International Journal of Advanced Research in Management and Social Sciences
ISSN: 2278-6236
Impact Factor: 5.313

MANAGEMENT PRACTICES AND BUSINESS PERFORMANCE OF FAMILY-OWNED ENTERPRISES

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Abstract: *This study assessed the relationship between management practices and business performance of family-owned enterprises in a countryside setting. The descriptive-correlational research design was employed involving ninety (90) business enterprises in the key cities in Region 02, namely Tuguegarao City, Santiago City, and Cauayan City. Quota random sampling was used and a questionnaire is the main data gathering instrument. Data were analyzed using descriptive statistics and Pearson-r correlation.*

Majority of the family businesses operating in Region 2 are in merchandising and three (3) for every four (4) are considered microenterprises. Only 5.55% have levelled up from microenterprise to small enterprise. At the helm of these family enterprises are mature, married and educated women who have managed to stay in business for an average of seven (7) years. In general, the owners, who also manage their business, observe good management practices as evidenced by the profitability and growth of their business. They have sound management practices in terms of the management of operational expenses and its people/workers. These enterprises have slowly improved their business performance in terms of sales performance, expansion of their businesses and in maintaining or improving their market share.

Results further reveal that more mature family business owner tend to have more operational expenses compared to their younger counterparts. The operational management of family-owned enterprises is significantly associated with the type of business they are engaged in, the number of years in operation, the number of workers, and initial and present capital. Moreover, the people management practices of family-owned enterprises are significantly related to their business performance as indicated by the number of business expansion and market share.

The study confirms existing research literature on micro and small enterprises which are generally led by the matriarch in the family. The family business is a collaborative effort of family members, with some members in supporting roles, as they are immersed in the business, and their management skills developed in the process. Moreover, succession issue is not a priority for the micro and small enterprises. Family businesses of the micro and small classification generally do not resort to external financing and opt to build their capital slowly from the revenues generated by the business. They manage their operational expenses at the optimum possible level and recognize the contribution of the human resource in the profitability and growth of the business.

***Key Words**: Management Practices, Business Performance, Family-Owned Enterprises*

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BACKGROUND OF THE STUDY

The national economy is composed of business enterprises, households and government. These are the major sectors of the economy. There seems to be widespread agreement that family firms comprise a large proportion of businesses. It is estimated to be 42% to 92% of businesses (Anderson & Reed, 2003). A unique feature of family-owned or family-operated enterprises is the nature of the multiple and interdependent roles inherent in them. Some people in such firms are related to others through both work and non-work roles. These often include, for example, roles as employer and employee as well as roles as mother or father and son or daughter.

The Philippines remains to be an agricultural country and is dominated with a vast of family-owned enterprises. Family enterprises started around the 1930s in an intuitive way. Taxes were not significant, there was a local market awaiting products, competition was scarce and inflation was unknown. There was almost full employment and the working and middle classes had reasonable incomes. Technological changes were relatively slow. This trend continued after the Second World War. Family firms can be defined according to a number of different criteria (Bork, 2004). A general definition, incorporating different criteria, considers them to be those firms which are businesses owned and/or managed by at least two relatives, including spouses.

On the basis of this work, the researcher argues that traditional classifications of family enterprises failed to do justice to the range of variables which differentiate them. The economic landscape of most nations remains dominated by family enterprises. Therefore, it is fitting that academe has begun to recognize the importance of family enterprises. The field has gathered considerable momentum, particularly in the last several years. Studies of founders (De Angelo, 2003), members of the next-generation, women (Cole, 1997; Fitzgerald & Muske, 2002), and non-family managers (Mitchell, Agle, & Wood, 2003) have increased human understanding of key individual stakeholders. Studies at the group level have added awareness on two of the most pervasive problems in family enterprises: conflict (Kellermanns & Eddleston, 2002) and succession (Steier, & LeBreton-Miller, 2003. Still other studies have broadened the horizons by providing perspective of the family firm situation (Welsch, 2001).

Family enterprises represent a much neglected area of research within mainstream management studies. As Nicholson (2003) suggests, 'Family enterprises is a forgotten world in the field of management. It scarcely receives a mention in the leading journals of the discipline or in the pedagogy of most leading business schools'. Depending on the definition of 'family firm' that is used, family firms constitute around 75% of all businesses in developed economies (Dyer, 2003; Nicholson, 2003; Anderson and Reeb, 2003), as well as about 30% of the 500 companies, employ almost 60% of the workforce in the U.S. alone, and account for a significant proportion of GDP in developed economies as well. It will implicitly follow Dyer (2003), Hoy (2003), in defining family firms as 'business organizations in which an identifiable family, and its interests, retain managerial and/or decision making authority in the company, as well as significant (though not necessarily controlling) ownership of voting shares.' A loose definition such as this casts a wide net and produces a larger percentage of family firms in industrialized companies than might be expected. Regardless of the definition that is used, their neglect in the literature is a matter of fact. In most textbooks on management, organizational behavior, organizational theory, or human resource management, family firms hardly receive a mention (Dyer, 2003).

Although it is commonly acknowledged that family enterprises make a significant contribution to the economic and social progress of many societies, it is surprising that the activities of such firms have not received greater scrutiny, particularly in mainstream management and organization studies. Indeed, although researchers frequently observe that the characteristic nature of family enterprises should make them a special area of interest in organizational research the specific peculiarities, configurations and intricacies of family enterprises activities have generally been poorly researched. Such lack of research has contributed to a limited knowledge of the dynamics of family enterprises, thereby thwarting understanding of the factors that contribute to the success or failure of such firms (Davis and Harveston, 2000).

The importance of family enterprises in creating jobs and economic wealth is globally recognized. Among family enterprises are fast becoming the dominant form of business enterprise in both developed and developing countries. In developing countries in particular, the social and economic importance of family enterprises can hardly be over-stated. More importantly, however, is the fact that their influence can be expected to increase substantially in the future (Thomsen & Pedersen, 2000).

Family enterprises are considered as one of the engines of the post-industrial growth processes as they are credited for nurturing across generations entrepreneurial talent, a sense of loyalty to business success and long-term strategic commitment. Some noted examples of family enterprises are Walmart, the Priztker group and Marriotts (Family Firms Magazine, 2002). It must be emphasized that various definitions of family firms exist.

Given the importance of family enterprises to economic and social development, their lack of longevity, is however a cause for concern because the survival of business is critical to the sustainability of economies. It has been estimated that, internationally, only 30% of family firms survive to the second generation, while fewer than 14% make it beyond the third generation (Barontini and Caprio, 2006; Barth , Gulbrandsen & Schore, 2005). Smaller family firms are especially vulnerable as they generally survive only for five to ten years (Perez-Gonzalez, 2006). On the contrary corporate organizations seem to survive for several generations because most of them have documented a succession plan. The declining number of large family enterprise is often attributed to the family proprietor’s desire to restrict firm growth in order to maintain control and ownership within the family firm (Dalton, Daily, Johnson and Ellstrand, 2004). Family firms have been recognized as an important governance structure of business organizations in both developed and developing economies, with a substantial impact on the development of national economies (Demsetz and Villalonga, 2001).

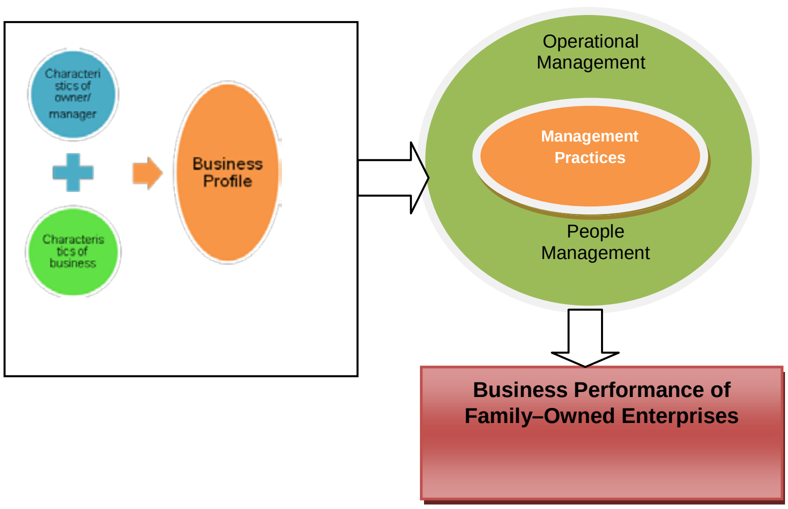
Recently, the idea that the family is the critical variable in family enterprises and that the heart of the field is about understanding the reciprocal impact of family on firm has begun to crystallize in the minds of many scholars (Astrachan & Kolenko, 2004). Based models of sustainable family businesses that take into account the reciprocal relationships between family and business systems in an effort to foster the simultaneous development of functional families and profitable firms have emerged (Stafford, Duncan, Danes, & Winter, 2000). Other scholars have encouraged the adoption of a “family embededness perspective” by including the characteristics of family systems in research studies (Aldrich & Cliff, 2003). Recognizing that the family and business are intertwined in family firms, some researchers define the performance of family firms along both family and business dimensions. Some studies even suggest that the success of family enterprises depends more on effective management of the overlap between family and business than on resources or processes in either the family or the business systems (Olson, Zuiker, Danes, Stafford, Heck, & Duncan, 2003).

Consequently, the effect of family ownership on business profitability is an empirical issue, which is investigated in this study. While Anderson & Reeb (2003) presented empirical evidence on listed U.S. firms, this study concentrates to examine the effects of family ownership among family enterprises. Thus, this study contributes to previous literature by providing empirical evidence on the effects of management practices on the performance of family- owned enterprises.

RESEARCH FRAMEWORK

The existing literature on family business as summarized in the succeeding section shows that the success of family businesses is attributed to a great extent to the leadership whose management style and practices are behind the success or failure of a family enterprise just like other forms of businesses.

With the current study focusing on family businesses in urban centers in a countryside setting, the researcher theorizes that the management practices in terms of operational and people management affect business performance. The characteristics of the person at the helm of the enterprise and the characteristics of the business venture have significant relationships with the management practices and business performance of family-owned enterprises that operate in a countryside setting.



METHODOLOGY

This research made use of the descriptive-correlational research design. The respondents of the study are the owners/managers of family-owned enterprises operating in the Tuguegarao City, Santiago City, and Cauayan City that were into business for at least five (5) years. Quota random sampling was used in the study by randomly selecting 30 business enterprises in each of the key cities in Region 2, namely Tuguegarao City, Santiago City and Cauayan City.

A structured questionnaire was the principal data gathering tool. The questionnaire revolved around the management practices and business performance of family enterprises. The business profile includes the characteristics of the owner/manager and the business characteristics of family-owned enterprises.

The management practices are indicated by its operational management and people management. Operational management is measured as the sum of the average monthly tax payment, average monthly bills/rentals, and average monthly salary of workers. People management is indicated in terms of the employee recruitment and selection processes, perceived quality of workers and employee performance management. Performance management is measured using an eight-item questionnaire based on Likert scales of: 5 as "Very satisfactory" and 1 as "Very Unsatisfactory". The employee recruitment and selection procedures are measured using seven-item and six-item questionnaire, respectively.

The business performance of family-owned enterprises includes the sale performance of the family-owned enterprises for five (5) years and the foreseen revenues in the next five (5) years, business expansion which is measured in terms of number of additional stores/branches, and market share. The market share, in percentage, was measured in terms of a three-item questionnaire. Data were analyzed using descriptive statistics and Pearson – r correlation.

RESULTS AND DISCUSSIONS

This section presents the results of data gathered in accordance with the general problem of the study.

Table 1 Characteristics of the Family-Owned Enterprises in terms of the Business Classification

Business Type	Frequency					
	Initial Capital			Existing Capital		
	Micro	Small	Med.	Micro	Small	Med.
Merchandising	34	0	0	32	2	0
Manufacturing	1	0	0	1	0	0
Construction Firms	2	2	0	1	3	0
Service	12	6	2	11	7	2
Leasing	3	0	0	2	1	0
TOTAL	52	8	2	47	13	2
Percent (%)	83.9	12.9	3.2	75.8	21.0	3.2

In order to get a better picture of the nature of the family-owned enterprises, Table 1 shows the business classification based on present capitalization: micro, small or medium enterprise. Data show that 75.8% (or 3 out of 4 family-owned enterprises) are considered micro enterprises with capitalization less than three (3) million pesos, with only two (2) operating as medium enterprises. Moreover, it can be noted that only two (2) enterprises in merchandising, one construction firm, one in service, and one in leasing have improved from micro to small enterprises.

The findings of this study are confirmed by the findings of other researches where women are mostly in leadership positions in family firms/businesses (Nelton, 2003) and most often managed by older executives who have stronger commitment to the organization (Becker, 2003). However, some authors argue that women experience stress more often and they are more vulnerable to stress than men because they are often challenged with new expectations (Moulton, 2001). Moreover, family businesses rely heavily on internal sources of capital, which are provided by family members (Kets de Vries, 2003).

Furthermore, the study by Bird and Sapp (2006) reveals that women-owned businesses are more successful in both urban and rural settings, and that women-owned businesses are even more successful in urban settings than they are in rural communities. The study also reveals that family business' women managers perceive greater business success and profitability than men managers.

As to the effect of educational qualification of business owners, the literature cited by Rutherford, et.al (2006) found mixed results as to the importance of education to business success. The findings of the present study shows that educated owners are at the helm of the family-owned enterprise.

Management Practices of Family-Owned Enterprises

Table 2 Operational Management of family-owned enterprises in terms of Operational Expenses

Business Type	Average Monthly Tax Payments	Average Monthly Bills	Average Monthly Wages of Workers	Average Operational Expenses
Merchandising	69, 157	74, 114	26, 396	165, 419
Manufacturing	50, 926	61, 112	43, 016	155, 054
Construction	107, 500	72, 973	33, 300	213, 773
Service	115, 894	175, 913	34, 905	316, 292
Leasing	53, 486	333,879	45, 755	433, 122

As shown in Table 2 the leasing sector has the highest average operational expenses while the manufacturing has the least. It further shows that the leasing section also has the highest expense on wages and monthly bills but not necessarily the highest in tax payments. This means that the leasing sector has more operating expenses but not necessarily the most profitable. Moreover, the service sector has the highest monthly tax payments but has moderate operational expenses.

Research suggests that family firms are more cost efficient than non-family firms. Harris et al (2004) reported higher cost savings in recruitment for family firms. However, Mc Conaughy (2000) and Romano et al (2001) found that compensation, interest and agency costs are lower for family firms. They explained that these cost savings arise from the family's management and ownership interest in their firms and their high aversion to debt. They argued that family ownership and control reduce the conflict between majority and minority shareholders and thus minimize agency costs. Mc Conaughy et al (2001) observed higher cash flow per employee for family controlled firms than for the non-family firms. They also noted that cost savings in family firms translated into increased cash flows, which are ploughed back into the business to increase equity holdings of the family and to provide greater resilience in hard times. Schulze et. al (2001) opposed this view arguing that gains in agency and other costs for family firms are offset by costs associated with the altruism of family proprietors, free riding of family members and family conflicts that flow over to the business. They suggested that family ownership does not necessarily minimize agency costs and in some cases can exacerbate it.

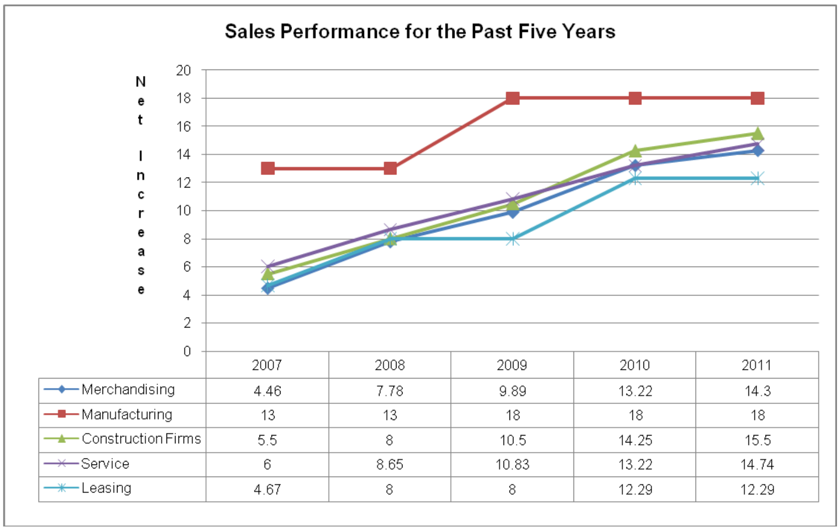
Table 3 People Management Practices of family-owned enterprises

Business Type	Mean	Descriptive Value
People Management		
Recruitment and Selection	3.70	Satisfactory
Quality of Workers	4.11	Satisfactory
Performance Management	3.97	Satisfactory
Overall Average	3.92	Satisfactory

As reflected in Table 3, the owners of the family-owned enterprises disclosed their satisfaction with the manner they recruit and select workers as evidenced by the quality of workers they have employed through the years. Further, they perceive that they have a good process in managing the performance of their workers.

An individual's human capital, such as skills and experience as well as his / her social capital, such as contracts with external constituencies and professional networks, can add substantial resources to a family enterprise (Corbetta and Salvato, 2004; Hillman and Dalziel, 2003). In particular, in economies with limited capital and small labour markets, a successor who has high levels of human and social capital can reduce the family enterprise's dependency on its external environment, thereby attenuating the uncertainty it faces and enhances its prospects for survival (Pfeffer and Salancik, 2008). The basis of human capital theory lies in the concept that individuals possess knowledge, skills or experiences, which have economic value to a firm (Becker, 2003). An individual who possesses more human capital has more relevant knowledge and experiences necessary to be productive. However, human capital is a very broad concept and these writers should have considered that human capital includes achieved attributes, accumulated work and habits that may have a positive or negative effect on productivity.

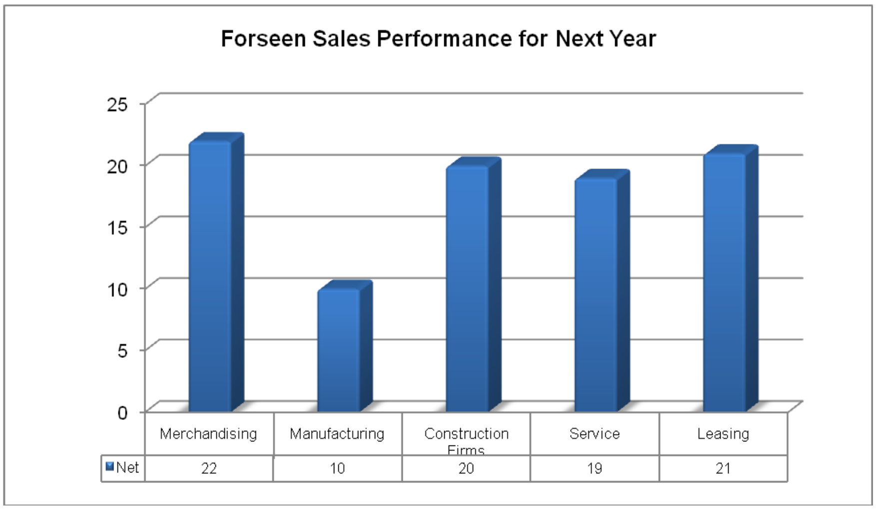
Business Performance of Family-Owned Enterprises



	2007	2008	2009	2010	2011
Merchandising	4.46	7.78	9.89	13.22	14.3
Manufacturing	13	13	18	18	18
Construction Firms	5.5	8	10.5	14.25	15.5
Service	6	8.65	10.83	13.22	14.74
Leasing	4.67	8	8	12.29	12.29

Figure 2

It can be gleaned from Figure 2 that, as the firms operated longer there was an increase in the revenue. The result suggests that the owners have satisfied the needs of their clients. Further as they gain experiences in the operation of their business, they were able to develop ways to attract customers by adding value to their products and services.



	Merchandising	Manufacturing	Construction Firms	Service	Leasing
Net	22	10	20	19	21

Figure 3

As shown in the graph in Figure 3, family enterprises engaged in merchandising projects a higher net increase for the next five (5) years of 22% while the manufacturing business has the least forecasted net increase of 10%.

The articles in this section have all related to the success and profitability of family-owned enterprises. Many of the authors have indicated a general difficulty within the field to measure a business' success due to the subjective nature of the term —success. Many researchers have developed their own methods by which family business success could be measured. It is generally acknowledged by the authors that success and profitability of family businesses are important to study. Though family enterprises success is often ambiguous and subjective, it may be just as important to study as businesses profitability (Walker & Brown, 2004). In order to apply the information presented by previous researchers in this present research study, both subjective and objective measures will be employed. The subjective measure used in this study is the perceived business success of family business managers, and the objective measure is overall family business profitability.

Business Expansion

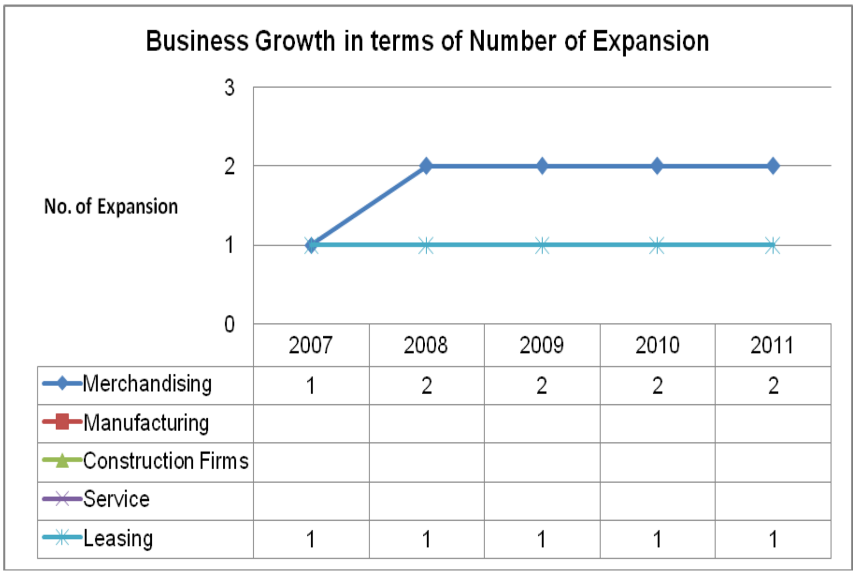


Figure 4

As shown in the graph in Figure 4, only merchandising and leasing sectors have expanded by adding more stores. This implies that these sectors are most likely profitable in terms of the products being sold or services rendered to customers/clients.

In the study conducted have suggested that, overall, family firms are better performers than non-family firms. In addition, for example, Villalonga & Amit (2006) investigated the effects of family ownership on firm performance in great detail. They presented evidence that the founder and founder's descendants in leading positions have a different effect on firm performance. More precisely, it was suggested that the active involvement of founders benefits firm performance, while descendants have a negative effect on firm performance.

Market Share

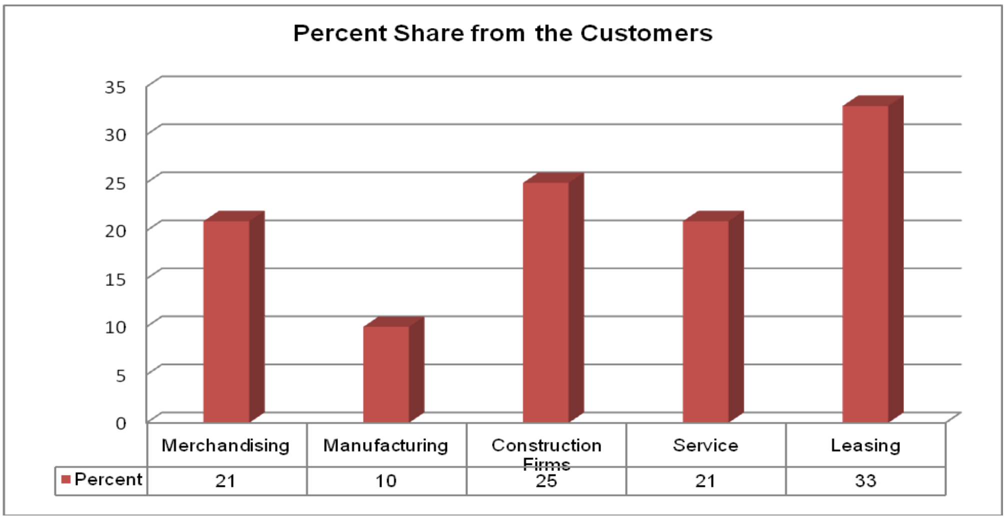


Figure 5

As shown in the graph, the leasing sector perceived that they get a higher customer share than their competitors, followed by the construction and merchandising sector. The manufacturing sector is least with only 10% due to few family businesses engaged in manufacturing in the coverage of this study.

Many studies have highlighted the complexity of running a family business. For instance, Davis (2005) and Lansberg (2003) point out that while a family firm shares values and characteristics with both the family and the business entities, the fact that the business is not free from family influences creates many unique challenges. Such challenges include the balance between equity and efficiency, as well as the problem of succession. Broadly speaking, the dilemma is such that as head of the family, the parent is altruistic toward his or her family members, but as manager, he or she is motivated to follow sound business practices. Other studies highlight the power and incentives of founding families to act on their own interests at the expense of firm performance. Shleifer and Summers (2006), and Shleifer and Vishny (2002) posit that firms with large undiversified owners, such as founding family members, may forego maximum profits when they are unable to separate their own financial preferences from those of outside owners.

RELATIONSHIP BETWEEN MANAGEMENT PRACTICES AND PERSONAL CHARACTERISTICS OF OWNER/MANAGER

Table 4 Relationship between Management Practices and Personal Characteristics of Owner/Manager

Management Practices	Personal Characteristics of Owner/Manager			
	Gender	Age	Civil Status	Educational Attainment
Operational Management				
Operational Expenses	.122	.417**	.097	.100
Tax Payment	.038	.334**	.204	.124
Ave. Monthly Bill	.101	.330**	.039	.075
Ave. Entry Wage	.139	.494**	.210*	.183
People Management	-.057	-.023	-.126	.011
Quality of Workers	-.005	-.069	-.079	-.004
Recruitment & Selection	-.152	-.058	-.219*	-.008
Performance Management	-.006	.064	-.036	.036

**Correlation is significant at the 0.01 level (2-tailed).

*Correlation is significant at the 0.05 level (2-tailed).

Table 4 shows the link between management practices and personal characteristics of family-owned enterprises. The data shows that more matured family business owners tend to have more operational expenses compared with their younger counterparts because of the management skills and experiences they had in the business. Married business owners tend to be more cautious in recruiting employees since they want that the business will properly utilized the resources effectively and efficiently. Older and married business owners tend to give higher entry wages which serves as a strategy to attract better employees to work with them as they have already been operating the business for a longer period of time.

Literature has conflicting views as to whether male or female owner/manager can lead a family business better. The result of this study, having females at the forefront of the family business, concurs with the common view that men prefer to maintain a low profile or be assigned to a supporting role in the family enterprise (Fischer, Reuber, & Dyke, 2003). The study also reveals that more matured family business owners tend to have more operational expenses compared with their younger counterparts because of the management skills and experiences they had in the business. As stated by Peterson et. al (2001), older business managers are more experienced and knowledgeable regarding businesses. Business professionals over the age of 30 were less influenced by external factors because of their experiences in running the business which prevail over the external influences. It is further revealed in this study that married business owners tend to be more cautious in recruiting employees since they want that the business will properly utilize the resources effectively and efficiently. Older and married business owners tend to give higher entry wages which serves as a strategy to attract better employees to work with them as they have already been operating the business for a longer period of time. According to Williams and Dreher (2002), family-owned businesses that pay higher levels have larger pool of people willing to work for that business.

RELATIONSHIP BETWEEN MANAGEMENT PRACTICES AND BUSINESS CHARACTERISTICS

Table 5 Relationship between Management Practices and Business Characteristics

Management Practices	Business Characteristics				
	Business Type	Number of Employees	Yrs. of Existence	Initial Capital	Present Capital
Operational Management					
Business Renewal	.197	.256*	.330**	.457**	.043
Operational Expenses	.292**	.499**	.444**	.651**	.660**
Tax Payment	.250*	.414**	.209	.547**	.778**
Ave. Monthly Bill	.252*	.487**	.394**	.590**	.351**
Ave. Entry Wage	.231*	.404**	.494**	.504**	.437**
People Management	.097	.201	-.013	.284**	.142
Quality of Workers	.010	.151	-.042	.208	.166
Recruitment & Selection	.196	.235*	-.034	.259*	.085
Performance Management	.056	.121	.040	.241*	.096

** Correlation is significant at the 0.01 level (2-tailed)

*Correlation is significant at the 0.05 level (2-tailed)

As shown in Table 5, there is a significant association between the operational expenses of family-owned enterprises and the various business characteristics of the enterprise. This means that the more employees are employed, the longer the business has existed and the more capital infused in the business, the greater would be the operational expenses of family-owned enterprises.

Data further reveals a significant relationship between the initial capitals of the enterprise with management practices in the enterprise. This means the family-owned enterprises that had higher initial capital tend to manage their people better.

The present study reveals that generally, the owners/managers of these family enterprises perceive that they are managing their businesses well by keeping operational management to optimum level and by managing their workforce well.

The operational management practices of family-owned enterprises are significantly related to business characteristics such as the type of business, number of employees, years of existence, and initial capital and present capital. Operational expenses of family owned enterprises are higher if they employ more workers, have been in business for a longer period and they have more capital infused in the business. Similar finding was reported in the study of Rainnie (2009) stating that, the larger the organization, the greater the number of employees and the higher the salary levels, which yields higher operational expenses.

The recruitment and selection processes of family-owned enterprises are likewise related to number of years of existence and initial capital. Family-owned enterprises that existed for a longer time and had higher initial capital tend to manage their people better. The cost of recruitment is always weighed up against the benefits, thus it should be coupled with a huge capital in the business (Meredith, 1993).

Kale and Arditi (1998) studied the failure rate of businesses according to the age of the business and concluded that the risk of business failure is highest in the first few years of the business, and then the risk of failure decreases as the business gets older. Therefore, it is reasonable to assume in this study that managers of older family-owned businesses perceive more business success and experience greater business profitability than younger businesses.

Some researchers/authors suggest that the size of a firm will have a major impact upon its recruitment activities. Barber et al. (2005) suggest that organizational theory identifies two major factors that surround recruitment strategies in larger firms. Firstly, by searching internally for workers to fill vacancies, larger organizations are able to reduce costs, becoming more cost-effective as repeated recruitment is more cost effective. This is in line with the 'efficiency imperative' (Williamson, 2002). Secondly, larger firms develop more formalized procedures, which in turn reduce costs as the costs are defrayed over many recruitment choices. However, many families owned/managed small business in rural and regional areas of the cities are faced with countless diverse issues and implications in relation to recruitment, selection and retention based purely upon their location.

RELATIONSHIP BETWEEN MANAGEMENT PRACTICES AND BUSINESS PERFORMANCE

Table 6 Relationship between Management Practices and Business Performance

Management Practices	Business Performance		
	Sales	Business Expansion	Market Share
Operational Management	-.137	-.025	0.230*
People Management	.133	0.247*	0.338**

Table 6 reveals a significant relationship between people management and business expansion. This suggests that the more satisfied are the workforce with the management practices of the family enterprise there is greater chances for the business to expand. The management practices of the business and the market share are also significantly correlated. This means that family-owned enterprises have higher market share when they have sound people management practices but this market share may not necessarily guarantee higher revenues.

Many studies reveal that the success of family firms depends more on the effective management of the family business (Olson, Zuiker, et.a, (2003). This present study concurs with these studies as it reveals that the more employees are satisfied with how they are managed by the owners/managers, the greater the chances for the family-owned business to expand. Further, these enterprises have higher market share when they have sound people management practices, although this higher market share may not necessarily guarantee higher revenues. Kickul (2001) asserts that family businesses need to attract and retain the best possible staff to maintain a sustainable competitive advantage. Lack of qualified workers is a threat to business plans Mehta (2006).

CONCLUSIONS

Micro and small enterprises in the study are generally led by the matriarch in the family. The family business is a collaborative effort of family members, with some members in supporting roles, as they are immersed in the business and their management skills developed in the process. Succession issue is not a priority for the micro and small enterprises.

Family businesses of the micro and small classification generally do not resort to external financing and opt to build their capital slowly from the revenues generated by the business. They manage their operational expenses at the optimum possible level and recognize the contribution of the human resource in the profitability and growth of the business.

RECOMMENDATIONS/IMPLICATIONS

This study has not considered the ethnicity of the owners and how the family businesses are preparing family members to take active roles in the future as the enterprises grow. Future researchers may consider studying the differences in the management practices and business performance of business owners with Chinese or Indian descent compared with a purely Filipino family enterprise. The family dynamics in preparing family members is further recommended especially from the micro and small enterprises which dominate family businesses in the countryside.

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