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Abstract

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Keywords

Decision-Making, Family Firms, Manager, Owner, Owner-Manager, Sri Lanka, Qualitative Case Study

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Previous studies of family businesses have no common agreement on what should be the most effective and efficient approach for making decisions at different managerial levels to solve business issues. Accordingly, the main objective of this study was to understand the nature of decision-making by family members who are involved in a business in different capacities such as owners, owner managers, and managers. Locating the research in the interpretivist paradigm, and utilizing qualitative case study methods (Yin, 1994), we interviewed 24 respondents from 12 well-known family firms from different districts in Sri Lanka. Thematic analysis indicated that the consultative approach is mostly used by family members in operational, functional, and top level management decisions. Yet, family members' decisions in the business as owners, owner-managers, and managers have not shown a common decision-making process. Owner-managers' roles in the business decisions are highlighted as they make rational, risk averse, and deliberate business decisions which would assist to run the business. In comparison, owners and managers have followed the consultative decision-making approach to shape business decisions in line with family requirements. *Keywords: Decision-Making, Family Firms, Manager, Owner, Owner-Manager, Sri Lanka, Qualitative Case Study*

Study Background

Theories related to management functions have a long history of classifying business decisions according to management levels. Some authors in this field have divided business decisions into categories placing "time" in the center. Initially, researchers in this field considered long, medium, and short-term business decisions considering the time span required to make a decision. Then, in the latter part of the 1950s, scholars were concerned only with the practical value of a business decision. Accordingly, they divided decisions into two categories, namely, "business significance decisions" and "business important decisions." The definition of each category of decision was based on the contribution of a decision to smooth functioning. The current stage of business decisions classification has accommodated both the "time span" and "value" of a decision to identify decisions as strategic, tactical, and operational. According to Amason (2001), a strategic decision is a single or a combined decision which could affect the overall organizational functioning such as launching a new product, expanding the market share, or changing technology. These kinds of decisions are administered or governed by the highest level of management who have ownership rights of the organization. As a result, strategic decisions are considered to be most important decisions in case of overall functioning of the firm. However, tactical or operational level decisions may apply only in sectional, departmental, or individual levels than the overall firm level. Tactical decisions are also called functional level decisions as these decisions are related to financing, investing, and human resources of the firm. Generally, tactical decisions are made by senior managers of the firm. Operational decisions are recognized as less important decisions and are made at a supervisory level. The ultimate objective of these decisions is to use resources effectively.

Elaborating individual involvement in decision-making in varied capacities at each managerial level in businesses would bring a more comprehensive picture of the functioning of a firm. Detailing such human behaviour would be a remarkable contribution to theory advancing the knowledge of decision-making by an individual employee in a firm, specifically, family business managers. In practice, owners' knowledge of managers' decision-making behavior in the business would immensely assist the longevity of the firm. Meanwhile, family firms have become an attractive study area recently due to several reasons. Firstly, it is calculated that 80% of businesses all over the world are controlled by families (Poza, 2007). Secondly, the economic landscape of most nations remains dominated by family firms (Astrachan & Shanker, 2003). As such, understanding and clarifying family business related constructs will immensely facilitate most of the businesses in the world. Thirdly, when macro level economic variables are considered, family firm's roles in the economy is significant in terms of employment generation, wealth creation, and industrialization. One of the other reasons to gain such attention for family firms is its unique features over non-family firms in terms of ownership, governance, and management. Family involvement as owners, owner-managers, and managers have significant influence in decision-making process of family firms.

Family firms occupy a unique position and have distinctive features that set them apart from other non-family businesses. Features like super business performances resulting in positive business outcome within 3 years of commencing; worry of survival; family involvement in ownership, governance, and management; and priorities for non-business objectives of the business like family requirements are examples of unique features about family firms. Previous scholars of family firms believed that "family involvement in business activities" is the main factor dividing family from non-family businesses (Anderson & Reeb, 2003; Chrisman, Chua, & Sharma, 2005; Chrisman, Kellermanns, Chan, & Liano, 2010; Dyer, 2006). According to previous studies, family businesses have some unique business strengths and weaknesses (Miller & Breton-Miller, 2006). Working as a team based on blood or relative relationships provides mutual understanding in the workplace, and more dedication, commitment, and access to approach one another more easily can be advantages for a firm (Dyer, 2006). At the same time, close family involvement tends to create some complexities that arise from sibling rivalry, multi-personnel succession, underperforming family members, divorce and detachment of members, multiple ownership rights, familial interpersonal conflict, and expansion of the business (Miller & Breton-Miller, 2006). One of the main strengths of family firms over non-family firms is family involvement. Family businesses can expect trust and loyalty from family members more than from non-family employees in the business. Trust and loyal behavior of family members towards overall management of the business would incur less administrative costs. In addition, trust and loyal behavior of family members in the business can encourage other employees also to work towards achievement of business objectives. Further, family involvement can make a great impact on decision-making processes at all managerial levels in the firm. As the business success is based on pillars of decisions, irrespective of the nature, size, and orientation of the business, firms have to make correct decisions at the right time (Li, Zhao, Shi, & Li, 2014). In this regard, family firms have the added advantage of making effective decisions in an environment consisting of managers who are connected in terms of family relations and business responsibilities. In addition to business relations, kinship and friendship have strengthened the attachment of individual members to the business. This tight attachment has provided positive results in cases of decision-making in the firm (Poza, 2007). However, there is a scarcity of knowledge about decision-making processes in diverse managerial levels of family businesses in which family involvement plays an important role. According to Bird, Welsch, Astrachan, and Pistrui (2002); Casillas and Acedo (2007); Sharma (2004); and Chrisman, Chua, and Sharma (2003), decision-making in family firms is rarely researched and it has not adequately addressed the individual family members' role in the business. Moreover, family members' influence on decision-making processes at each managerial level has become obvious in family businesses. Family involvement in decision-making in businesses has greatly influenced the functioning of the business. Family involvement has not always provided positive outcomes for the business (Yeniaras, Sener, & Unver, 2017). Sometimes, family involvement helps run family businesses smoothly in the short-run or maybe family involvement helps to confront a survival problem in the long-run. Therefore, it is important to understand the nature of family involvement in business decision-making. In addition, family influence in business activities has created an interesting puzzle in the field of family business: "How do family members make decisions in managerial positions in the business as owners, owner-managers, and managers in the business?" Accordingly, this study is trying to fill this gap exploring the nature of decision-making by family members in managerial positions as owners (individuals or a group of people who own the entity), owner-managers (individuals who own and manage the firm), and managers (a family member who does not have ownership right of the firm) in the business. Accordingly, the main goal of this study is two-fold: to review the nature of decisions taken by family members at various managerial levels in a business and to understand how positional power of family members as owners, owner-managers, and managers shapes business decisions in line with family objectives in Sri Lanka. This research contributes to theory and practice in numerous ways. Firstly, addressing these issues of family businesses would enhance the knowledge base of decision-making in family businesses in developing economies like Sri Lanka where most of the businesses are Small and Medium-sized Enterprises (SMEs). This study would be an encouragement for future researchers as well for family business studies in Eastern business culture where very little research has been conducted in this area. Secondly, generally 80% of businesses around the world are believed to be family-oriented businesses. These businesses are making decisions significantly different from other businesses.

In addition, this knowledge would be useful for owners, entrepreneurs, human resource managers, and non-family professionals in family firm to make their decisions in cases of family member's involvement and decision-making in the firm. At the same time, other stakeholders like investors, agents, and customers also can get the benefit out of these research findings as it is very important for them to know how each member of the family makes decisions in the firm.

Literature Review

A business decision is defined as a judgment to achieve organisational objectives efficiently and effectively. In his famous book, *Harvard Business Review on Decision-making*, Drucker (2001) defined a decision as a personal conclusion about a situation. In addition to Drucker, many other scholars believe that effective business decisions drive business success. For example, Casillas and Acedo (2007), in a qualitative study of identifying the characteristics of the family business, using author co-citation analysis (ACA) identified different research trends within the field including decision-making processes. Christman et al. (2010) also have done a qualitative study exploring intellectual foundations of decision-making in family businesses by identification and review of 25 influential articles. Poza (2007) has written a detailed descriptive book of family businesses addressing decision-making patterns and Sharma (2004) explored the current nature of family businesses including decision-making based on a review of 217 refereed articles. These scholarly written articles and the book of *Harvard Business Review on Decision-Making* (Drucker, 2001) helped us to review the literature for this study. Further, our research is located in the interpretivist paradigm (Braun & Clarke, 2006) adapting to qualitative case study methods (Yin, 1994). However, the majority of research on family businesses has focused upon the economic dominance of family firms in most countries (Chua, Chrisman, & Sharma, 1999; Habbershon, Williams, & MacMillan 2003). The success of exploring family involvement in business mainly depends on identification of family business as a separate type of business from non-family business. Yet, it is observed that mixed results have been found in establishing sources of uniqueness in comparative studies between family and non-family businesses in the current literature. Therefore, the first part of literature review of this study serves to identify the uniqueness of family business in the sphere of decision-making. The second part provides the nature of decision-making in family businesses. The combination of these two subsections develops the main argument of this literature review: family businesses are comparatively different from non-family firms in their decision-making and in this regard, family members' involvement in managerial positions plays a significant role in shaping the decision-making process of family businesses.

Family Business in the Sphere of Decision-Making

Scholarly research on the domain of entrepreneurship has widely addressed the business issues, however, some of them have focused on family firms and their characteristics related to the founding entrepreneur. According to previous researchers, the sole decision-making power at the beginning stage of the business has been taken care of by the founder. At this stage, entrepreneurs have shown their interest to govern the business in an autocratic way rather than consulting with others (Shane, 2008). Moreover, in this stage, owners have treated the business as their "baby," and then the business has been considered an extension of the owners' identity in latter stages (Levinson, 1971). However, once the family became larger due to succession of the business over generations, the possibility for internal business conflicts among family members would also become higher (Casillas & Acedo, 2007). As a result, when the business expands by involving more family members, disagreements, individual conflicts, and separation of motives in the case of decision-making can start among family members. Such issues may be compounded by consecutive generations and the business suffers as family members experience more problems in solving family dilemmas than business problems (Poza, 2007). Knowing this reality, previous studies have mostly concentrated on succession issues such as competition among family members for higher positions in family firms than decision-making (Casillas & Acedo, 2007; Chrisman, Chua, & Sharma, 2003; Sharma, 2004. Moreover, when succeeding generations start to govern the business, the "shadow of the founder" becomes a common issue (Cater, 2006). This has been identified by scholars as "founder centrality" (Kelly, Athanassiou, & Crittenden, 2000). The founder may hinder the effective business process (Davis & Harveston, 2001), particularly if the successive generations are not permitted to make decisions in line with current business requirements. The shadow of the founder has become a major issue in the case of decision-making in present day family firms (Feltham, Feltham, & Barnett, 2005).

Decision-Making in Family Businesses

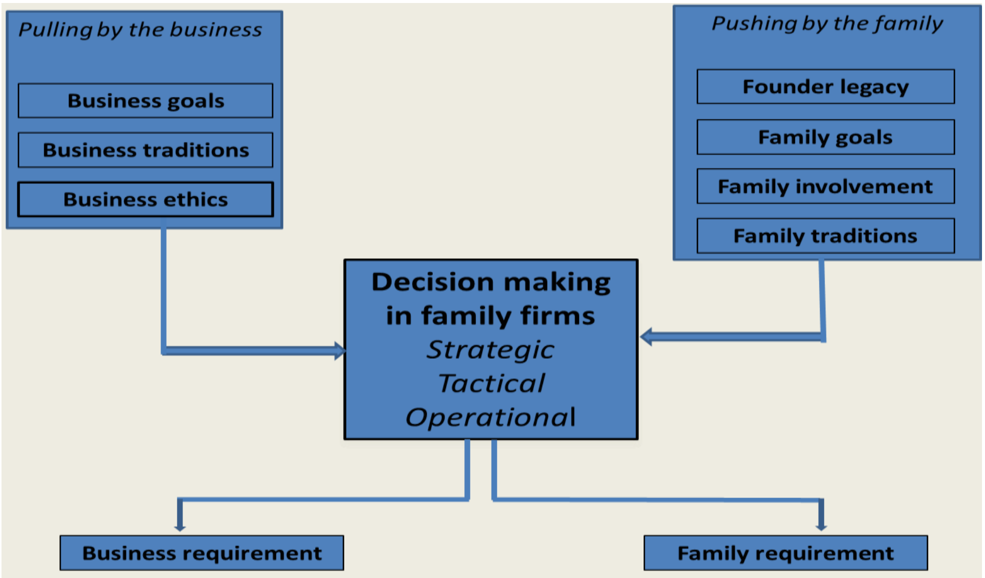
A generally accepted principle in handling business matters is to make rational decisions, especially with respect to finance-related matters (Alderson, 2009). Yet in family firms, maximization of financial value through gaining profits is not the sole target. Financial decisions also include family as well as business traditions. Offering jobs to family members, maintaining the goodwill of the family, and protecting the business for up-coming generations are some examples (Gallo, Tapies, & Cappuyns, 2004). Generally, when important decisions are taken at diverse managerial levels in family businesses, decision-making traditions in the history of the business are also considered as guidance. In this decision-making process, higher management of the business generally expects more contributions from family members in the business (Poza, 2007). Protecting the reputation, family name, and business are considered family members' responsibilities more than that of non-family members. Duh, Belak, and Milfelner (2010) divided family and non-family firms into two categories identifying decision-making processes based on trust in persons. Non-family firms were recognized as more dynamic, entrepreneurial, competitive, and challenging in light of decision-making than family firms. Further, connecting leadership and decision-making in family firms, Sonfield and Lussier (2004) found that leadership of the firm is highly related to decision-making processes in the business. They further confirmed that decision-making is affected by the business generation which is currently governing the business. According to them, the first generation has a tendency to make more centralized decisions than other generations as the founder of the business still is central in the decision-making process.

Further, according to studies in family firms, managers of family firms are appointed based on blood or relative relationships (Antonsson, 2012). Appointments are usually given to people from a single family. It is natural that particular families' values, ethics, and culture are transferred to the firm through these appointments (Duh, Belak, & Milfelner, 2010). The decisions at each level in the management of the firm cannot not operate from those values, ethics, and culture in general (Vallejo, 2008). Victor and Cullen's (1987) model about ethical approaches of companies explains that family firms show more ethical decision-making than non-family firms because of influence from the family. Christman et al. (2005) also has confirmed a positive relation between the influence of family values and performance-related decision-making of the business in their conceptual model of quantitative study. In contrast, developing a conceptual framework based on existing studies, Barnett and Kellermanns (2006) have provided evidence to confirm that family involvement has no relation to overall performance of family firms.

Moreover, decision-making has been identified as one of the key factors regarding family involvement (Astrachan & Shanker, 2003). Family business literature is not clearly conclusive on the effect of familial relations on business decisions. Evidence is available for both negative and positive perspectives indicating family involvement as a decisive factor in the decision-making process in the firm. Goffee and Scase (1985) revealed the importance of delegating power to non-family executives in order to make important decisions in the business. In addition, Laird (2007) in his quantitative survey of nearly 800 senior, top level managers of family businesses from throughout the USA, were asked to provide their opinions and views about present operations of the businesses, significant challenges by having a family business, and their future plans for the survival. Based on survey results, Laired concluded that these firms are also following a "systematic decision making process" (p. 17) which most firms would practice in the present day businesses. But this study also could not reveal the exact systematic process of decision-making which exists in family businesses in the USA in detail to make the reader clear about steps of "systematic decision-making process." However, Ibrahim, Angelides, and Parsa (2008) researched the decision-making process of family firms. They concluded that a family firm's decision-making process is faster than that of the non-family firms. Contradicting this idea, Prince and File (1995) have found that family businesses are by its origin slow in decision-making processes as the business decisions involve many family members. Bringing a new framework to family business decision-making, Miller and Le Breton-Miller (2005a) pointed out that decision-making of family firms is based on values, stories, concepts, and beliefs of the owning family rather than rational business objectives.

Although the literature in this field holds plenty of studies about business decision-making, most of the studies have shown and described decision-making generally rather than specifically. Very few studies have conceptualized the decision-making process at different managerial levels such as strategic, tactical, and operational in a firm. However, in this literature review we argued that family businesses are comparatively different from non-family firms in their decision-making and in this regard, family members' involvement in managerial positions plays a significant role in shaping the decision-making process of family businesses. It was further confirmed by the argument that decision-making is highly influenced by family involvement and decisions are taken based on family and business requirements. In conclusion, this argument has shown the path to develop the concept framework of our study addressing the question of inquiry: how do family members make decisions in managerial positions in the business as owners, owner-managers, and managers in the business, by briefing the nature of decision making in family businesses? Figure 01 shows this story as a picture and it is treated as the conceptual framework of the study.

Figure 01. Nature of decision-making in family firms



Source: Researchers' opinion based on existing literature

Researchers' Contexts

This study was conducted by Mr. Ravindra Hewa Kuruppuge, as a part of his PhD studies at Tomas Bata University in Zlin Czech Republic. In his PhD studies, he has focused on knowledge sharing in family businesses. Before engaging in PhD studies, he was working as a senior lecturer attached to University of Peradeniya, Sri Lanka. One of his career research fields is family businesses. The co-author of this article, Associate Professor, Ales Gregar, is the supervisor of PhD studies of Mr. Kuruppuge. He is also a Senior Lecturer attached to Tomas Bata University in Zlin and well-known academician in the area of human resource management in Czech Republic.

Methodology

Our philosophical stance for exploring decision-making in family business is interpretivism (Braun & Clarke, 2006). The researcher works within this paradigm believing that reality is subjective, and it is mentally constructed by individuals (Guba & Lincoln, 1994) and understanding that reality can never be perfectly created and that only approximation to reality is possible. The results of research from studying decision-making in family businesses are not everlasting truths, but rather bits of understanding and pieces of knowledge in the ongoing search for understanding reality.

The case study research is undertaken as a strategy of investigation because of the ability to access multiple sources of evidence (Robson, 1993). This method is relevant and practical for studying matters like complexities, dissimilarities, and contradictions in realities (Stake, 1995) in depth. The belief in multiple realities regarding a phenomenon like decision-making, which is subjective, requires multiple sources of evidence to develop an argument. Such investigation invites triangulation of evidence to understand phenomenon related to behavioral aspects of individuals. However, as Herling, Weinberger, and Harris (2000) noted, the concepts of a case, case study, and case study research are often used interchangeably in literature. The exploratory nature of a case study allows flexibility and because of this tends to lend itself to qualitative methodology and analysis in order to understand the complex phenomena like family involvement in business decision-making which is very significant to the context. At the same time, the involvements in business by family members differ from context to context in various aspects and cannot be generalized at any point. Because of this, the multiple case study approach was selected. It permits the researcher to strive towards understanding the phenomenon of interest by using several independent instrumental case studies to get an insight in the study area.

Participants

Initially, 12 family firms, which are privately held and successful in business operation during last couple of years in Sri Lanka were selected as cases using a purposive sampling technique. They were purposefully selected by looking at a brief business history for each business from the Family Business Directory provided by the "Chamber of Commerce, Sri Lanka" which is a non-governmental business organization. We had a discussion with the expert from the Chamber of Commerce about the suitability of case studies to investigate our phenomenon. At their recommendation and based on the purpose of the research, 12 cases which represented the industries of agricultural machinery products and development, restaurant and catering, sweets and bakery products, leather products, furniture, jewelry products, biscuits related products, textiles, optical products, assets development, book publication and marketing, and supermarkets were selected. As explained in the data section, all respondents were selected and included only if they had at least 5 years of experience working in the business. The location of the family firm was also a concern in selecting the firm as cases as the authors of this article believe that firms from different locations in Sri Lanka would reflect the understanding of the phenomena. Further, we felt the diversified location of cases was important to avoid similarity of businesses processes and decision-making patterns unique to regions or an area. Accordingly, all cases (the main branches) are located in the Western Province which has three Districts namely Colombo, Gampaha, and Kalutara of Sri Lanka. The geographical distribution of cases among the three Districts is represented as four, six, and two respectively from Colombo, Gampaha, and Kalutara. All districts were selected purposefully; the majority of business firms are located in these districts.

Ethical Permissions

The ethical implication of a study has become one of the most important aspects in order to take the precautionary actions to protect the rights and well-being of the research participants. Accordingly, we as researchers implemented some practices in terms of ethical considerations. A brief description of the study and procedures was initially given to the firms and to the personnel interviewed. In addition, we provided the researcher's identity, an assurance that participation is voluntary, and that the respondent has the right to withdraw at any time without penalty, an assurance of confidentiality, and the benefits and risks associated with participation in the study. Further, it is important to acknowledge the personal involvement of the researcher in the case study research data collection. Therefore, the researcher presented his background and experiences relevant to the case study that may facilitate data collection and the reader's ability to better understand the findings. At the same time, the documents related to approval and guidance provided by the Tomas Bata University in Zlin to carry out this study were also shown to participants for their information.

Data

The base data collection method for this study was interviews (Reay & Zhang, 2014). We conducted 24 in-depth interviews including eight (08) with owners, seven (07) with owner managers, and nine (09) with managers of family firms to collect data. Interviews were conducted in the respective business premises during the period June to September 2015. Two interview guides (see Appendix), one for owners and one for owner managers consisted of open-ended questions regarding the history of business development, general decision-making processes, decision-making with family members, how hierarchy of the position is maintained in the event of family involvement, what decisions are taken with and without family members, and what decision-making strategies and unsolved problems there are in the business. Interview questions were developed by the researchers to address the main research question. Following Strauss and Corbin (1998), questions were derived by the author referring to relevant empirical studies and theories. Almost, all questions for respondents targeted the information to reach a conclusion of the research question of the study. On some occasions, as respondents kept silence or smiled without providing information, in order to go into information in detail, interview guides were slightly modified in different rounds of the interviews with different persons. All interviews were approximately one hour in length. All interviews were recorded with the permission of the respondents. All the exclamations of respondents were noted and used in the analysis. Three interviews were conducted in Sinhalese (local language) and were translated into English by the author while all others were in English.

Data Analysis

As stated in the background of the study, the main objective of this study was to understand the nature of decision-making by family members as owners, owner-managers, and managers in the business. Two sub-objectives, to review the nature of decisions taken by family members in varied managerial levels in a business and to understand how positional power of family members as owners, owner-managers, and managers shapes business decisions in line with family objectives are set to be achieved.

Thematic analysis was used to analyze interview data. Atlas.ti 7 software was used support identifying initial codes and categories. Subsequently, analysis was done manually. In the study of multiple cases, data collection and analysis were carried out simultaneously. Once an interview was over it was transcribed. Further a contact summary sheet was prepared after completing each interview.

We used a form of thematic analysis (Braun & Clarke, 2006) inclined by grounded theory to analyze interview transcriptions. The process of analysis started with coding. Identifying themes and sub-themes using open and axial codes which identified in the Atlas.ti7 software were performed later. Based on codes, emerging themes of interview data were recognized. Use of open codes assisted to identify pattern and events which is important in the data at the initial stage of analysis. Events and incidents directed avenues to show up categories which shows the initial step of building a theory (Strauss & Corbin, 1998). These new discoveries further facilitated by other similar codes which emerged through observation materials. Finally, all these similar groups of codes were grouped into categories after making continuous comparisons within interview data (Strauss & Corbin, 1998).

We developed codes from interview data systematically as explained by McCann and Clark, (2003). At the initial stage of data analysis, we questioned the interview data on (each statement of respondents) what, why, and how these data related to research objectives (Strauss & Corbin, 1990) and by using prior knowledge of theories and content of the research studies, the researcher started to code transcribed interview data. In addition, running all 24 transcriptions through Atlas.ti 7 software facilitated creating initial codes. Having a general overview of codes, the first selection for coding was the first case of an owner a FB. In this regard, the sequence of cases is maintained to select the responses for the coding process. Once the owner of the first case was selected, all other respondents from the same case were taken subsequently for coding to recognize themes related to cases. However, after reading the first case interview transcription a few times, coding was performed highlighting important opinions in each paragraph/sentence in the transcription. After familiarization with diverse codes, as explained by Strauss and Corbin (1998), paragraphs were cascaded down separating from other textual data to recognize elements. For example, when the first case transcribed data were considered, his opinions were taken in his own words into codes. For example, a statement like “I mostly take decisions with the help of employees” is coded as consultative approach. Further, a statement like “we have to consider family requirement as well” was coded as a family requirement. Based on the codes recognized in the first round coding of case one, all other 24 transcriptions were coded. Finally, after all coding of all transcriptions 92 diverse codes and 27 sub-categories emerged. However, the last stage of identifying categories was critical as the researcher has to put diverse groups of respondent’s opinions (owners, owner-managers, and employees) of a single concept into one category. However, successful coding process ended with four categories namely *decisions with consultation of family members*, *decisions without consultation of family members*, *business for business objectives*, and *decisions for family objectives*.

Results

In the analysis, cases are named as numbers from case 01 to case 12. Within the cases, the owner of each case is named as respondent 01, and owner manager and manager as respondents 02 and 03 respectively. The results are arranged as four sections covering all four themes. Detailing of each theme is demonstrated with specific exemplars as below.

Decisions with Consultation of Family Members

As concluded by previous researchers, family businesses differ from non-family businesses in many ways. One of the main significant differences between family and non-family businesses is the nature of decision-making. This first theme is “decisions with consultation of family members” involved in the business. More interestingly, at each level of management, irrespective of responsibility of different managerial levels such as strategy, tactical, and operational, almost all family members in the business consulted with at least one family member in the case of important decisions.

> I am not alone here . . . I have my right and left arm in the business . . . my elder brother and mother are around me. We always keep in touch in every moment

> in the business. After the death of my father, all the important decisions are taken by three of us. (Owner, strategic level, respondent 13)

The owner of the business who was quoted above is a successful and popular businessman among people in Sri Lanka. The owners' confidence, good faith, and trust in family members in the case of decision-making has become a strong factor of successful business continuation. His board of directors consists of non-family members as well. Yet, throughout his speech about decision-making, he forgets about non-family members of the board and emphasizes the family members who are working with him very closely. This is a good example of how familial relations are more important than the professional relations in the case of making business decisions.

At the same time, he does not want to include and emphasize only family members working in the firm in the case of strategic decision-making. In the interview, he emphasized the concern of family members' involvement in business, non-family member's professional commitment, and both parties' role in the decision making process.

> Some time, it is a matter to consider in the business decisions, the familial relation or professional business relation. Mostly, family relations overcome many of the problems in the business at the ground level. (Owner manager, strategic level, respondent 02)

This statement signals that it is matter of selecting the best option in business decision making. A professional business manager may select the best option at the right time with right resources. Yet when family business is concerned, rational decision making based on optimization of profit is not guaranteed. The decisions may follow not the rationale but the tradition.

At the same time "shadow of the founder" and collective decision making are noted as strengths of the business. Sometimes, this same theme has been identified by previous researchers as a negative influence in the functioning of the firm (Davis & Harveston, 2001). However, an owner manager of a business explains about the founder.

> I think all we have taken abilities to take correct decisions from our father. We have got it by genes. . . . Only thing. . .now we have used to take collective decisions together throughout last 10 years after the death of the founder. So, therefore, nobody is capable to take individual decisions. No member of this director board, including me, takes a decision related to the overall organization alone. Because, no any single member in the board knows about the organization as whole. They know mostly about their parts only. (Owner manager, strategic level, respondent 02)

This statement shows that the interconnection among family members has made the decision-making process easier and it has become a common feature. Specifically, when the tactical level is concerned, mostly owner managers have shown their interest in consulting with family members in affirming the achievement of business objectives. Thinking rationally about the business has enabled them to take rational decisions with the support of other family members. The following quotation shows the nature of tactical level decision-making of owner managers.

> Financial decisions are very tricky. We should take the decision very carefully. So, we perform as a family in the business . . . yes . . .absolutely. . .we are blood relatives as well . . . ha ha ha ha. (Owner manager, tactical level, respondent 03)

To make tactical level financial decisions, the above owner manager has relied upon the good faith and trust in family members in the business. He believes that making decisions based on family relations is normal in conducting the business. In addition, a manager performing at an operational level in a book publishing company in the sample mentioned how she takes operational level decisions smoothly with her relatives. "Family support is the core thing that you can study here in case of successful decisions" (Owner manager, operational level, respondent 07). Supporting the above argument, another manager mentioned, "As my relatives are working in my division, it is easy for me to manage the operations. They always help me to get my work done" (Manager, operational level respondent 22). Family relatives are really beneficial in terms of decision making. However, operational level which is the leastly important level of management is also getting the benefit out of family involvement.

In terms of the strategic, tactical, and operational levels of the business, it is obvious that decision-making takes place with the influence of family members. Another interesting scenario emerged from the analysis: managers who have ownership rights and actively work in the lower level managerial positions in the business are highly motivated to work together with family members. Sometime, such family members may engage in work at a non-managetial position such as office assistance. They are really keen on getting the opinions from family members working in the firm. However, themes such as consultative, collective approach for decisions, dominance of family members in all level of management decisions emerged from the analysis showing that kinship has a great role to play in decision-making in family firms.

Decisions without Consultation of Family Members

Decisions without consultation of family members is another theme indicating that decisions without consultation of family members mostly takes place at the operational level of management. Generally, operational decisions of a firm are related to effective use of resources of a particular section or division. However, some of the family members have shown their willingness to take independent decisions showing their ability in handling business matters.

The nature of the ownership of the firm plays a role in strategic level decisions. If the firm is owned by a single person, he or she tends to take decisions without consulting others. When there are multiple owners of a firm, they may consult with others for strategic level decisions. Often, single owners of family firms become more powerful and rigid in decision-making. The following quotation provides an example.

> My father decided everything alone. As a result, he could win the business. Me too. . . I do not need support from family members working in the business all the time. I know when they can help me. Most of the decisions, I may take and subsequently inform them. (Owner, strategic level, respondent 11)

The nature of tactical level decisions without consulting family members has shown the experience and confidence of managers. This respondent is of the opinion that he does not need to consult family members as he relies on the business traditions that have shown him the path to decision-making. "Some of the decisions should be taken without consultations. . . we do not have time to discuss with others" (Owner manager, tactical and operational level, respondent 20). "I have no such complications to discuss with family members when I take decisions" (Owner manager, tactical level, respondent 15).

Operational level decisions by managers from family are taken based on their own experience and capacities and sense of independence, without need for family consultation.

> Always, experiences are helping me to take decisions. As I am working in this firm more than 12 years, I feel very comfortable to take decisions alone. My relatives who are working here do the same, they usually do not consult others. (Manager, operational level, respondent 10)

It is noted that family managers sometimes like to take individual decisions rather than consulting others. Specifically, when family managers are working at operational levels, they tend to take decisions quickly. Quick decisions sometimes are based on guidelines or instructions given by higher authorities. However, most of operational managers are keen on taking decisions without consulting family relatives. Experience, support from non-family members, confidence, and prior knowledge facilitate operational level managers to take their decisions without consultations.

Decisions for Business Objectives

It is believed that decisions in a business should be aligned with the business objectives. Almost all firms in the private sector are trying to maximize their resources and increasing profits. However, the involvement of family members in decision-making has not totally violated this concept. Family businesses, all over the world are believed to entertain some non-financial objectives as well. Based on this concept, some authors of this field have divided family businesses into divisions, enterprising and life style. They have identified these two types based on business objectives such as financial or non-financial (family objectives). This theme in family businesses emerged in this analysis also.

Decision-making in the case of financial objectives in family firms indicated several interesting findings. When the strategic level of the firm is considered, decisions are shown to be more consultative than individual. Such a decision has not gone through a rigorous process like formal discussions or meetings. A group of family members and several other known people who have enough power in the firm, may get together in an informal forum like in the canteen or common area and may take decisions. Subsequently, such decisions may pass to the higher level management in the firm through family members.

> Our main target for next 2 years is to expand the business to other cities in Sri Lanka. We are only stable in Colombo right now. Our director board really wants to expand our business to Southern part of Sri Lanka. We have already discussed this matter with partner organizations as well. (Owner manager, strategic and tactical levels, respondent 15)

"Always we share responsibilities in case of making structural changes in the firm" (Owner manager, strategic and tactical level, respondent 15). Tactical decisions in family firms are significantly different from strategic decisions in nature. When it comes to business matters, managers from the family at tactical levels are actively participating in making rational, risk averse, and deliberate decisions in an environment of very limited information resources. They have shown mostly professional management approaches in handling business matters. While preserving traditions, ethics, norms, and family requirements, they try to reach business goals as well. "We as family members decided to recruit a financial controller for the business from outside" (Owner manager, tactical level, respondent 03). "It is a requirement of our family to select a successor for the business. We have already done so and the next leader is now in training in a foreign country" (Owner manager, tactical level, respondent 2).

Operational decisions which are taken by family members usually involve the cost of the action. When a business is highly competitive with other similar firms, managers of family businesses tend to seek outside managers to make their business even more competitive. These decisions tend to focus on minimizing the costs and maximizing the benefits for the business. These decisions are mostly taken by experience and repetition. Family affiliation is very rarely a consideration in these decisions. At the same time, availability of background information when needed, may facilitate the best decision. “Making targets in the process line is easy; we do that with my elder brother. But achieving them on time is challenging as we have limited time and resources” (Manager, operational level, respondent 04). This respondent has tried to compromise family influence at the operational level of the business. However, decisions of this managerial level are dependent on the positional power of the individual. Interestingly, the analysis of decision for business objectives indicated that positional power of family members plays a role in the case of business decisions, and family members as owners, owner managers, and managers are shaping decisions in line with business requirements of the firm.

Decisions for Family Objectives

Family businesses are well-known for achieving family objectives through the business. These family objectives in the business are identified as non-financial objectives. Providing jobs for family members, keeping the family name in the society for a longer period, maintaining family harmony, economic and family standards are examples of non-financial objectives. However, achieving non-financial objectives is not only a decision of family members who represent the top level management. Tactical and operational level managers from the family are also highly regarded about non-financial benefits like securing a position in the firm, taking the family name ahead to the future generations and social recognition. The use of techniques, tools, and goals to support to family is not static for each managerial level in the firm. Decision-making regarding family objectives in family firms indicated several interesting findings.

Strategic level decisions in a business address the issues related to overall business functioning in the firm. Implementation of new technology, production, branches is identified as strategic change in a firm. Decisions at the strategic level are generally connected with survival of the firm. Therefore, top level decisions are always high risk, costly, and challenging. However, respondents of this study entertained family objectives at the strategic level. “We are going to start a new branch in my father’s village, now it is a city. It was a dream of my father before he died” (Owner, strategic level, respondent 09). “We want to give best price and product for our customers. And the same time, best benefits for our employees as well. This is what we practiced in the company for 40 years and in the future as well” (Owner, strategic level, respondent 05).

When the tactical level is considered in relation to family objectives, we noted the following. Mostly it is owner-managers who are involved in tactical decisions. Human resource management activities like appointing, training, and promoting of family and non-family members as employees in the firm and handling of finances such as allocating budget for family directed activities were identified as tactical decisions toward family goals. However, tactical managers have shown their capacity in decision-making that aligns with family objectives and business requirements. “Our company spent money on our youngest brother for his education in Australia. He is having his higher studies in business. Once he returns to the country after his studies, he will be joining the business” (Owner manager, tactical level, respondent 21). “No matter what we do in all levels of management of the business, we, as family members, give priority for family needs as well” (Owner manager, strategic and tactical level, respondent

15). “This year, we have allocated around 1,000,000 Sri Lankan Rupees for family related activities” (Owner manager, tactical level, respondent 21).

When operational level of management of family firms is considered, their main purpose is to maximize use of resources. However, family objectives are also entertained in operational level decision-making with evidence provided below. “I am working on a supervisory level. I cannot take a “big decision” about the firm as I am in a training period. But I can pass my idea to top management through my family relatives” (Manager, operational level, respondent 06). “I am working hard in my position and I am responsible for two sections. . .This is our company and my sons also should work in this company” (Manager, operational level, respondent 06).

Quotes from family members who are involved in the business in different managerial positions confirm that family firms are expecting several non-financial objectives as well. Achieving non-financial objectives like providing jobs for family members, training family members for business, and keeping family ties have dominated. However, based on the evidence, it is noted that all family members involved in the business consider family requirements as part of the decision-making.

Conclusion and Recommendations

The nature of decision-making in a business is a complicated phenomenon. However, it is logical that individual approaches for decision-making in businesses differ. This happens mainly as decision-making is situational and contextual. Therefore, acknowledging this reality, we explored the nature of decision-making by family members in the business as owners, owner-managers, and managers. The main goals of this study were to review how family relations shape the business decisions and to understand how positional power of family members differ in approaching business decisions. Analysis indicated that the consultative approach is mostly used by family members in operational, functional, and top level management decisions. Yet, family member’s decisions in the business as owners, ownermanagers, and managers are different from each other in the nature of the decision and that there is no set decision-making process. Owner-managers have shown active participation in making rational, risk averse, and deliberate decisions in an environment of very limited information resources. Further, this research implies how positional differences affects business decisions and members’ decisional approaches as owners, owner managers, and managers. Similarly, several famous decision-making models (Davis & Stern, 1980; Koenig, 1999; Parker, 2000) which explain the decision making process of family businesses are incompatible with the research findings of this study. Similarly, Tagiuri and Davis (1982) have also mentioned about the three interactive systems (business, ownership, and family) as components of decision making in family businesses in the world. This study has further elaborated that in addition to the three interative systems, needs and wants of individuals who are involved in the business have a greater concern in the process of decision making. Confirming the findings of Tagiuri and Davis (1982), Ward (1987), and Gersick, Davis, Hampton, and Lansberg (1997) we found that that family firms wished to practice inclusive decision-making processes (decisions with family members in and outside the business). Our findings further indicate that family members working in different managerial levels have diverse ways of making decisions rather than having a set decision-making process. As shown through the analysis of this study, the overlapping of management and ownership concentration has sometimes blocked the implementation of decisions. However, unavailability of set decision making processes and making the decisions as a group of family members have led to decision implementation more quickly. In some cases, when the owner is represented on the management team, he or she has autocratic power to originate or challenge a decision. Even though it is not common in most cases, these study findings confirmed the centrality of owner/founder (Ward & Aronoff, 1991) in decision-making in the family business.

This study has some limitations as well. Qualitative studies are criticized by scholars based on the degree of bias in the process of researching. However, Scott (2000) mentioned that the inductive approach in research is becoming popular irrespective of comments about scientific approach of qualitative research. In this research we underwent a tremendously rigorous process of data collection, sampling, and analysis to avoid bias in our inductive approach. In addition, having interviews in a conducive working environment, use of office hours to conduct interviews, and issues in managing the interview within given period of time would remain as limitations of this study. Future research can focus on eliminating those limitations and discuss the phenomenon in more detail. However, one common issue or a situation in a family firm that would be more appropriate to consider is getting feedback of the working experience from individual family members as owners, owner-managers, and managers. Addressing a single issue may cater to understanding the different decision-making by different managerial position as family members. Therefore, rather than considering the decision making process as whole, considering one single issue in decision-making faced by different managerial positions held by family members in the firm would be best option for future researchers to detail the same phenomenon analyzed in this study.

This study could bring several contrasting, controversial, and surprising findings. A common decision making structure which is acceptable in the present day contemporary management, has been replaced by individual basis decision making processes in family businesses. Most of the decisions in every managerial level have been influenced by the family members' involvement. In such situations, decisions have been taken in advance at informal meetings and channeled to the proper meetings through family members. However, these kinds of unprofessional decision making processes, according to the teaching of contemporary management should lead to collapsing the businesses sooner. Yet, interestingly, having all sorts of deficiencies in decision making according to the latest management principles, still several family businesses are running smoothly without experiencing financial losses. This would be a research to analyze by future researchers.

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Appendix

Interview Guide — Family Executives

Date :……………….. Interview Code:………….
Location:…………………………...... Time: From …………to
…………….
Name of the Organization:
Relationship to owner /s:
Respondent Name and Code:
Email Address & Contact no of the Respondent:
Interviewer Comments:
……………………………………………………………………………………………
……………………………………………………………………………………………
……………………………………………………………………………………………

Objectives

1. To overview the environment of the family business.
2. To explore how family executives think of the business decision making.
3. To identify problems and benefits in decision making as a family member in the business.
4. To explore distinct contributions of family members in business decision making.

Interview Questions

1. Can you explain the background of your career in this business (how you became an employee)?
2. What relationship do you have with the ownership of the business (closeness, communication)?
3. What role do you play at this moment/what are your responsibilities?
4. How do you explain the decision-making process of the business?
5. How do you feel when you are involved in decision-making with family members?
6. How is hierarchy of the position maintained in family involvement?
7. In your capacity, what decisions are taken with and without family members' engagement in the business?
8. Do you encounter problems when working with multiple family members in the business, who is good in decision-making, family or non-family members? Why?
9. As you understand them, what are the decision-making strategies and unsolved problems in the business?

Interview Guide — Owner

Date :……………….. Interview Code:………….
Location:…………………………...... Time: From …………to
…………….
Name of the Organization:
Relationship to founder of the business:
Respondent Name and Code:
Email Address & Contact no of the Respondent:
Interviewer Comments:

……………………………………………………………………………………………
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Objectives

1. To overview the environment of the family business.
2. To explore how an owner of the business thinks of the business decision-making.
3. To identify problems and benefits in decision-making as a family member in the business.
4. To explore distinct contributions of family members in business decision-making.

Interview Questions

1. Can you explain the background of your career in this business (how you became an employee)?
2. What relationship do you have with the founder of the business (is this yours, closeness, communication)?
3. What role do you play at this moment/what are your responsibilities?
4. How do you explain the decision-making process of the business?
5. How do you feel when you are involved in decision-making with family members?
6. How is hierarchy of the position maintained in decision making in the event of family involvement? Who is more supportive to you?
7. In your capacity, what decisions are taken with and without family members' engagement in the business? What is the most reliable managerial level of family members in the business?
8. Do you encounter problems when working with multiple family members in the business, who is good in decision-making, family or non-family members? Why?
9. As you understand, what are the decision-making strategies and unsolved problems in the business?
10. What makes you like or dislike taking decisions in the influence of family members?

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