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Research Report

The comparison between perceptions of New Zealand-born and Asian international students studying in Wellington, New Zealand on issues related to family businesses

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Course coordinator: Professor **Claire Massey**

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The comparison between perceptions of New Zealand-born and Asian international students studying in Wellington, New Zealand on issues related to family businesses

1. Introduction

Family members are willing to provide their financial and human support to contribute to the common good and long term results of family firms (Cameron and Massey, 1999). Therefore, the willingness of a family member/people to provide such support to help a family member's business is an interesting topic for family business researchers to study. There are also some different ideas that have been raised by researchers such as Daily and Dollinger (1993 as cited in Litz, 1995, p. 100); Barrett, Walker, Dunemann and Rajapake (2005); Heck, Danes, Fitzgerald, Haynes, Jasper, Schrack, Stafford, and Winter (2006); Sirmon and Hitt, (2003); and Kirchhoff and Kirchhoff (1987) regarding the size of family businesses, and the benefits and the problems due to family involvement in the business. It would be interesting to understand different public perceptions regarding size and problems and benefits of family businesses. Of added would be a comparison between New Zealand and Asian attitudes towards these issues related to family businesses in order to understand how they differently or similarly perceive these issues.

The purpose of this research report is to analyse and compare the attitudes of New Zealand-born and Asian international students towards some general issues related to family businesses, size, benefits and problems, but especially their tendency to start up a business with family involvement, and their tendency or willingness to support a family member's business, based on the primary data from a survey of ten students (five New Zealand-born and five Asian international students).

From the analysis, the conclusion will be drawn based how differently or similarly students perceive family business. Discussion of the findings might provide insights differences and similarities regarding size of family businesses in New Zealand compare to other countries. It might also provide a sign of future changes in family business numbers in New Zealand as well as worldwide, due to the willingness or unwillingness of people to start up or become involved in supporting a family business.

2. Literature Review

A family business is defined as “an organization whose major operating decisions and plan for leadership succession are influenced by family members serving in management or on the board” (Handler, 1989, p. 262). This definition is similar to Chau, Chrisman and Sharma’s (1999) in terms of management and succession in the business, and Uhlaner (2006) in terms of family involvement in the firm’s ownership and/or management.

In terms of size, Daily and Dollinger (1993 as cited in Litz, 1995, p. 100) assume family businesses to be small enterprises. However, Barrett et al. (2005) and Heck et al. (2006) argue that family firms exist in a variety of sizes from small to very large.

The overlap of family and business can be both advantages and disadvantages (James Jr., 1999).

Family firms have some unique advantages such as family member willingness to make financial sacrifices and provide flexible human capital support which contribute to the common good and long term results of family firms (Cameron and Massey, 1999; and Heck et al., 2006). Furthermore, family businesses (Heck et al., 2006) often benefit from the support and commitment provided by family members in the formative years, such as (Kirchhoff and Kirchhoff, 1987) family members working for the firm without pay in order to help the firm survive when it is first founded, and (Sirmon and Hitt, 2003) during poor economic times or periods of redevelopment.

However, there are some problems and disadvantages of family businesses due to family involvement in the business. Most of the main problems of family businesses are related to conflicting goals and complexity of interrelationship of members, family and the business (Cameron and Massey, 1999). Family members bring their past arguments or conflicts to bear against each other in the business (Burn, 2007; and Cameron and Massey, 1999). For instance, negative emotions such as anger, resentment, and jealousy of family members become impediments to working together (Sander and Bordone, 2006). In addition, Barrett et al. (2005) mention that lack of professionalism and promotion based on relationship rather than performance are

operational disadvantages of family firms. Furthermore, conflicts between the previous owner and the next generation due to the previous owner wanting to retain involvement in the business are also problems of family businesses (Degadt, 2003).

3. Research Methodology

3.1. Sample and Data

The sample for this research was drawn from ten randomly selected students at Massey University, Wellington campus, New Zealand. Of ten students, five are New Zealand born and the other five are Asian international students (Cambodian, Chinese, Hong Kong, Indian and Laos). In terms of education, the ten students are ranked from undergraduate to post graduate degree level.

The data were collected from individual answers through a questionnaire. Each respondent received a copy of the questionnaire sent by e-mail or by hand. So, the completed questionnaires were returned from respondents back through e-mail or handed.

The methodology used in this research report is a qualitative methodology. This research had a limited sample size and scope due to time constraints. However, the results of this qualitative research may contribute to understanding to some extent the perceptions of students on a specific subject (family business) and this may be used as a basis for further research.

There are six questions in the questionnaire which are divided into two sections. There are three questions in section one, designed to measure student attitudes towards general issues related to family businesses such as family business size, tendency to start up, and general benefits and problems. In section two, there are three questions designed to understand student tendency to provide their own financial and human capital to support a family member's business at the start up and during poor economic times.

3.2. Secondary Data Collection Method

The secondary data is the literature review observed from a set of academic articles and books which are based on theoretical or/and empirical studies on issues related to the objectives of this research reports such as definition and size of family business, as well as financial and human capital support from family.

3.3. Analysis

The primary data was organized into descriptive findings. These descriptive findings were divided into six topic areas, and the findings on each topic area were also grouped between New Zealand and Asian student groups. The findings on each topic were discussed in two ways. Firstly, these were discussed by comparing between New Zealand and Asian students wherever possible. Secondly, they were discussed by comparing to the literature wherever possible.

4. Findings and Discussions

- Section 1: General Issues Related to Family Businesses

- **Perception of students regarding size of family businesses**

New Zealand-born students:

Sixty percent of New Zealand-born students suggested that family businesses are typically small businesses due to different reasons. Some of them mentioned that most businesses in New Zealand are small, some mentioned that most family businesses are small businesses, while some said that there was limited financial capital in family businesses due to the absence of public investment. However, forty percent of New Zealand-born respondents pointed out that the family business varied in size on a world wide basis, depending on family, geographical location and the nature of the business.

Asian students:

Sixty percent of Asian respondents suggested that family businesses varied in size (small, medium and large) perhaps because they knew of family businesses of different sizes, though size depends on business characteristics, and location. However, forty percent mentioned that family businesses are typically small because some of them said that family businesses had limited funds, while some said that family businesses started as small businesses but might become bigger in the subsequent generations.

It can be seen that New Zealand-born students seemed to perceive family businesses as small due to assumptions based on their experience and the majority of businesses in New Zealand being small businesses. However, Asian students were likely to assume family businesses come in all sizes due to their experience of seeing actual family businesses of all sizes.

Overall, fifty percent of all respondents perceived that family businesses were small businesses, which seems to support the assumption of Daily and Dollinger (1993 as cited in Litz, 1995, p. 100) that family businesses are small enterprises. On the other hand, another fifty percent of all respondents assumed family businesses to be all sizes which is consistent with the findings of Barrett et al. (2005) and Heck et al (2006).

- **Perception of students regarding overall problems and benefits of family businesses**

New Zealand-born student:

In terms of benefits, forty percent of New Zealand-born respondents said that trust among family members regarding decision making and confidential information related to the business was a benefit of family business. Twenty percent mentioned that patient capital from family members was a benefit. Twenty percent pointed out that family members would have a closer relationship with each other when they worked or ran a business together. Twenty percent did not mention any benefits of family businesses.

In terms of problems, forty percent responded that a problem of family businesses was the difficulty in reaching consensus on decisions due to different interests of family members involved in the business. Forty percent said that personal issues of family members could affect the running of family businesses, where they ran a business or worked together. Twenty percent mentioned that emotional conflicts between family members led to problems in family businesses when they worked in or ran the business together.

Asian students:

In terms of benefits of family businesses, twenty percent pointed out that common vision, loyalty, trust and good understanding of other family members were the benefits of family businesses. Twenty percent of Asian respondents responded that the willingness of family members to provide financial support in family businesses was a benefit. Twenty percent said that the ability to trust other family members was an advantage of family businesses. Twenty percent mentioned that loyalty, financial and human capital support from family members during an economic crisis were benefits. Twenty percent did not mention the benefits of family businesses.

In terms of problems of family businesses, twenty percent of Asian respondents said that conflicting ideas across generations were a problem of family businesses. Twenty percent mentioned that limited knowledge and conflicting ideas across generations were problems of family businesses. Twenty percent pointed out that lack of professionalism, conflicting ideas across generations and the personal issues of family members affecting the business were the problems. Twenty percent mentioned that family members might have a problem in relation to making decisions due to differences in ideas of the family members involved in the business. Twenty percent responded that it was hard to grow family businesses due to some family shareholders being unwilling to plough profits back into the business.

Through these findings, New Zealand-born and Asian respondents had similar perceptions of the benefits of family businesses, these being trust amongst family members leading to good communication and reliable decision making in the family business. However, New Zealand-born respondents had different perceptions of the

problems of family businesses from Asian respondents. The majority of Kiwi respondents tended to perceive personal issues of family members as likely to lead to conflicts when they working in or running a business together as a problem of family businesses, while the majority of Asian respondents pointed out that conflicting ideas across generations created difficulties in family businesses.

According to the response of all participants, one of the benefits of family businesses was trust amongst family members who own or work together in the business. Another benefit of the family business was financial and human support from family members, which seems to support Cameron and Massey (1999), Heck et al. (2006), Kirchhoff and Kirchhoff (1987), and Sirmon and Hitt (2003) who suggest financial support from family members is a benefit of family businesses.

In terms of the problems of family businesses, these findings suggested that personal issues of family members leading to conflicts affecting the business was an issue. This result is consistent with Burn (2007) and Cameron and Massey (1999) who mention that past arguments, conflicts and negative emotions of family members become impediments to working together. These findings also suggested another problem of family businesses, which was the difficulty in making decisions due to the different interests of family shareholders. This problem is the same as that suggested by Massey and Cameron (1999) where values and relationship conflicts interfere with operational decisions in family business. These findings also seem to support Davis (1983) in terms of suggesting problems occur due to conflicting ideas across generations. Some other problems of family businesses were also suggested by these findings such as lack of a professional approach due to limited ability and skills of family employees and limited capital for the business to grow due to some family members being unwilling to invest their profits back into the business.

- **Perception of students regarding starting up a business**

New Zealand-born students:

Sixty percent of New Zealand-born respondents answered that they would start up or run a business with non-family members rather than join with any of their family due

to some reasons. Some of them mentioned that family members have different interests from each other in running a business, while some pointed out that starting up and running a business with family members is more likely to lead to arguments and nepotism, resulting bad business decisions being made. Twenty percent of New Zealand-born respondents mentioned that they would to start up or run a business alone or join with non-family members because it was better to keep family and business separate. Another twenty percent said they would start up or run a business alone because they wanted to have full control without conflicts of interest with business partners.

Asian students:

Eighty percent of Asian respondents answered that they would start up or run a business alone, because they thought it would be easier to manage and control without arguments with family or non-family business partners. The rest (twenty percent) said that they would join with non-family members to start up or run a business because their family members did not want to run a business.

These findings reveal an across-the-board perception that avoiding family involvement in their business ownership was important. Most of the Asian respondents start up or run a business alone because they want to have full control and it was less complex to manage the business, while most of New Zealand-born students felt that joining with others (but not family members) would allow them to benefit from financial and professional support from their business partners.

Surprisingly, all responding students said that they did not want to join with their family members to start up or run a business because most of them thought that bad decisions would be made, arguments had or problems would occur due to the overlap of family and business.

- Section 2: Student tendency to support a family member's business at the start up phase and during financial crisis

- **Perception of students regarding their tendency to provide financial support to help a family member to start up a business**

New Zealand-born students:

Eighty percent of Kiwi respondents answered that they would provide their own financial capital to support their family members to start up a business, thought for different reasons. Most of them mentioned that because they were relatives they should help each other, while some pointed out that if they thought that the business was good and had potential then they would readily support it. The rest (twenty percent) said that they would invest their financial capital in the business of one of their family members if they thought it was a good investment, otherwise, they would not be involved in anyway in that business.

Asian students:

Eighty percent of Asian respondents said that they would help their family members to start a business with an amount of money that they were able to afford. Interestingly, some of them mentioned that they would expect interest (a low rate) on the loan, while others did not mention anything about return or benefits. The rest (twenty percent) pointed out that they would support the business if they had a good relationship with that family member and if they were be able to afford the funds.

Thus, it can be seen that both Kiwi and Asian students have similar perceptions: they would provide their own financial capital to support their family members to start up a business. Furthermore, the necessity of family helping each other was the reason for most respondents' willingness to provide their own financial resources to support their family members to start up a business.

- **Perception of students regarding their tendency to provide human capital to support a family member to start up a business**

New Zealand-born students:

All New Zealand-born respondents said that they would work without pay for a family member's business due to some reasons and conditions. Some of them said that they would help by working without pay as much as they could. Some mentioned that they would help to work without pay because relatives should help each other. Some said that they would work without pay for two years to contribute to keeping costs low as this amount was especially important in the start up phase. Interestingly, some mentioned that they would only help indirectly such as giving advice.

Asian students:

Eighty percent of Asian respondents said that they would work without pay for the business of a family member in the start-up phase because family members should help each other. Most of them said that they would help as much as they could, if they had right skills and free time. Some mentioned the business needed to be established down properly at the starting up period that was why they would help them. The rest (twenty percent) pointed out that they would not work for free, because they needed to be paid even a little in order to push them to put effort into their work.

It can be seen that both New Zealand-born and Asian students were generally quite willing to work without pay for a family business because they thought that family members should help each other.

Overall, most of all respondents were willing to work without pay in the start-up phase in order to help a family member successfully start a business up. This result seems to support Kirchhoff and Kirchhoff (1987) who suggest that family members tend to be willing to work for a family firm without pay in order to help the firm survive when it is first founded. Furthermore, the main reason for them to work without pay for a business run by a family member was the sense of obligation or duty to one's family.

- **Perception of students regarding their tendency to provide financial capital to support a family member's businesses during poor economic times**

New Zealand-born students:

Forty percent of New Zealand-born respondents said that they would provide their own financial capital to support their family member's business to survive if it faced a financial crisis, because family members have to help each other. However, forty percent mentioned that they would not provide their own financial resources to support their family member's business, because they did not want to waste their money on a failed business. Twenty percent pointed out that they would provide support if they thought that it could be returned, otherwise, they would not.

Asian students:

Eighty percent of Asian respondents said that they would provide their own financial resources to support their family member's business to survive during a financial crisis. The reason they gave was family members should help each other, though the amount of financial support depended on their resources. One Asian respondent said that he would either help or not depending on the relationship and the real situation of the business.

It can be seen that New Zealand-born students seemed to consider the family relationship as less important than the issue of how much money was required to help their family member's business to survive. This contradicted to Asian students' perception that family relationship was more important than the amount of money that they would provide to help a family member's business to survive. Therefore, Asian students seemed to be more willing than New Zealand-born students in terms of providing their own financial resources to support their family member's business to survive.

Overall, the return of the investment is the main issue that students consider to provide their own financial resources to support their family member's business to survive during poor economic times. However, necessity of family members to help each other

is the main motivation/reason for students to such support to help surviving their family member's business.

5. Conclusions

New Zealand-born students seem to perceive family businesses as typically small based on the fact that the majority of businesses in New Zealand are small businesses. However, Asian students tend to perceive family businesses as existing in a variety of sizes due to their observation of all sizes of family businesses in the world. Overall, family businesses might vary in size on a world wide basis, however, most family businesses in New Zealand might be small businesses.

Both New Zealand-born and Asian students perceive trust amongst family members as a benefit when working together in a family business. However, New Zealand-born students tend to perceive a greater likelihood of conflict occurring in the business due to personal issues of family members, while Asian students seem to perceive that conflicting ideas across generations a problem. Overall, financial and human support from family is a benefit of family businesses, as well as trust and loyalty. On the other hand, personal issues of family members and difficulty in reaching consensus due to conflicting interests of family members are problems of family businesses as well as conflicting ideas across generations, lack of professionalism due to limited ability and skill of family members, and limited financial capital due to some family shareholders being unwilling to invest the profits back into the business.

Both New Zealand-born and Asian students have exhibit the same level of unwillingness to join with their family members to start up a business, due to a desire to avoid conflicts resulting from the overlap between family and business. However, both New Zealand-born and Asian students have the same willingness to provide their own financial resources and work without pay in order to help a family member to start up a business and survive during poor economic times, because they think that family members should or must help each other. This financial and human capital support from family members at the start-up phase is an advantage of family businesses as such support is significant for starting up a business due to high costs and low return in the

start-up phase. Such support during poor economic times allows family firms to survive in the long term as they can solve the problems during those critical times.

One very interesting conclusion from this research is that the tendency of the students to run a business without family involvement in ownership and management may lead to a constraint of the increase in family business numbers worldwide in the future as well as in New Zealand, because family ownership and management are two of the main features/characteristics of family businesses.

Paradoxically, it could also be concluded that the willingness of the students to provide financial and human capital to support a family member's business at start-up and during poor economic times may imply the continued predominance of family businesses worldwide, including New Zealand in to the future.

6. Limitation and Opportunities for Further Research

Due to limited scope and time, this small qualitative research has confined itself to studying and comparing student perceptions regarding their tendency to start up a family business or become involved in a family member's business based on a very small sample size. Given these limitations, further research should increase the sample size and include different public groups in order to understand the broad attitudes of the public and their tendency to start up a family business or involve themselves in supporting a family member's business. As a result, the findings would provide more clarity, reliability and precision. An expanded study would also provide a reliable sign of future trends for family businesses in New Zealand.

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