

CHAPTER-I

Introduction

1.1. Introduction

Family businesses (FB), characterized by governance and influence spanning multiple generations within a family, are integral to global economies, significantly contributing to job creation, economic growth, and societal stability (Chua et al., 1999). Ranging from small local enterprises to large multinational corporations, these businesses share common traits such as a long-term orientation, strong family values, and a commitment to preserving family wealth and legacy (Tan et al., 2022). In the Indian context, FB often referred to as '*family managed businesses*,' have played a central role in shaping the country's economic landscape. These businesses form the core of the Indian economy, deeply rooted in the socio-cultural fabric of society, reflecting the values, traditions, and community standing of the families involved (Astrachan & Shanker, 2003). Assam, a north-eastern state in India, stands out for its rich cultural heritage, unique geographical location, and vibrant socio-economic dynamics, providing a distinctive context for FBs. Northeast India, officially known as the Northeastern Region (NER), represents both a geographic and political administrative division of India. It comprises eight states Arunachal Pradesh, Assam, Mizoram, Nagaland, Tripura (commonly referred to as the seven sisters), and the 'brother' state of Sikkim. This regional context is critical, as the socio-cultural, economic, and political environment of NER significantly shapes business practices, including the dynamics of family enterprises. The region, particularly known for its prevalence in sectors such as tea, textiles, and retail, showcases family businesses that are not only significant contributors to the local economy but also serve as custodians of cultural traditions and practices. Unique products like Assam tea, muga silk, and traditional handicrafts further highlight the specialized nature of FBs in the region. Despite their significance, FBs in Assam have been underrepresented in academic research, with a majority of studies focusing on Western contexts. This research gap extends to critical aspects of FB dynamics, such as entrepreneurial orientation (EO), socioemotional wealth (SEW), and resilience factors during crises. The unprecedented challenges posed by the covid-19 pandemic have underscored the importance of understanding how FB navigate crises, providing a unique opportunity for scholarly exploration. This study aims to address

these gaps, offering an overview of the current state of FB in Assam. It seeks to explore the relationship between EO and family business success (FBS), considering the impact of SEW. Additionally, the study aims to identify the resilience factors adopted by FBs in Assam during the Covid-19 crisis. Through this exploration, the research endeavours to enrich the understanding of FB in Assam, providing valuable insights for FB owners, academicians, and policymakers. The findings from this research are expected to contribute significantly to the understanding of FBs in Assam, offering insights that can inform policy decisions, guide FB practices, and pave the way for further research in similar regional contexts.

1.2. History of Family Business

The history of FB is deeply intertwined with the evolution of human societies, reflecting a rich tapestry of economic activities, cultural practices, and generational continuity. In ancient civilizations, families were the fundamental units of economic production, engaging in agriculture, trade, and craftsmanship (Chua et al., 1999). For instance, in ancient China, FB were central to agricultural production, and the passing down of skills and businesses from one generation to another was considered vital (Weidenbaum, 1996). The medieval period witnessed the development of craft guilds, where family-based apprenticeships played a crucial role in passing on artisanal skills (Welsch, 1993). In Europe, FB were prevalent in sectors like textiles and metalworking, contributing significantly to local economies (Colli, 2011). This period laid the groundwork for the transmission of specialized knowledge and practices within family units. The Renaissance era brought forth influential mercantile families, such as the Medici in Italy, who not only played key roles in banking and commerce but also significantly impacted the cultural and artistic landscape (Colli, 2011). The advent of the industrial revolution marked a transformative phase as FB adapted to the challenges and opportunities brought about by mechanization and urbanization (Carney, 2005). In the United Kingdom, for example, FB in sectors like textiles and manufacturing were at the forefront of industrialization (Mahoney & Casson, 1998). The 19th and early 20th centuries witnessed the rise of prominent FB dynasties globally. The Rockefeller family in the United States made significant contributions to the oil industry, while the Ford family revolutionized the automotive sector (Folsom, 1988). These families not only amassed wealth but also established enduring legacies through their businesses. FBs faced numerous challenges

during times of war and economic upheaval, requiring adaptability and resilience (Astrachan & Shanker, 2003). The post-world war II era saw FBs playing pivotal roles in the reconstruction of economies, emphasizing their resilience in the face of adversity (Mokhber et al., 2017). In the latter half of the 20th century, FBs increasingly focused on professionalization, seeking external managerial expertise while striving to maintain the core values of family ownership (Hoy, 2012). Contemporary FBs, spanning a multitude of industries globally, continue to evolve and face new challenges. The history of family businesses reflects their enduring contribution to economic development, characterized by resilience, adaptability, and the transmission of values and practices across generations (Conz et al., 2023).

1.3. Significance of Family Business

FB, with their unique dynamics, not only serve as pillars of economic strength but also wield a profound influence on social, cultural, and individual levels. This multifaceted impact underscores their significance in various dimensions of society.

I. Economic Stability and Long-Term Perspective:

FB are known for their commitment to longevity and resilience in the face of economic uncertainties. Research by Chua et al., (1999) highlights that the family's attachment to the business often translates into a long-term perspective, contributing to economic stability. During periods of economic turbulence, FBs tend to prioritize continuity over short-term gains, acting as stabilizing forces within the broader economic landscape.

II. Job Creation and Human Capital Development:

The impact of FBs extends to the realm of employment. Studies, such as those by Chu, 2009 emphasize that FB are significant contributors to job creation. Their commitment to the development and training of employees fosters a skilled workforce. Moreover, the familial nature of these businesses often results in lower turnover rates compared to NFB, contributing to the stability of the labour market.

III. Cultural Preservation and Community Identity:

FB serve as custodians of cultural and traditional values. The transmission of entrepreneurial skills and cultural ethos from one generation to the next is a distinctive

feature (Cabrera-Suárez et al., 2001). This cultural continuity not only preserves heritage but also plays a vital role in shaping the identity of communities. The interplay between FB and cultural values contributes to the rich tapestry of societal norms and traditions.

IV. Community Engagement and Social Capital:

FB often have deep-rooted connections within local communities. Their engagement extends beyond economic transactions, contributing to the social capital of a region. This involvement, as noted by (Chrisman et al., 2005), further strengthens the bonds between businesses and communities, creating a symbiotic relationship that goes beyond the market dynamics.

V. Ethical and Values-Based Entrepreneurship:

The values embedded in FB, often passed down through generations, contribute to ethical entrepreneurship. The commitment to ethical practices and community well-being distinguishes family enterprises in the business landscape. This ethical foundation, as highlighted in various studies, creates a positive impact on both internal operations and external perceptions.

In summary, the significance of FB is not confined to economic metrics alone. Their influence permeates various aspects of society, contributing to stability, cultural preservation, community identity, and ethical entrepreneurship. Understanding these multifaceted dimensions is crucial for comprehending the holistic impact of FBs on the socio-economic fabric.

1.4. Family Business in India

FBs have long been the backbone of India's economic landscape, playing a pivotal role in shaping the nation's entrepreneurial spirit, economic growth, and cultural ethos. The distinctive nature of family-owned enterprises in India adds a layer of complexity and richness to the business ecosystem. In the post-independence era, FBs emerged as the cornerstone of India's industrial and commercial development. Scholars such as *Piramal (1999)* highlight the historical trajectory, emphasizing the role of prominent business families in laying the foundation for various industries. The Birlas and Ambanis, among others, are synonymous with the growth and diversification of Indian business on a global

scale. One of the defining features of family businesses in India is the intertwining of familial and business responsibilities. Joshi et al., (2010) elucidates on the primacy of family ties in influencing key business decisions and the transmission of entrepreneurial values across generations. The intricate relationship between family dynamics and business strategies adds a unique dimension to the functioning of these enterprises. The Indian business landscape also bears the imprint of specific castes and communities that have historically dominated various sectors. Dewangan et al., (2024) delve into the socio-cultural dimensions, emphasizing the influence of caste structures on family-owned businesses. Among these, the Marwari community stands out for its enduring entrepreneurial legacy and dominance in trade and commerce (Taknet, 1987; Taknet, 2016). This intersection of cultural heritage and business operations shapes the identity and practices of family businesses in India. As the nation underwent economic reforms in 1991, family businesses faced both challenges and opportunities. The shift towards a liberalized economy opened new avenues for growth and expansion, but it also necessitated adaptability to a more competitive and globalized market Stiglitz (2003). This era marked a crucial phase in the evolution of FBs, requiring them to navigate regulatory changes and emerging market dynamics. In essence, FBs form an integral part of India's economic narrative, contributing not only to wealth creation but also to the preservation of cultural values and traditions. Understanding the intricacies of FBs in India is paramount for unravelling the complexities of the business ecosystem.

1.5. Family Business in Assam

In the heart of Northeast India, Assam stands as a testament to the harmonious coexistence of tradition and commerce, with FBs playing a pivotal role in shaping the region's economic landscape. The roots of FBs in Assam run deep, mirroring the state's diverse sectors and cultural heritage. Assam is home to a rich tapestry of ethnic communities including Assamese, Marwari, Bengali, Bodo, and Nepali each contributing unique traditions, values, and social networks that influence entrepreneurial behavior and family business practices. Economically, the state is predominantly agrarian, yet sectors such as tea, oil and natural gas, handloom, handicrafts, and small-scale trade contribute significantly to regional prosperity. Its geographic location, bordering several Southeast Asian countries, presents both opportunities for trade and challenges in terms of market volatility and socio-political dynamics, making resilience and adaptability key to business

survival. From the sprawling tea plantations that define Assam's global identity in the beverage industry to the intricate handloom and handicraft businesses that showcase the craftsmanship of the Assamese people, FBs are the backbone of the local economy (Bhattacharya, 1998).

Recent studies from Assam highlight important dimensions of entrepreneurial behaviour which are relevant for framing this research. For instance, Bora and Rabha (2025) examine women entrepreneurs in Assam, showing how support systems, educational attainment, and access to finance affect their success. Similarly, Bora (2019)'s doctoral work on nursery owners in Kamrup districts reveals that characteristics like landholding, education, experience, and marketing patterns are significantly associated with entrepreneurial behaviour. Patowary (2021) further demonstrates the role of Assam Startup -The Nest as an institutional support mechanism, emphasizing how policy and incubation efforts shape entrepreneurship in the region. Together, these works underscore that while there is a growing body of literature on entrepreneurship in Assam, there remains little systematic focus on family businesses, particularly regarding their socioemotional wealth practices and resilience strategies in times of crisis.

The historical evolution of FBs in Assam reflects the resilience of entrepreneurial spirits that have navigated through cultural shifts, economic transformations, and external influences. Traditionally, FBs in Assam have been deeply ingrained in sectors like agriculture, where ancestral knowledge is passed down through generations, ensuring the sustainability of farming practices (Bhattacharya, 1998). Additionally, the vibrant trade networks and small-scale industries, often family-run, have contributed significantly to the socio-economic fabric of the state. Empirical studies underscore the distinctiveness of FBs in Assam. Mondal (2023) highlights the impact of the region's socio-cultural and economic conditions on these enterprises, while Chakraborty and Chakraborty (2017) emphasize challenges related to intergenerational succession. The lack of formal succession plans often results in internal conflicts, threatening continuity and growth (Rothwell, 2010). Das and Dutta (2024) recognize the potential of FBs across tea, oil, textiles, and tourism sectors, but note obstacles such as limited access to capital, insufficient market knowledge, and infrastructural deficiencies. Sharma (2024) highlights socio-political instability as a significant hurdle, affecting operations and investment inflows. Barborua (2022) observes that many FBs in Assam are conservative and prefer adhering to traditional practices,

which, while preserving identity, can limit adaptability. Daimari and Singh (2022) further note the influence of tribal cultural practices on ownership, management, and succession, emphasizing the need to understand these local contexts for sustainable business strategies.

In summary, FBs in Assam operate in a complex environment shaped by a unique socio-cultural and economic landscape. The state's ethnic diversity, community-driven business practices, agrarian base, and dependence on sectors like tea, oil, textiles, and handicrafts intersect with challenges such as succession planning, access to capital, socio-political instability, infrastructural deficiencies, and resistance to change. At the same time, community networks, traditional knowledge, and sectoral diversity create opportunities for resilience and continuity. While there is a rich history of FBs contributing to Assam's prosperity, research specifically examining these enterprises within this regional context remains limited. By examining historical perspectives, dominant sectors, and the interplay between family values and business operations, this study seeks to provide a nuanced understanding of socioemotional wealth practices and crisis management strategies within the distinctive socio-cultural and economic context of Assam's FBs.

1.6. Need of the Study

This study on the present status of FBs in Assam, focusing on SEW practices and crisis management, addresses a critical gap in the existing literature. FBs play a vital role in the global economy, contributing significantly to economic growth, employment, and societal development (Astrachan & Shanker, 2003). However, there is a lack of comprehensive research examining FBs within the specific socio economic and cultural context of Assam. Understanding the current state of these businesses in Assam is crucial for policymakers, industry practitioners, and academics to devise targeted strategies that align with the region's unique needs and opportunities. By incorporating SEW practices, as conceptualized by Gomez-Mejia et al. (2011), this study provides a deeper exploration into the emotional and non-financial factors that influence FB. Additionally, the investigation of crisis management strategies, particularly in light of the COVID-19 pandemic, offers valuable insights into how FB can build resilience in the face of unforeseen challenges. Overall, this study not only aims to contribute to the academic understanding of FBs but also to provide practical recommendations that support the sustainable growth and resilience of family enterprises in Assam.

1.7. Theoretical Framework

The theoretical underpinning of this study draws upon established frameworks in FB research, integrating key concepts that illuminate the multifaceted nature of FB. The guiding theoretical perspectives include:

1.7.1. Agency Theory:

Agency Theory explores the conflicts and inefficiencies that arise in the relationship between principals (owners) and agents (managers) due to differing interests, asymmetric information, and divergent goals (Jensen & Meckling, 2019). In the context of FBs, this theory is particularly relevant because ownership and management often overlap especially in the initial generation but begin to separate as the business passes on to subsequent generations.

In early-stage FBs, the owner often acts as both principal and agent, reducing the traditional agency problem. However, as the business grows and transitions to second or third generations, multiple family members may become involved, each with varying levels of interest, competence, and commitment. This can lead to intra-family agency conflicts, which are distinct from the typical owner-manager conflicts seen in non-family business (NFB). In Assam, where community identity and family reputation hold significant value especially among business communities like the Marwaris agency dynamics also extend to concerns about external perceptions. Family owners may resist hiring professional managers (agents) out of fear that outsiders may not uphold the family's legacy or values. This resistance to professionalization can inhibit growth, limit innovation, and hinder crisis responsiveness.

1.7.2. Socioemotional Wealth Theory

SEW theory, as introduced by Gómez-Mejía et al. (2007, 2011), focuses on “the non-financial goals that FB seek to preserve, which distinguish them from NFB. SEW refers to the emotional value families derive from owning and controlling their business, encompassing elements such as family identity, legacy, emotional attachment, and the intention to pass the firm on to future generations. These factors significantly influence decision-making processes in FB, often prioritizing long-term emotional gains over short-term financial benefits”. The theory highlights that FB are driven not only by profit

motives but also by the desire to protect and enhance their socioemotional endowments. Gómez-Mejía et al. (2007) describe this as a “noneconomic utility” that shapes strategic behaviour. For instance, a family-run retail enterprise in Assam may decide against outsourcing to reduce costs if it risks breaking trust with loyal local employees. Such decisions, while not maximizing financial gain, protect the family’s social standing, emotional ties with employees, and commitment to the community core elements of SEW.

For example, a family-owned manufacturing unit in Upper Assam may avoid accepting equity from external investors even when facing financial stress, as doing so might threaten family control and autonomy. Similarly, during crises such as the COVID-19 pandemic, FB often relied on internal family funds or informal community support instead of formal institutional aid, which reflects their inclination to safeguard internal trust and autonomy (Gómez-Mejía et al., 2020). SEW theory thus provides a powerful explanation for why FB may follow paths that differ from profit-maximizing models. It helps to understand their unique behavior in contexts marked by uncertainty, change, or succession-related decisions. Especially in culturally embedded regions like Assam, where business and family identities are closely linked, SEW serves as a key theoretical foundation to explore the motives and resilience strategies of FB.

1.7.3. Resource-Based View

The Resource-Based View (RBV), introduced by Barney (1991), provides a strategic framework that emphasizes a firm’s internal resources and capabilities as the primary drivers of sustainable competitive advantage. According to RBV, resources that are valuable, rare, inimitable, and non-substitutable (often referred to as the VRIN criteria) enable firms to outperform competitors and sustain long-term success.

In the context of FBs, especially in culturally rooted regions like Assam, RBV offers a lens to understand how these firms utilize not only tangible resources (e.g., land, capital, infrastructure) but also intangible resources such as family reputation, trust-based relationships, commitment, and embedded social capital elements often unavailable to NFB (Sirmon & Hitt, 2003). For instance, a family-owned tea estate in Assam may benefit from generations of accumulated knowledge in tea cultivation, long-standing trust with workers, and deep relationships with local suppliers. These intangible assets family know-how, legacy-based credibility, and loyal employee base are difficult for competitors to

replicate and thus form the foundation for a sustainable competitive advantage. The multi-generational knowledge transfer and emotional attachment to the business create an enduring sense of stewardship that strengthens long-term strategy and business continuity. Moreover, the reputation and goodwill built by FB within local communities serve as a powerful resource, attracting loyal customers and dependable suppliers. For example, a traditional family-run handicrafts business in Sualkuchi may maintain loyal buyer relationships based on decades of consistent product quality, cultural identity, and community involvement resources not easily substituted or bought.

1.7.4. Institutional Theory

Institutional Theory provides a valuable lens to understand how organizations conform to the formal and informal rules, norms, and expectations of the society in which they operate. It emphasizes that businesses are not only driven by economic and strategic considerations but are also shaped by cultural, normative, and regulatory pressures from their external environment (Tina Dacin et al., 2002). This framework is particularly relevant for analysing how FB in Assam adapt to the expectations of their communities, regulatory structures, and broader societal values, especially in times of crisis.

In Assam, FB are deeply embedded in local traditions, social networks, and cultural norms. Their behaviours ranging from succession planning to employee management and crisis response are influenced not only by market logic but also by institutional forces such as community expectations, religious values, and social legitimacy. For example, many FB in Assamese communities continue to operate based on intergenerational trust, patriarchal decision-making, and respect for elders' authority, which are reflective of prevailing cultural norms rather than efficiency-maximizing logic. Given the multidimensional nature of this study covering entrepreneurial orientation, socioemotional wealth, resilience, and the comparison of family and non-family businesses it is not possible to rely on a single theoretical lens. Each of the four theories employed here contributes to explaining a distinct variable or relationship. Taken together, they provide a more holistic framework that aligns with the study's objectives and ensures conceptual rigour.

1.8. Research Objectives

1. To provide an overview of the current state of family business in Assam

The primary goal of this objective is to conduct a comprehensive analysis to present a detailed overview of the existing state of FBs in Assam. By leveraging industry reports and conducting surveys with leaders of FBs, the objective aims to delineate various facets of family enterprises in Assam. Key areas of exploration include family and business priorities, business performance metrics, the role of family values and business purpose, articulated business objectives, growth aspirations, and obstacles encountered by these businesses.

2. To investigate the association between entrepreneurial orientation and family business success in light of socioemotional wealth impact.

Objective 2 delves into the intricate relationship between EO and the success of FB, considering the impact of SEW. This investigation aims to understand how SEW influences and enhances EO within FB. By exploring this dynamic, the objective seeks to provide insights into the factors that contribute to the success of FB in Assam.

3. To identify the resilience factors of the family businesses at the time of crisis- a comparison with non-family businesses.

The overarching goal of Objective 3 is to identify and analyse the resilience factors inherent in FB, particularly during times of crisis, comparing them with NFB. This objective comprises two sub-categories:

- a. *To identify the resilience factors that the businesses have been generally adopting-*
Investigate the factors that FBs typically adopt to navigate challenges and crises.
- b. *To identify the resilience factors that the businesses have been adopting in times of Covid-19-* Explore the resilience strategies specifically adopted by FBs in Assam, particularly in the context of the Covid-19 pandemic.

Objective 3 further proposes the identification of resilience variables encompassing attitudes toward crises, traits of both the company and entrepreneurs, institutional relationships, human and social capital, and strategic management. These identified

variables are intended to inform resilient entrepreneur training programs and guide various stakeholders within the entrepreneurial ecosystem, including universities and public authorities.

1.9. Limitations

While this study endeavours to provide a comprehensive exploration of FBs in Assam, it is essential to acknowledge certain limitations inherent in the research design and methodology. The sampling approach, focusing on a specific set of FBs in Assam, may introduce sampling bias, limiting the generalizability of the findings. As highlighted by scholars such as Hair, (2014), the diverse landscape of FBs, encompassing various sizes, industries, and operational structures, poses challenges in achieving a fully representative sample. Furthermore, the regional specificity of the study may hinder the broader applicability of the results to FBs in other geographical and cultural contexts. The unique socio-economic dynamics and cultural nuances of Assam may contribute distinctive features to its FBs, potentially differing from those in other regions. As emphasized by Yin, 2017 caution should be exercised in extending conclusions beyond the specific context in which the study is conducted. Data collection constraints represent another limitation, particularly concerning the reliance on surveys and interviews. The inherent subjectivity in self-reporting and respondent perspectives may introduce biases, impacting the reliability of the gathered information. Additionally, the availability and accessibility of historical data, especially during times of crisis, could be constrained, potentially limiting the depth of the analysis. The study's predominantly cross-sectional approach, while offering a snapshot of FBs in Assam, may lack the depth and richness that a longitudinal perspective could provide. Longitudinal studies, as advocated by Creswell and Creswell (2017), would enable a more dynamic understanding of how FBs evolve over time, especially in response to crises. The identification and quantification of SEW, a central focus of the study, present challenges due to its qualitative and intangible nature. Despite efforts to measure aspects of SEW through surveys, the full spectrum of this construct may not be entirely captured. This limitation aligns with the recognition by scholars like Sirmon et al. (2007) that SEW is complex and may require more nuanced methodologies for comprehensive understanding.

1.10. An Overview of the Study

This study unfolds across eight chapters, each commencing with an introduction and culminating with a chapter summary. The first chapter, "Introduction," lays the groundwork by introducing the central theme of FB. It navigates through the theoretical underpinnings, traces the historical contours of FB, identifies research gaps, outlines objectives, delineates limitations, and underscores the imperative of this research. The second chapter, "Review of Literature on FB," meticulously scrutinizes existing scholarship relevant to the study's three primary objectives. This segment delves into a global array of literature and delves into India-specific works, providing a nuanced understanding of FBs based on prior academic contributions. Chapter three intricately outlines the study's objectives and methodologies. It meticulously defines essential parameters, including sample size, elements, units, geographical extent, academic scope, and the timeframe for data collection. Moreover, the chapter introduces the formulas, variables, hypotheses, and statistical tools employed to unravel the study's threefold objectives.

In the fourth chapter, attention is directed towards the detailed analysis of Objective 1. This involves a comprehensive exploration of the current state of FBs in Assam, encompassing family and business priorities, performance metrics, values, objectives, growth aspirations, and obstacles. Industry reports and surveys of FB leaders are instrumental in unravelling the multifaceted aspects of FBs. Chapter five extends the study to Objective 2, probing the association between EO and FBS in light of SEW impact. Here, the influence of SEW in enhancing EO and overall business success is subjected to scrutiny. Chapter six further unravels Objective 3, focusing on identifying resilience factors of FBs during times of crisis. This involves a comparative analysis with NFB, considering variables such as attitudes towards the crisis, company and entrepreneur traits, institutional relationships, human and social capital, and strategic management. These factors become crucial considerations for resilient entrepreneur training programs and support systems within the entrepreneurial ecosystem. Chapter seven discusses the consolidated findings and presents a framework model that captures the unique factors driving family business success. Drawing on results from all three objectives, a conceptual model has been developed to illustrate the key factors contributing to the sustainability of family businesses in Assam. The concluding eighth chapter outlines the theoretical and

practical contributions of the study, highlights its limitations, and maps out potential avenues for future research. This structured approach ensures a systematic exploration of FBs in Assam, enriching the understanding of their dynamics, SEW practices, and resilience factors in the face of crises.

1.11. Chapter Summary

This introduction sheds light on the pivotal role of FBs in Assam, India, emphasizing their unique contributions to the local economy and cultural heritage. Despite their significance, there is a notable research gap in understanding the dynamics of FBs in this region. The chapter outlines research objectives, including exploring the impact of SEW and resilience factors during crises. Assam's familial entrepreneurship, deeply rooted in tradition, faces challenges in adapting to modern economic demands. The study aims to bridge these gaps, offering valuable insights for policymakers, FB owners, and academia, with the subsequent chapters delving into the literature review of the study.