Effect of Family Harmony on Customer Satisfaction of Family Business

Prof. Eluka Johnny C., Olayinka Abiodun A. and Dr. Agbaeze Emmanuel K.

Department of Management, Faculty of Business Administration, University of Nigeria, Enugu Campus

Abstract: *The objective of this study is to determine the effect of family harmony on customer satisfaction of family business. The population of the study consists of all family businesses (Small and Medium Enterprises) in South-West of the Federal Republic of Nigeria. The target population under study was therefore twenty six thousand, seven hundred and fourty-four (26,744) family businesses in South-West, Nigeria. The sample size of 531 was derive for this study through the Cochran sampling technique. The result demonstrated that a linear regression analysis conducted to examine the effect of family harmony on customer satisfaction of family business showed that there is strong positive relationship between family harmony and customer satisfaction of family business (R- coefficient = .872). The R square, the coefficient of determination, shows that only 76.1% of the variation in Customer satisfaction of family business can be explained by family harmony with no autocorrelation as Durbbin-Watson (.040) is less than 2. The F-statistics = 1593.871 shows that the model is significant. Therefore, on the whole, there was a significant relationship between family harmony and customer satisfaction of family businesses (R-coefficient = .872) in South West, Nigeria. It was concluded that family business play a significant role in both the stability and health of the global economy but despite their importance to the national economy, the survival rate of family firms beyond the founder's generation is extremely low especially in Nigeria. Based on the findings of the study, it was recommended that since the family has been identified as the greatest asset or benefits and the greatest challenges confronting family business, the family should be strategically managed to achieve harmony that translate into customers' satisfaction.*

Key words: *Customer satisfaction, family business, family harmony*

1. Introduction

Family business represents the oldest and most prevalent type of business organizations worldwide. Despite their importance to the national economy, the survival rate of family firms beyond the founder's generation is extremely low in Nigeria. Also, very promising and vibrant organizations have closed down at the death of their founder, due to lack of adequate planning for succession, harmony and adaptive leadership among others. Currently, there are a few family businesses in Nigeria that have survived to the third and fourth generation. There are a number of family businesses that fail in transitioning from the first generation to the second generation. The high failure rate of family businesses in Nigeria adds to the negative social and economic growth. Succession planning is an integral part of the transformation strategy to the continuity of family businesses, paradoxically avoiding it was the most popular feature. Planning for trans-generational transition leading to sustainability of FB's in Nigeria was, however, treated as an acknowledgement of one's mortality and discussing such issues was alien and incompatible with African philosophy. It is 'taboo' to discuss the life after father or mother's death! Written plans

were treated as taboo and associated with preparations for one's death. For some, it was like admitting one's mortality. It was often psychologically difficult as choosing the heir can be like buying a cemetery plot. Communicating one's successor was one way of acknowledging one's mortality. This is a serious problem with its negative multiplier effect on social vises such as human trafficking, robbery, kidnapping, advance fee fraud, prostitution and ritual among others. With these issues it is imperative for this study determine the effect of family harmony on customer satisfaction of family business.

2. Literature Review
2.1. Family Harmony
Based on the literature review, 13 determinants were identified that can have an impact on family harmony. These determinants will be discussed in more detail in an attempt to understand the relationship between each specific determinant and family harmony as well as family owned business sustainability.

Figure 2.1, is a graphical layout that illustrates the interaction of the 13 determinants in relation to family harmony that also impact on the sustainability of the business.
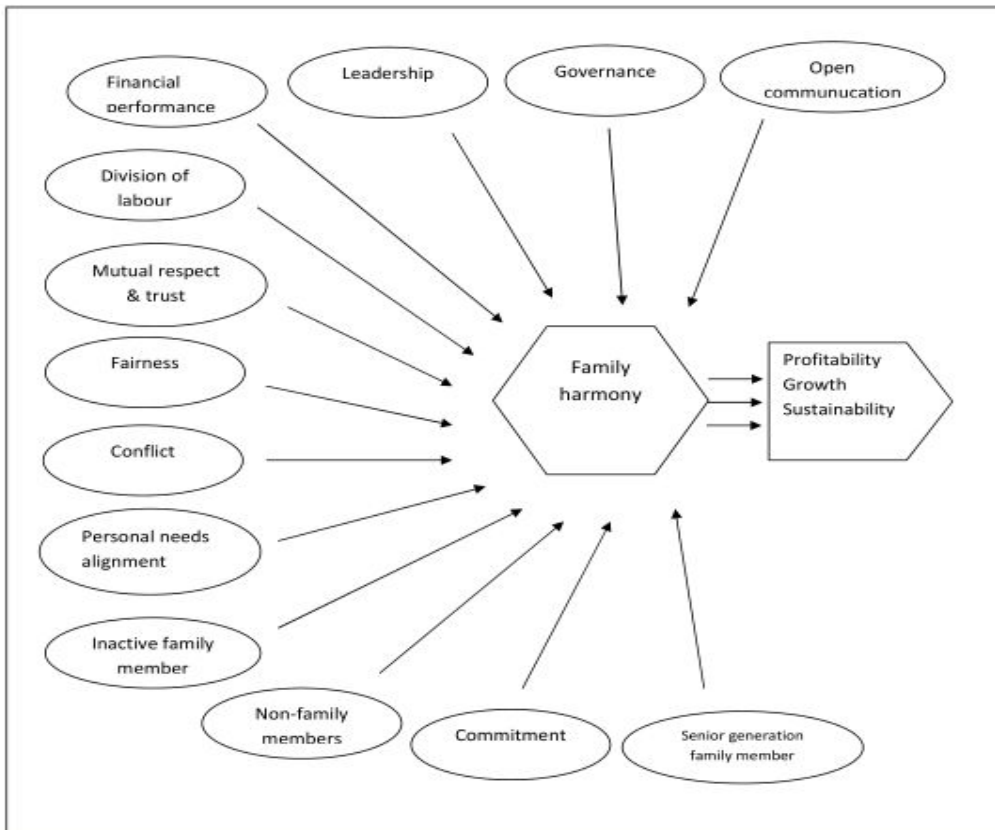

Figure 2.1: Model of Determinants Influencing Family Harmony

Source: Adopted from Slaughter (2008).The determinants of family harmony in family businesses.

2.2. Open Communication

Adendorff, Venter and Boshoff (2008) stated that communication is a very effective way of understanding and perhaps even agreeing on issues which are normally very sensitive. The sensitive and emotional issues are normally avoided and pushed aside. The more family members communicate and discuss their differences the more likely it will be that conflict is minimised and agreements might be more often reached (Friedman, 1998). The importance of effective communication in a family business is hard to overestimate. Family members who can openly communicate with each other are more likely to understand each other and with their common understanding work out their differences more effectively than those families that communicate poorly (Emens and Wolper, 2000).

Failing to address important emotional issues can often become the root cause of business failures. Communication and discussions between family members in a family business should be an ongoing process (Ibrahim and Ellis, 2004; Astrachan and McMillan, 2003). Family businesses need to ask themselves the following questions in order to establish if open communication is satisfactory in the business to enhance family harmony:

- Do family members inside and outside the business communicate well on all important issues with each other and with non-family members?

- Is there sufficient discussion among family members prior to decisions being made?

- How much communication, if any, of the succession and compensation issues have there been?

- How will communication proceed in future?

If family communication is not very open and honest, it doesn't always affect the business immediately but when it does, it can be very destructive and create substantial damage. It also happens that the owner may say things to family members in a way that he would never speak to other employees or managers. This problem is compounded when communication is misread by the family members (Upton, 2001). Parents are sometimes surprised by the negative reaction they receive from their children when they give them an instruction or when they do a performance evaluation. This reaction is probably because the individual perceived the instructions or evaluation as orders or criticism from Dad or Mom, not from the boss (Upton, 2001).

3. Research Methodology

3.1. Research Design

This research adopted survey design which collects data and solicits information from people concerning their opinion, beliefs, actions, and attitudes on various issues by using standardized structured questionnaire.

3.2. Sources of Data

The main sources of data to this study were primary and secondary sources.

3.3. Population of the Study

The population of the study consists of all family businesses (Small and Medium Enterprises) in South-West of the Federal Republic of Nigeria. The target population under study was therefore twenty six thousand, seven hundred and fourty-four (26,744) family businesses in

South-West, Nigeria; see appendix ii. Names, addresses and core businesses of the firms were identified through SMEDAN and National Bureau of Statistics Collaborative survey (2013). The target respondents were the founders/successors and top management staff of the selected firms. This is because they are believed to possess knowledge of the topic understudy and they are the decision makers of their firms.

3.4. Sample Size Determination
It is always difficult and expensive to study the whole population. Consequently a portion of a large group was statistically selected in such a way that it was accepted as representative of the whole group. The formula adopted in determining the sample size of 531 for this study is that propounded by Cochran (1963).

3.5. Method of Data Collection
The method of data collection was the application of structured questionnaire and open-ended interview schedule.

4. Results and Discussion
4.1. Descriptive Analyses of Family Harmony and Customer Satisfaction

Table 4.4: Descriptive analyses of items on family harmony/customers' satisfaction dimension of critical success factors for sustainability of family businesses in South West, Nigeria

S/N	VARIABLES	SA	A	U	D	SD	(X)
	EFFECTS OF FAMILY HARMONY ON CUSTOMER'S SATISFACTION						
25	Family members are generally more concerned about others	189 (37.6)	78 (15.5)	42 (8.4)	127 (25.3)	66 (13.2)	3.4
26	Family members are able to constructively manage conflict between them.	74 (14.7)	215 (42.8)	37 (7.4)	118 (23.5)	58 (11.6)	2.4
27	Family members find their involvement in the family business fulfilling.	132 (26.3)	156 (31.1)	65 (12.9)	92 (18.3)	57 (11.4)	3.4
28	Loyal customers are reward with different gifts at the end of the year	188 (37.5)	215 (42.8)	25 (5.0)	59 (11.8)	15 (2.9)	4.0
29	If necessary family members draw on the expertise of non-family members to assist them with business matters.	92 (18.3)	232 (46.2)	36 (7.2)	97 (19.3)	45 (9.0)	3.5
30	There is high level of discrimination	22	114	76	167	123	

	among the customers	(4.4)	(22.7)	(15.1)	(33.3)	(24.5)	2.5
31	Family members involved in the family business	89	203	55	119	36	
	have clear work roles and responsibilities	(17.7)	(40.4)	(11.0)	(23.7)	(7.2)	3.4
32	There is high level of bureaucracy in day to	95	115	23	193	76	
	day operation	(18.9)	(22.9)	(4.6)	(38.4)	(15.1)	2.9

Source: Research Survey, 2018 * *The figures in brackets are percentage analysis*

Table 4.1 demonstrates the family harmony/customers' satisfaction dimension of critical success factors for sustainability of family businesses in South West, Nigeria. The respondents affirmed that family members are generally more concerned about others 3.4; family members find their involvement in the family business fulfilling 3.4; loyal customers are reward with different gifts at the end of the year 4.0; if necessary family members draw on the expertise of non-family members to assist them with business matters 3.5; family members involved in the family business have clear work roles and responsibilities 3.4. This is clearly demonstrated as the mean scores of the respective items were well above the criterion mean of 3 in the Likert 5 point scale continuum responses of strongly agree to strongly disagree. On contrary, the respondents refuted that family members are able to constructively manage conflict between them 2.4; there is high level of discrimination among the customers 2.5; there is high level of bureaucracy in day to day operation 2.9. This is clearly demonstrated as the mean scores of the respective items were well below the mean benchmark of 3 in the Likert 5 point scale continuum responses of strongly agree to strongly disagree.

4.2. Hypothesis Testing
Ho: There is no significant positive effect of family harmony on customer satisfaction of family business.
H₁: There is significant positive effect of family harmony on customer satisfaction of family business.

Table 4.2 Regression Analysis of Variance (F) on the effect of Family Harmony on Customer Satisfaction of Family Business in South West, Nigeria

Table 4.2a   Descriptive Statistics

	Mean	Std. Deviation	N
Family harmony	2.6215	1.22359	502
Customer satisfaction of family business	2.0000	1.07966	502

Source: SPSS version 23 computation

Table 4.2b   **Model Summary**[b]

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.872[a]	.761	.761	.66025	.040

Source: SPSS version 23 computation

a. Predictors: (Constant), Family harmony

b. Dependent Variable: Customer satisfaction of family business

Table 4.2c   **ANOVA**[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	694.810	1	694.810	1593.871	.000[b]
	Residual	217.963	500	.436		
	Total	912.773	501			

Source: SPSS version 23 computation

a. Dependent Variable: Family harmony

b. Predictors: (Constant), Customer satisfaction of family business

Table 4.2d   **Coefficients**[a]

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	.392	.062		6.317	.000
	Family harmony	1.091	.027	.872	39.923	.000

Source: SPSS version 23 computation

a. Dependent Variable: Customer satisfaction of family business

Result Summary

R   =   .872

R^2 =   .761

F   =   1593.871

T   =   39.923

DW   =   .040

Interpretation of the Result
Table 4.2a shows the descriptive statistics of family elders' forum and Customer satisfaction of family business. The result shows that family harmony have a mean and SD responses of $2.62 \pm$ 1.22 while successful management transition of family business have a mean and SD responses of 2.00 ± 1.08. The standard deviation values, shows that there is less difference in terms of the standard deviation scores. This implies that there is about the same variability of data points between the dependent (customer satisfaction of family business) and independent variables (family harmony).

A linear regression analysis conducted to examine the effect of family harmony on customer satisfaction of family business (Table 4.2b) shows that there is strong positive relationship between family harmony and customer satisfaction of family business (R-coefficient = .872). The R square, the coefficient of determination, shows that only 76.1% of the variation in Customer satisfaction of family business can be explained by family harmony with no autocorrelation as Durbbin-Watson (.040) is less than 2. With the linear regression model, the error of estimate is low, with a value of about .66025. The regression sum of the square 694.810 is more than the residual sum of the square 217.963 indicating that the variation is not due to chance. The F-statistics = 1593.871 shows that the model is significant.

Decision Rule
Reject null hypothesis (Ho) if P-Value < 0.05 and do not reject Ho if otherwise

Decision
Since the P-Value 000 < 0.05, we reject the null hypothesis (Ho) and then conclude that there is significant positive effect of family harmony on customer satisfaction of family business.

4.3. Discussion of Findings
Research Objective: To **examine the effect of family harmony on customer satisfaction of family businesses in South West, Nigeria.**
The analysis of the postulated **hypothesis** was to assess the extent to which family elders' forum affect amicable conflict resolution of family businesses. The result from table 4.9 demonstrated that a linear regression analysis conducted to examine the effect of family harmony on customer satisfaction of family business (table 4.9) shows that there is strong positive relationship between family harmony and customer satisfaction of family business (R- coefficient = .872). The R square, the coefficient of determination, shows that only 76.1% of the variation in Customer satisfaction of family business can be explained by family harmony with no autocorrelation as Durbbin-Watson (.040) is less than 2. With the linear regression model, the error of estimate is low, with a value of about .66025. The regression sum of the square 694.810 is more than the residual sum of the square 217.963 indicating that the variation is not due to

chance. The F-statistics = 1593.871 shows that the model is significant. Therefore, on the whole, there was a significant relationship between family harmony and customer satisfaction of family businesses (R- coefficient = .872) in South West, Nigeria.

Customers' satisfaction has become an increasingly important indicator for continuous success and development of organizations. In addition, there is general agreement among scholars about the important role of customer satisfaction for the sustainable development-success of organizations.

The findings of the present study is consistent with the work of Escrig Tena *et al.* (2001), from a TQM and resource-based perspective, emphasized the importance of maintaining continuously good relationships with clients and suppliers for the company's continued reputation. Escrig Tena *et al.* argue that the TQM has contribution to 'the improvement of the company's reputation, through the good relationships maintained with clients and suppliers'.

Similarly, Hackney *et al.* (2006) study found that building a good relationship and interacting with consumers (i.e. customers) and an online presence is key to a sustainable advantage and growth model. In their evaluation of Tesco -one of the UK's four big grocery businesses- experiences with internet technologies, Hackney *et al.* have suggested a certain view of grocery firms online and web site operations, as the key to sustainable advantage and growth model. Taking into consideration the British context, such a view focuses on 'the interactions at a local level of consumers and the online presence' (Hackney *et al.,* 2006), in addition to 'redevelop web sites, the communicational channels and the way of thinking about agent/objects, as the active process' (Hackney *et al.* 2006).

The findings from the current study concurs with that of Darling (1999), from a Business Excellence and Situational Leadership perspective, who also found that the organizations fail when they do not have some key factors. One of these factors is giving the customers what they want (i.e. paying attention to their needs) and to care deeply for their best interests (i.e. satisfying customers). Darling's study was conducted in multinational context and focused on the organizational excellence and leadership strategies that have been implemented and followed by top executives of multinational companies. He identified each year during the 1990s through analysis of collected data by the global editorial staff of Business Week, including the financial results. Darling stated:

> *"The first key to success for the top executive leaders of multinational business firms in the 1990s lay in the age-old dictum: give the customers what they want and care deeply for their best interests. The second key to success for multinational executives in the 1990s has focused on product innovation. Both are developed on the existence of committed people (third key to success)" (Darling, 1999).*

Darling's (1999) findings relating to caring deeply for the customer's best interest is also supported by Hui and Chuan (2002) who indicated that good service quality plays a central role in customer satisfaction and retention, which in turn as per Darling, is a key for organization to succeed. Based on a multinational context and from a TQM and Business Excellence perspective, Hui and Chuan examined the main characteristics of nine national quality awards around the globe in attempting to describe various approaches used to promote organizational excellence and long-term business success. They found that 'Many organizations have accepted the fact that good service quality plays a central role in understanding customer satisfaction and

retention' (Hui and Chuan, 2002).

In line with Darling's (1999) findings, Longenecker *et al.* (1999) found that organizations fail when people in all positions do not pay high attention to and place high priority on customer (whether internal or external) services and relationships. This finding has been concluded by Longenecker *et al.* (1999) as a result of exploration organizational failure in struggling organizations from the front-line management personnel perspective in over 20 different large US manufacturing and service organizations. In this American context, Longenecker *et al.* (1999) described failure as "an inability to achieve satisfactory levels of performance based on current performance goals". They added:

> *"Without customer satisfaction the organization's long-term success is in jeopardy as the customer is the ultimate judge of organizational failure performance" (Longenecker et al., 1999).*

In their research springing from what also seemed to be a strategic management perspective, Simon *et al.* (2011) discussed the strategic capabilities that were related to organizational success in five disparate Australian industries included a sample of the management consulting, advertising, information technology, legal profession companies and top 500 listed companies. They conducted their research using qualitative methods such as interviews of a small sample from the target population, content analysis of relevant documents (e.g. brochures) or web sites and a literature review, then developed a questionnaire which was distributed to a broader sample of the target population (e.g. CEOs of Australia's top 500 companies). One of the common capabilities, for an organization to succeed, found by Simon *et al.* (2011) is 'quality of service including customer/client service and the need to listen to and understand the customer'.

Similarly, but from an innovation perspective, Chamberlin *et al.* (2010) analysed the relationship between innovation and a number of business success factors based on Statistics Canada's 2003 Survey of Innovation including 3701 firms in 34 service sectors, which covered the period from 2001 to 2003. Chamberlin *et al.* (2010) found that 'satisfying existing clients was rated as the most important business success factor by all firms included in the study, followed by quality control of products and encouraging experienced workers to transfer their knowledge to new or less experienced workers.'

From a TQM and resource-based perspective, Idris (2011) tried to investigate the effect of TQM dimensions (leadership, strategy and objectives, best practice, focus on customers, employee, community and productivity) on company performance. Based on the SIRIM directory containing ISO 9000 certified companies, he used a large-sample cross sectional mail survey method to collect the data by sending 400 questionnaires to the CEOs of these companies. The results of Idris (2011) indicated that the capability to focus on customer satisfaction has a significant positive relationship with company performance.

5. Conclusions
It was concluded that family business play a significant role in both the stability and health of the global economy but despite their importance to the national economy, the survival rate of family firms beyond the founder's generation is extremely low especially in Nigeria.

6. Recommendation

Based on the findings of the study, it was recommended that since the family has been identified as the greatest asset or benefits and the greatest challenges confronting family business, the family should be strategically managed to achieve harmony that translate into customers' satisfaction.

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