). The value of  $R^2$ , the coefficient of determination, is 0.7101. As a result hypothesis one is accepted.

**HYPHOTHESIS 2: Null Hypothesis:** There is no correlation between First generation liberators interest towards financing family business

Answers /variables Numbers	8	9	10	11	12
Yes	460	254	258	233	250
No	135	101	102	122	134

The response was collected with regard to the Hypothesis 2 depicted for the variable number 8 “My financial literacy knowledge prefer safer investment was answered as “No” by 135 respondents and 460 said “Yes”. The variable 9<sup>th</sup>, “I am not educated in Business discipline. So my option is not business” answered “Yes” by 254 and 101 “No”. The questionnaire stated in the 10<sup>th</sup> as “Financial strength is prominent rather literacy strength” was responded with the answer of “yes” by 258 colleges and 102 selected “No” The variable “ My forefathers were not educated .Thus they had no other go except involving venture” in 11<sup>th</sup> was responded 233 “yes” and 122 were “No” The respondents said “yes” to the extent of 250 and only 134 response “No” for My educational knowledge in my discipline will pave the way to earn easy way. So no need to risk”. Result Details & Calculation: X Values  $\sum = 1130$ , Mean = 226,  $\sum (X - M_x)^2 = SS_x = 10714$ , Y Values:  $\sum = 919$ , Mean = 183.8,  $\sum (Y - M_y)^2 = SS_y = 96132.8$ , X and Y Combined :N = 5,  $\sum (X - M_x)(Y - M_y) = -31698$ , R Calculation =  $\frac{\sum ((X - M_x)(Y - M_y))}{\sqrt{(\sum (X - M_x)^2)(\sum (Y - M_y)^2)}} = -0.9877$ , Meta Numeric’s (cross-check):  $r = -0.9877$ , The value of R is -0.9877. This is a strong negative correlation, which means that high X variable scores go with low Y variable scores (and vice versa). This value of  $R^2$ , the coefficient of determination, is 0.9756. As a result hypothesis two is accepted.

**HYPOTHESIS 3: Null Hypothesis:** There is no correlation between Preferences towards job or family business

Answers/variable Number	13	14	15	16	17
Yes	351	90	459	346	124
No	102	421	103	211	345

Hypothesis 3 responses were manifested that 351 selected the answer “yes” and 102 selected “No” for the variable “I want to go job to have strong niche in my discipline of knowledge”. The next factor “Continuing family business is good rather preferring job responded by 421 “No” and 97 answered “Yes”. The status of answer as “Yes” for the factor

number 15 collected was 459 “yes” and 103 “No” for the. Multinational Corporation’s job offers the same earning done in my family business. The variable numbered 16 is “No” “Not advisable to prefer job when I have experience in my family business” and the response “yes” is given by 346 and 211 respondents answered “No”. The factor 17 obtained answer “No” from 345 respondents and “Yes” from 211 respondents for the variable “I can move confidently in family business with my family support.”. Result Details & Calculation: X Values  $\sum = 3955$ , Mean = 439.444,  $\sum(X - M_x)^2 = SS_x = 53254.222$ , Y Values:  $\sum = 1198$ , Mean = 133.111,  $\sum(Y - M_y)^2 = SS_y = 13654.889$ . X and Y Combined :  $N = 9$   $\sum(X - M_x)(Y - M_y) = -11268.444$ , R Calculation =  $\sum((X - M_x)(Y - M_y)) / \sqrt{(SS_x)(SS_y)}$   $r = -11268.444 / \sqrt{(53254.222)(13654.889)}$  = -0.4179, Meta Numeric’s (cross-check)  $r = -0.4179$ . The value of R is -0.4179. Although technically a negative correlation, the relationship between your variables is only weak (nb. the nearer the value is to zero, the weaker the relationship). The value of R<sup>2</sup>, the coefficient of determination, is 0.1746.” Hence, hypothesis three is partially accepted.

**HYPOTHESIS 3:** *Null Hypothesis:* There is no significant relationship between Factors affecting in succession plan in financing family business

Qualifications/professional preferences	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
Family support	120 (155.18) [7.98]	110 (153.41) [12.28]	240 (153.41) [48.88]	141 (170.40) [5.07]	168 (146.61) [3.12]
society influence	119 (149.60) [6.26]	121 (147.89) [4.89]	230 (147.89) [45.59]	151 (164.28) [1.07]	130 (141.34) [0.91]
Literacy knowledge	268 (254.38) [0.73]	221 (251.48) [3.69]	168 (251.48) [27.71]	320 (279.34) [5.92]	300 (240.33) [14.81]
Family pressure for job	138 (138.84) [0.01]	154 (137.26) [2.04]	150 (137.26) [1.18]	121 (152.46) [6.49]	134 (131.18) [0.06]
Peer group motivation	405 (351.99) [7.98]	432 (347.97) [20.29]	250 (347.97) [27.58]	420 (386.52) [2.90]	260 (332.55) [15.83]

Hypothesis 4 resulted that 120 my family members are supporting to continue in financing family business under strongly disagree, 110 disagree, 240 Nutral, 141 agree 168 strongly agree. As for as social influence towards family business finance represented by 119 strongly agree, 121 responded disagree, 230 was neutral, 151 responded disagree, 130 grouped into strongly disagree. The responded d in the way of literacy knowledge responded 268 strongly agree, 221 agree, 168 neutral, 320 disagree, and 300 strongly disagree. The variable family pressure for job resulted 138 strongly agree, 154 agree, 150 neutral, 121 disagree, 134 strongly disagree. The variable peer group motivation took part for strongly agree 405, 432 agree, 250 Neutral, 420 disagree and 260 strongly disagree... The chi-square statistic is 273.2844. The  $p$ -value is  $< 0.00001$ . The result is significant at  $p < .05$ . Hence the hypothesis 4 is accepted.

## LIMITATIONS OF THE STUDY

The study focused only Thiruvallur district district. Dimensions and variables of the study are narrow. The study should have been conducted with the schedule in order to avoid

possibilities of wrong responses from the questionnaire. The study area should have been extended other states in India for including cultural impact.

## CONCLUSION

There is correlation between Perception towards running business after globalization and interest towards family business finance. It results that globalised competitiveness has impact in continuing family business among first generation educators. There is no correlation between First generation graduates interest towards financing interest towards family business there is correlation between Preferences towards job or family business as a result first generation educators preference found towards employee status instead of becoming employer. There is no significant relationship between Factors affecting in succession plan in financing family business with respect to result of chi-square analysis test. The perception of first generation literate significantly found different in continuing their finance towards family business. Hence the family business finance decision is depended variable on the various perceptions of first generation literates.

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