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Full Length Research Paper

Antecedent to development and growth of family businesses in Iran

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Family firms receive scant attention in the mainstream management literature, particularly with respect to the development of theories of this firm. This neglect is unfortunate because in terms of contributions, and especially numbers, family businesses represent a dominant form of economic organization throughout the world. Although the field of family businesses has been regarded as a separate academic discipline since the 1990s in the world, in Iran, there are no particular fields of study about this discipline. Furthermore, growth of firms is very important. This study investigated and explained the affective factors for growth and development of family businesses in Iran. It is noted that this research is the first academic research in Iran related to family business. This article tries to fill the gap between family business's theories. It contains textile and oil industries in Tehran. Almost 78 family businesses in textile industry and 80 family businesses in oil industry were identified. A Sample of 88 firms from two industries as examined in this study. The findings showed that there are correlations between growth and independent factors such as risk taking of owner-managers, orientation to innovation, managerial skills, interest of people to participate in their family business, strategic insight in people of family, political environment, cultural environment and economical environment, and there are no correlation between growth and the governance of family on their businesses.

Key words: Family business, growth and development, entrepreneurship.

INTRODUCTION

In terms of contributions especially by their numbers, family businesses represent a dominant form of economic organization throughout the world (Dyer and Sanchez, 1998; Shanker and Astrachan, 1996). First, the failure of scholarships to incorporate family businesses into the mainstream theories of entrepreneurship and management, can lead to the neglect of factors that would make them more powerful and valuable. Furthermore, this neglect may mean that some of the theories developed do not apply to the vast majority of organizations that exist, or will exist, in the world. From the latter, family businesses may offer circumstances to study certain kinds of organizational phenomena. The study hopes that this special issue could contribute to fill the gap especially in Iran. Scarcity of information in Iran is a crucial problem. Unfortunately, there is no organization in Iran that undertakes management of family businesses, and this causes many problems for the research. The study decided to investigate growth factors in family business, because this issue is very important for Iran's economical situation. On the other hand, although there are lots of family firms in Iran, the study compelled to limit the research, because of the limitation of time. So, the study selected two industries, oil and textile, to survey the family firms within these industries. Therefore some questions answered in this research:

i. How is the concept of family business perceived in Iran?
ii. What are factors influence family businesses in Iran? Or which factors influence on family business in Iran?
iii. Why do these factors have a greater influence?
iv. How can family businesses in Iran be more progressive

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in Iran in the future?

In chapter two, the study defines family businesses and reviews some theories about family businesses, and then it explains methodology and its results, and at end of the article were present with conclusion and the limitations.

LITERATURE REVIEW AND EXPLANATION OF HYPOTHESIS

Family Business

Defining the object of the study is a fundamental requirement for progress in any field. Furthermore, as it is discussed previously, a theory of the family firm must start with a definition of a family firm.

Researchers began to define the family business operationally by the components of a family's involvement in the business: ownership, management, and trans-generational succession. Unfortunately, researchers have had problems defining these components precisely. For example, is family ownership requires 100% controlling ownership, or effective control? Is family governance necessary condition for family business management? Is a substantially concrete probability of succession within the family necessary or is the possibility of such occurrence enough? Following this approach, researchers have proposed a wide variety of combinations of these components.

The observation that firms with the same extent of family involvement may or may not consider their family firms has prompted some researchers. Westhead and Cowling (1998) define family firms partially by determining whether the firms consider themselves to be family firms or not. While this approach is defining family firms by operationally convenient, it is theoretically unsatisfactory because then, it raises the question, what kind of firms classify themselves as family firms? Reflection of this dissatisfaction with defining family firms will remove the extent of family involvement in the business. Some researchers shifted their approach by attempting to identify the essence of a family firm. Some authors concentrated on a family's influence in setting the strategic direction of a firm (Shanker and Astrachan, 1996). Litz (1995) suggests that the main issue is the intention of the family to retain control of the business over the current generation. Chua et al. (2003) argue that behaviour should be added and they suggest that control of the dominant coalition is the extent of control needed by the family.

This would make firms with full ownership, controlling ownership, and effective control all eligible. Habbershon et al. (2003) contribute another part with their characterization of familiarness as unique, inseparable, and synergistic resources and capabilities arise from family involvement and interactions. These four parts are not mutually exclusive; in fact, they are complementary and may be combined to form an integrated definition of the family firm. Since possessing the resources, intention, and vision without the proper behavior do not form family firm and since such behavior is impossible without the other three parts, the four parts are inseparable. Thus, one could envision the essence of a family firm to consist of:

1. Intention to maintain family control of the dominant coalition;
2. Unique, inseparable, and synergistic resources and capabilities arising from family involvement and interactions;
3. A vision set by the family controlled dominant coalition and intended for trans-generational pursuance; and
4. Pursuance of such a vision (Chrisman et al., 2003)

Personal Factors

Astrachan et al. (2002) present and validate a scale for assessing the extent of family influence on any business organization. This continuous scale consists of three subscales of power, experience, and culture (F-PEC scale). It is a promising framework for characterizing a continuous spectrum of family firms according to the components of involvement. Using Chua et al. (2003) as the theoretical definition of family business as a starting point, Chrisman et al. (2002) show that it is possible to differentiate family firms from non-family firms statistically on the basis of ownership, management, and intention of family succession without the use of arbitrary cut-off points. They used cluster analysis to produce a dichotomy of family and non-family firms.

In a research by Zahra (2005), family firms are widely recognized as a major source of technological innovation and economic progress. Yet, over time, some family firms become conservative and unwilling to take the risks associated with the entrepreneurial activities. Adopting a broad definition of entrepreneurial risk taking, this study uses agency theory to highlight key correlates of risk taking among 209 U.S. manufacturing family firms. The results show that family ownership and involvement promote entrepreneurship, whereas the long tenures of CEO founders have the opposite effect (Zahra, 2005). So we create following hypothesis:

H_1: The personal factors of owner are significantly correlated with growth and development of family business in Tehran.
H_{1a}: The owner's risk-taking is significantly correlated with growth and development of family business in Tehran.
H_{1b}: The owner's desire to innovation is significantly correlated with growth and development of family business in Tehran.
H_{1c}: The owner's management skills are significantly correlated with growth and development of family business in Tehran.

Family Factors

Governance and the Performance of Family firms

Agency theory has often been used to argue that family firm governance is more efficient than that of non-family enterprises. Jensen and Meckling (1976) indicate that family firms are likely to incur fewer costs for the agency because the goals of firm's principals (owners) are aligned with its agents (managers) since they are typically the same. Because of the alignment of goals, agency costs will not be borne by the owners since they will not have to spend time and resources to monitor the behavior of their agents (Alam, 2009).

Extending the RBV of Family Influence

At the most basic level, what differentiates a family business from other profit seeking organizations is the family's important influence on the decision making and operations of the firm. Litz (1995) defines family business by their intentions, whereas Chua et al. (2003) define a family business based on the vision and behavior of a dominant coalition of family members. Habbershon and Williams (1999) and Habbershon et al. (2001) refine the understanding of family firms by introducing the concept of familiness - the unique, inseparable, and synergistic bundle of resources and capabilities resulting from idiosyncratic family influences - to explain their wealth-creating potential. Following this logic, Sirmon and Hitt (2003) are successful in developing several important propositions in the relationships between family business behaviors, resource management, and company performance.

Sirmon and Hitt (2003) also show how family aspirations and values indirectly influence a family firm's effectiveness and efficiency in resource management through the creation of unique resources: patient financial capital, social capital, and human capital resulting from duality in relationships (Alam et al., 2010). Although much research has focused on the governance and agency problems stemming from the separation of ownership and control in managerially controlled firms, numerous other governance systems do exist to solve agency problems in other ways. Recent empirical research suggests that three generic forms of governance - managerial, alliance, and entrepreneurial or familial - are prevalent in capitalist economies (Griffeth et al., 2006).

Managerial governance

In its ideal form, managerial governance is characterized by the separation of ownership and control, thereby dividing management and risk-bearing functions. Managerially governed firms make greater use of public equity than other types of firms. Increasingly, public equity is supplied by diversified arm's length entities and mediated through the auspices of an institutional investor; both are concerned with returns on their portfolios rather than the performance of any one investment. This arrangement depersonalizes the relationship between suppliers of capital and the focal organization, and investors view their investments in very instrumental terms.

As a consequence, executive incentives, authority structures, and norms of accountability in managerial firms tend to become isomorphic with public equity markets. Compensated for incentives based on the market value of the firm, professional managers hold a fiduciary responsibility to shareholders and must ensure that their decisions are seen as legitimate and justifiable to their principals (Craig et al., 2006). To assure accountability, professional managers are subject to a diffuse set of internal constraints, organizational rules, policies, and formal planning procedures that fragment authority in a bureaucratic system of checks and balances. Investment, credit, and bond-rating analysts, who determine the cost of capital to the firm, monitor managers' strategic and operational decisions act as a further constraint on their discretion.

Consequently, managerial decision may exhibit a highly calculative or instrumental rationality because of the constraints imposed by capital market institutions and internal checks and balances. Because professional managers are accountable to shareholders, it is difficult for them to justify tacit and extra-contractual commitments or to justify relationships upon compassionate or personal criteria. Rather, in the context of managerial governance, contracts with suppliers, distributors, and other partners tend to be formalized and complicated in order to account for a variety of possible contingencies. These contracts also tend to be discrete and pertain to defined activities over a clearly specified period. Because discrete contracts imply little expectation of future obligation, parties are free to seek new business partners and to transfer their business if they are offered better contractual returns or if partners begin to falter in their performance (Rutherford et al., 2006).

Alliance governance

Ownership and management control are also separated in alliance governance but professional managers in this context are not subject to the same capital market scrutiny as those operating under managerial governance. Under alliance governance, capital is often supplied to a firm by its financial and industrial business partners in the form of equity holdings, loans and loan guarantees, and trade credits. Banks and business partners engage in cross-ownership of each other's shares to support recurring commercial relationships, and such ties provide the means for managers in each firm to monitor one another's actions (Heck 2004).

These ties also attenuate the pressure on a firm to maximize its near-term market value (Hoffman et al., 2006).

Financial market - firm decoupling affords professional managers the opportunity to adopt a longer-term orientation toward the development of relationships. Professional managers in alliances initially select business partners on the basis of price - quality considerations like managerially governed firms. However, firms characterized by alliance governance differ in that they tend to engage in recurring and more enduring contractual relations with their business partners. In this governance context, relations are conditioned by norms and incentives favoring long-term reciprocity. As a consequence, firms are provided with the opportunity to create and invest in highly productive dedicated assets. Other beneficial effects of such relational contracting stem from a reduced risk of partners behaving opportunistically, from lower transaction costs, and from reduced search and screening costs. Thus, under alliance governance, value-creating processes are subject to an instrumental calculative logic but are everywhere tempered by a relational logic stemming from core governance processes (Van den Berghe and Carchon, 2003).

Family governance

Family governance is distinguished not by the separation but by the unification of ownership and control. The degree and nature of ownership require establishing effective control that will depend upon the institutional context in which a firm is located. In some contexts, effective control may require an absolute majority of voting stock to be concentrated on the hands of the family. In other contexts, the use of dual-class shares may afford effective control with significantly less than an absolute majority of equity ownership. The strategic control of a firm’s assets can also be attained with the low ownership levels through the establishment of pyramids and cross-holdings (Baum and Wally, 2003), or the existence of covenants that allow the family to appoint the chief executive officer or board members, or even bypass the board for certain decisions. Indeed, it is the institutional complexities of different tax, legal, political, and social imperatives that have given rise to numerous adaptations in the formal ownership structures of family firms that make the research for a universal definition of the family firm such a hazardous task. By effective control, the study mean a controlling owner’s ability to add, direct, or dispose of a firm’s assets without recourse to a third party, such as an institutional investor, a bank, or a business partner (Alam and Haque, 2010). This definition stems from classical notions of property rights found in both modern common and civil law that suggest property ownership confers the rights of usus (the right to use property as you see fit) and abusus (the right to alter, modify, or destroy your property) on property owners (Ross, 1973). The most important part of this definition pertains to undiluted firms that rely on their owners’ personal wealth and internally generated income for their capital, a factor that suggests family-governed firms will tend to operate under a capital constraint and it is relatively small in scale. However, in many institutional contexts, it is possible for a publicly traded family firm to gain control rights that deviate significantly from cash-flow rights. In these circumstances, a family firm may exert influence on a public firm beyond what its fractional share ownership would indicate. Such arrangements to some extent will delimit the family firm’s capital constraint and create the potential for family firms to grow the large scale. Indeed, these property or control rights are defining as feature of family governance due to their impact on incentives, authority, and relative freedom from accountability to third parties (Stafford et al., 1999). The unification of ownership and control literally incorporates organizational authority into the hands of the entrepreneur, his or her family, or a coalition of families. So we create the following hypothesis:

H_2: The family factors are significantly correlated with growth and development of family business in Tehran.

H_{2a}: The family member`s attitude is significantly correlated with growth and development of family business in Tehran.

H_{2b}: The governance and family control is significantly correlated with growth and development of family business in Tehran.

H_{2c}: The strategic view of family is correlated significantly with growth and development of family business in Tehran.

Environmental factors

In later years, the corrective approach has progressed into developmental theorizations about family business systems and life cycles. Here, the inter-relationships of the different components which comprise the overall family business system are taken into consideration, whether in order to separate negative influences or for linking the founder, business and family with aspects of the market place, industry, technology, stakeholders and task system. This emphasis is more concerned with taking account of the positive ways in which business and family issues inter-relate and how values, beliefs and ideologies may influence decisions. In this, the human element and individual discretion possessed by key decision makers was brought back to the centre of inquiry. This acknowledged the potential “ability of the owner/manager to allocate resources in non-economic ways to fulfill personal family goals”. This thinking has since progressed into other theorizations such as “field theory”, resource-based theory, agency theory and entrepreneurship theory.

Furthermore, since Kanter’s (1989) work, others have put forward a complex range of additional factors that have, over the last century, contributed to a declining role for the family production unit. In the early part of the nineteenth century, these factors related to issues such as the campaign for a family wage by male workers; limits on child labour and the introduction of compulsory education; the female input in trade unions and the cooperative movement and the relative cheapness of female labour compared to men.

Thus, it was not the rise of systematic or scientific management (concerned with ensuring equality and rewarding individual merit in order to secure the development of rational bureaucracies), as Kanter (1989) argued, that explains the view of family influence as an impediment to the efficient and effective operation of a business. Instead, it was a whole range of complex societal and economic changes (urbanization processes, large-scale industrialization epitomized by de-personalized mechanized industrial processes) that could not be undertaken in the home that led to family relations and resources being seen as best isolated from the workplace.

Many of these complex processes are demonstrated in economic sociology, economic history, social anthropology and small business with interests in communities, clans, kinship patterns where a long tradition of research on family dynasties and their contribution to economic growth can be noted (Child, 1972). Studies on the sociology of family, farming and household labour that highlight the inter-relationship between the household, the state and labour markets also indicate a tradition of research linking the family unit with economic relations.

A recent German study put the UK top out of 14 countries in terms of the relative competitiveness of environmental conditions for family business, such as taxation, regulation, finance and labor costs (Flecher, 2010). So, we create following hypothesis:

H_3: The environmental factors are significantly correlated with growth and development of family business in Tehran.
H_{3a}: The legal and political environment is correlated significantly with growth and development of family business in Tehran.
H_{3b}: The social and cultural environment is correlated significantly with growth and development of family business in Tehran.
H_{3c}: The economical and technical environment is correlated significantly with growth and development of family business in Tehran.

The study plans to investigate the affective factors in growth and development of family businesses in Tehran. Accordingly, hypotheses were proposed lately.

RESEARCH METHODOLOGY

This survey is a kind of practical research and explains the results of correlations between growth and development factors and independent factors. For this research, the participation of family business managers was necessary. At first, family businesses in oil and textile industry were identified. For that, the study referred to the related ministry, especially "Iran Ministry of Industries and Mining".

Almost 400 companies in textile industry and 400 companies in oil industry were identified in Tehran. Before sending questionnaire, family businesses were recognized in two industries by interviewing with critics. Census shows almost 85 family businesses in textile industry and 80 family businesses in oil industry. The definition was used to distinguish family businesses from other businesses: "Businesses where the family which controls the firm's strategic direction and they participates in running the firm" (Astrachan, 2010; Shanker and Astrachan, 1996). A sample of 88 firms from two industries was applied in the study. For the purposes of the present study, a questionnaire was developed by a team of academic researchers. The study determined the family businesses through some questions. Questions were developed in two categories and classified by means of variables. To verify validity of questionnaire, critics ideas are used and a team of academic researchers in entrepreneurship. Reliability of measurement tools was tested by Cronbach's alpha. For reliability, the study initially used 15 questionnaires. Cronbach's alpha was 0.838, which shows reliability. Table 1 shows the different questions.

When working on this research, some problems were faced, including, the lack of information about family business in Iran, absence of family business collaboration, lack of family business institutions in Iran, and lack of books and academic thesis about this issue. The limitations of this approach are as obvious as the advantages. As family businesses are highly complex organizations, measuring the extent to which a family is able to influence the business through various channels is on a relatively comprehensive scale which does not capture (1) the influence exercised on business growth and on two industries and (2) the complexity of the system as a whole.

FINDINGS

In studies, educational level is an affective factor in growth and development of the firms. So, the study considered this variable in this research. According to Figure 1, the study shows that almost 9% of family business owner-managers have high school degree and 52.4% have graduated and 38.6% are under graduate education. Census shows that owner-managers have higher educational level in oil industry comparing to textile industry. Answers show that all of the owners are men. Also 5.7% of family business owner-managers are less than 30, 23.9% are between30 and 45, 53.4% are between 45 and 60 and 17% are more than 60.

About ownership type in these firms, it can be said that 13.6% of family firms in two industries are limited companies, 78.4 are private, 4.5% are public corporations and 3.4% are cooperative companies. Statistics describe most of the family firms desire to choose public and limited corporations for their companies. Results are shown in Table 2. Also Figure 2 shows family personnel in oil and textile industries. According to Table 2, growth and development in all family businesses is not over the mean. Also, growth and development variable in oil and textile industries is about at the same level and shows that family business have dull growth in two industries.

Table 1. Classification of fundamental questions in questionnaire.

Variables	Related question
Growth and development of family business(dependent variable)	Question 1-6
Risk taking	Question 7-11
Owner attitude toward(desire) innovation	Question 12-17
Managerial skills	Question 18-28
Family members desire to have family business	Question 29-33
Governance and control of family	Question 33-35
Job view(strategic view)	Question 36-40
Legal and political environment	Question 41-46
Social and cultural environment	Question 47-53
Economical and technical environment	Question 54-59

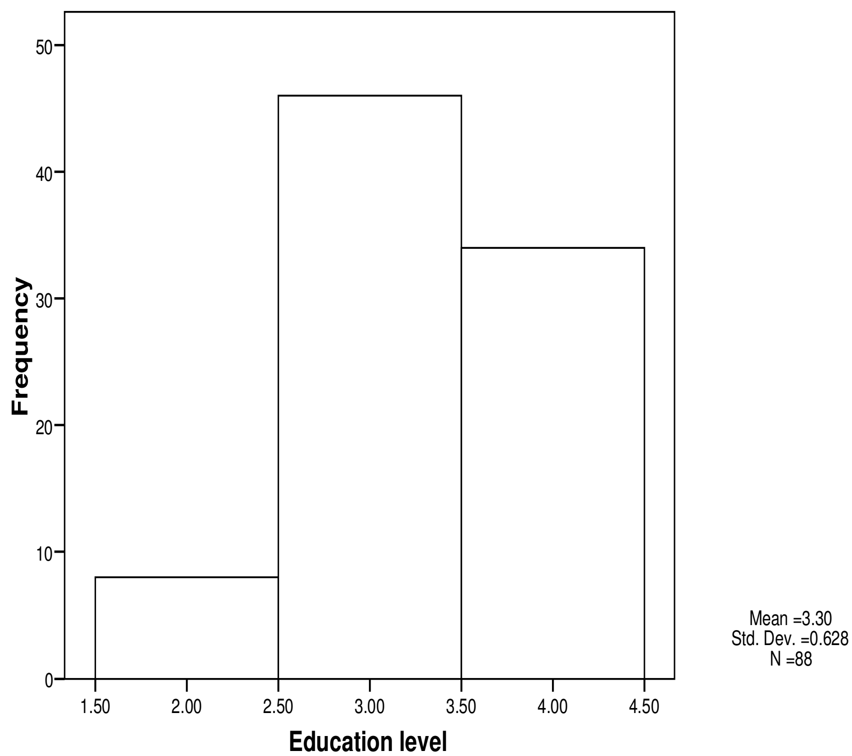

Figure 1. Educational levels in oil and textile industry.

DISCUSSIONS AND CONCLUSION

Risk taking

According to Table 2, risk taking variable is under mean. This result shows that owner - managers of family businesses are risk averse. Although risk taking in different stages of firm's life cycle can help the growth of the firm especially in startup stage, in Table 2, risk taking is significantly correlated with growth of the firm. This finding encourages managers to invest on skills and talent of family members in order to raise entrepreneurship skills.

A recent survey found that only 22% of family firms have established criteria for the roles of family members. These characteristics reflect a tension in family firms between rational profit seeking activities and non-commercial objectives which means that family firms tend to be more risk averse, less innovative and less growth orientated (Dyer, 2003). For example, a family business may prefer to manage an under-capitalized business rather than risk the uncertainty of taking on an external

Table 2. Spearman and sign tests.

	All family business	All family business							
Independent variables	**sig**	**Correlation coefficient**	**H0**	**Significant relationship**	**sig**	**H0**	**Positive differences**	**Negative differences**	**result**
Growth and development(dependent variable)	-	-	-	-	0.289	verified	41	31	Mean
Risk taking	0.001	0.335	rejected	yes	0.034	rejected	50	30	Unsuitable
Attitude toward innovation	0.003	0.318	rejected	yes	0.177	verified	33	46	Mean
Managerial skills	0.003	0.309	rejected	yes	0.000	rejected	22	60	Suitable
Family members desire to have family business	0.003	0.315	rejected	yes	0.488	verified	34	41	Mean
Governance and control of family	0.935	0.009	verified	no	0.009	rejected	24	47	Suitable
Having job views	0.001	0.343	rejected	yes	0.002	rejected	57	27	Unsuitable
Legal and political environment	0.008	0.282	rejected	yes	0.000	rejected	63	21	Unsuitable
Social and cultural environment	0.006	0.292	rejected	yes	0.000	rejected	78	7	Unsuitable
Economical and technical environment	0.001	0.358	rejected	yes	0.024	rejected	32	54	suitable
Personal factors	0.000	0.494	rejected	yes	0.106	verified	-	-	Mean
Family factors	0.006	0.293	rejected	yes	0.594	verified	-	-	Mean
Environmental factors	0.000	0.377	rejected	yes	0.000	rejected	20	67	suitable

equity investor (Poutziouris et al., 2004).

Innovation

According to results, owner's desire to innovate is significantly correlated with growth, but innovation variable is about mean and shows that owner's desire to innovate is not too much. This result is predictable for society of Iran. By considering the competitions in the world, having desire to innovate in production and services field or in processes is increasing more and more. Innovation is vital for any business to survive and is therefore, necessary to include in the family business strategy development and government, and Iranian parliament should provide necessary facilities for innovation in manufacturing of new products. Although those within the management of the family business are aware that time, resources and planning is needed to be spent on innovation, individuals from other stakeholder groups (for example, those not working in the business) need to value this role. All need to be aware of entrepreneurial firms that are characterized by their commitment to innovation (Griffeth et al., 2006) and, as such, innovation stimulates firm growth and, importantly, this growth occurs almost regardless of the condition of the larger economy (Gibb and Dyer, 2006).

Increasing technology development and market changes, both local and global, have led to a need for increased innovation to increase competitiveness within small- to medium-sized enterprises (SMEs). Klein and Sorra (1996) suggest that there is a need for much more research on innovation implementation. However, there is a paucity of studies, especially at SME level, which address innovation implementation, such as, the effectiveness of developing and applying innovation within the organization (Klein et al., 2005). In family-based SMEs, these issues can increase in complexity due to the dichotomy of managing the demands of the family and the business. In many cases this results in the primacy of family issues rather than the pressing business need for innovation implementation (Craig et al., 2006). Craig and Dibrell emphasis the importance of innovation in family firms by stating that the majority of the world's wealth is generated by family firms. Investments in research and development (R and D) are essential to advance innovation. However, R and D spending has certain characteristics that make it different from other

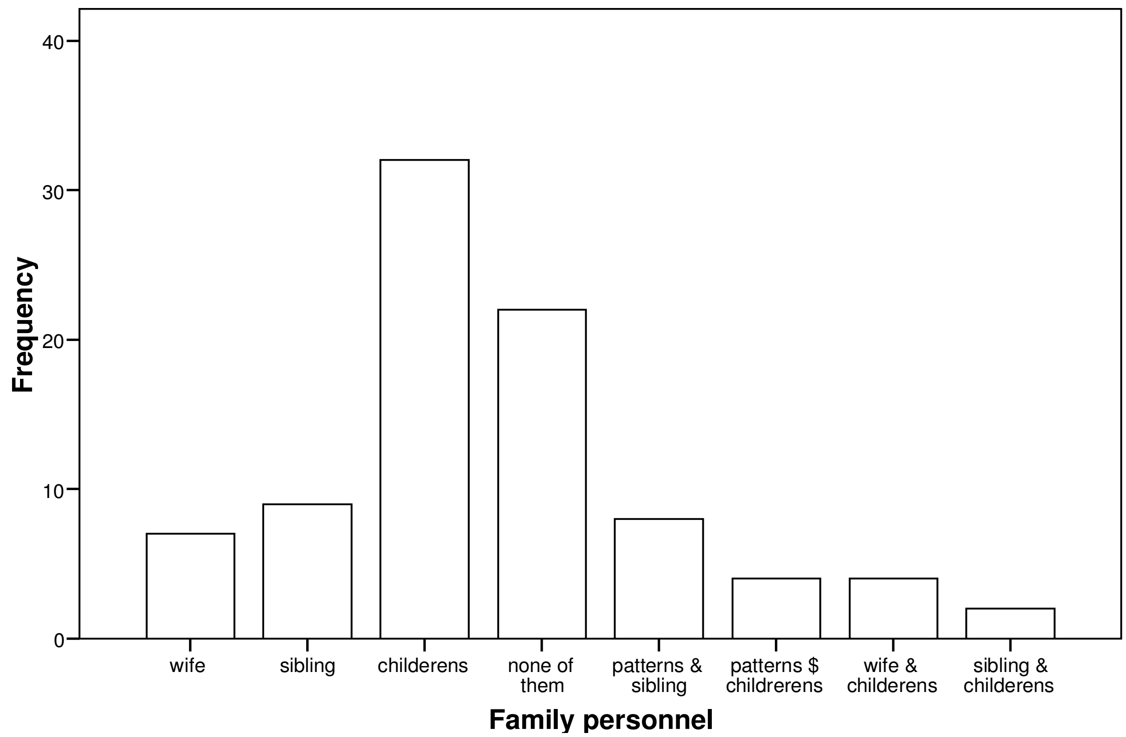

Figure 2. Family personnel in oil and textile industry.

investments: it is time-consuming and often fails to meet objectives. R and D returns are uncertain and highly skewed. Making R and D investments therefore requires a risk-taking attitude and a long-term horizon.

This explains why R and D investments may lead to an agency problem between owners and managers of a firm: the manager undertaking the R and D decisions often has better information about the likelihood of success and the nature of given R and D activity than does an external owner, and this creates an instance of asymmetric information.

In addition, because managers are usually primarily interested in short-term performance, they may fear the costs associated with R and D and favor projects with short-term payoffs over uncertain projects with long-term payoffs. This can lead to a moral hazard situation. As a result of asymmetric information and moral hazard, an underinvestment problem may occur with R and D. Specifically, the firm may invest less in R and D than it should to stay competitive. Yet, problems of moral hazard may also lead to overinvestment: managers may invest the firm's free cash flow in their “pet projects” rather than paying out the funds to shareholders. Either way, the investment strategy is not value maximizing from a firm's perspective (Block, 2010).

Management skills

Management skills are about mean. Recently, managers of Iranian companies attempt to learn essential skills for handling their companies and for promotion. Specifically, most of the managers are owners of the company and try hard for their firm development. Training courses in recent years indicates this. Spearman results show that management skills are positively correlated with growth and development. These findings focus on importance of training for promotion of management skills. Family firm managers who combine resources in new ways do not know a priori which combination will succeed in creating value. These managers have to experiment with different combinations of resources, hoping to uncover a successful recipe that they can use to generate new products, goods, or services. This experimentation is time consuming, expensive, and risky. Even when managers succeed in identifying a winning recipe, protecting the competitive advantage of their firms could be hard again because imitation is commonplace. Family member’s desire to have family business

According to Table 2, member’s desire to have family business in oil and textile industry is about mean. Spear-man result shows that member’s desire to have business is significantly correlated with growth and development of family business. Recently, most managers noted that members desire to follow their family job is decreasing. Chrisman et al. (2003), Chua et al. (2003), and Habbershon et al. (2003) suggest that family firms exist because of the reciprocal economic and noneconomic value created through the combination of family and business systems. Harris et al. (1998), utilizing data from

UK workplace employee relations survey, offer a comparative investigation into the use of different consultation and communication procedures (for example, briefings; the provision of information on financial performance to the workforce etc. as opposed to indirect methods such as the use of joint consultative committees) in family and non-family businesses. These investigators explore how consultation/communication practices are associated with the business performance.

Recognizing the ownership, management and size characteristics of family firms has been important for encouraging inclusivity and understanding of the range of family business forms that characterize economic and social life. Also, acknowledging the structural dimensions that relate to management and ownership is helpful for overcoming simplified small-large, formal informal categorizations of family businesses (Fletcher, 2010).

Governance and family control

Governance and family control means how much family members have an important role in business and how much their goals will affect family business aims .In Table 2, Spearman result shows that governance and family control is not significantly correlated with growth and development of family business and governance of family goals to business goal is because growth of business (will grow the business). Also, sign test shows that governance and family control in two industries are in a good condition. Astrachan et al. (2002) and Klein et al. (2005) pioneered at development and validation of the power-experience-culture scale (F-PEC), with an objective to develop a systematic approach to the measurement of family influence on the business. The F-PEC takes into account key factors that influence business performance, such as: the variant role of family in the ownership regime, governance structure, top management team; the variant form of family business experience in relation to generational succession and the number of family members that can contribute to the business; the degree to which family and business values overlap; and the commitment of the family towards the long-term growth and prosperity of the enterprise.

Previous research suggests that agency and stewardship theories are not mutually exclusive. Each may be valid depending on the context to which it is applied. Agency theory and stewardship theory operate under different assumptions, agency assuming individualism, and stewardship collectivism. In this context, the question emerges as to what creates individualistic or collectivistic cultures. One study suggests that the prevailing degree of family cohesion shapes a more individualistic or collectivistic family firm culture. For instance, a family that favors a self-interested model of man may create a context where agency theory has greater explanatory value. This setting may nurture non-reciprocal altruism, where some family members do not give back equally to those from whom they receive. In a similar vein, opportunistic nepotism may be a sign of putting personal goals before the goals of the community and the business. These may be the types of cases that Schulze, Lubatkin and colleagues refer to when examining instances where family involvement may reduce firm performance (Astrachan, 2010).

Strategic view in family

Sign test shows that strategic view in family businesses is not in a good condition. It shows that owner-managers families in oil and textile industry have no clear strategic view. As it was predictable, results show that strategic view is positively correlated with growth and development of family businesses. Strategic planning is critical for family businesses as a way of providing a framework for reconciling family and business issues and for promoting shared decision making. In some studies family business CEOs have been found to rate strategic planning less significant in successor preparation than do nonfamily business CEOs.

Alam et al. (2010) reviewed the strategy literature pertaining to family business and came up with a list of characteristics that may influence on strategy including, “inward” orientation, slower growth and less participation in global markets, long-term commitment, less capital intensive importance of family harmony, employee care and loyalty, lower costs generations of leadership, and board influence on implementation. Their conclusion “the assessment of these family business characteristics and their influence on strategy leaves more questions than answers” is at the center of attention of some researchers.

The research on family dynamics shows a pervasive effect. Astrachan and Tutterbow (1996) found that successor training is affected by the quality of the relationship between successor and incumbent, in this case, usually son and father. Van Auken and Werbel (2006) proposed a model that makes spousal commitment to the business central to firm performance and survival. Gersick et al. (1997) found in multi case research project that family dynamics affect structures, processes and operational activities of family foundations. Among the many distinct family characteristics that may affect and alter the strate-gy process are long-term family relationships fostering trust, commitment and accountability. Adams et al. (2004) suggest that family dynamics affect goal setting in family business. Dyer and Handler (1994) argue that family dynamics greatly affect entrepreneurial activities including startup, choice of business, and involvement of family members in business ownership and leadership. Craig and Lindsay (2002) find evidence that family dynamics do indeed influence entrepreneurial activities. Families are different and so are their dynamics resulting in different implications for business strategy and behavior (Kellermanns, 2005). Certain factors such as birth order, substance and other abuse, cultural effects on behavioral norms, family and psychological characteristics (adaptability, rigidity, cohesion, etc.), affect many things including the strategy creation process and strategies adopted (Astrachan, 2010).

Legal and political environment

Results show that legal and political environment is not in a good condition. Spearman test indicates that legal and political environment is positively correlated with growth and development of family business. Inappropriateness of legal and political environment has negative effects on growth of the firms, especially family firms. Most of the managers were unsatisfied with political environment and results show that disturbance of legal and political environment have negative effects on sales of family business in oil and textile industries. A recent German study put the UK top out of 14 countries in terms of the relative competitiveness of environmental conditions for family business, such as taxation, regulation, finance and labour costs. Although there has been no explicit governmental or legal recognition of family firms as a distinct business entity and no specific tailoring of public policy to meet its needs, family firms have benefited from business friendly measures. The most important policy development in this respect was the introduction of 50% business property relief, increased to 100% in 1992, which exempted the transfer of most business properties from inheritance tax. In respect to SMEs, family firms have also benefited from: Capital allowances which allow the cost of capital assets to be written off against taxable profits; a reduction in the time business assets must be held before they are eligible for capital gains tax taper relief; the introduction of an R and D tax credit which allows the deduction of up to 150% of qualifying expenditure on R and D when calculating taxable profits; and the enterprise management incentives scheme which allows tax-advantaged share options (Astrachan, 2010).

Social and cultural environment

According to Table 2, social and cultural environment is positively correlated with growth and development of family business. Also, sign test shows that social and cultural environment is not in a good condition. The culture of Iran is unique in many aspects, but there is a general tendency toward fatalism. This can manifest in many ways, but particularly in one expression, “Insha`Allah” roughly translated as “Allah (God) willing”, but also used to suggest “if the boss will it”. So, an Iranian society where entrepreneurship culture is not very common was predictable. Considering the importance of entrepreneurship and business establishment, especially role of family businesses on economic growth and development of the country, it is necessary to do some arrangements for entrepreneurship and establishment of business culture promotion. Also, there are evidences that if they developed into a firm capability, awareness of the natural environment will have the potential to provide a strategic competitive advantage (Shanker and Astrachan, 1996).

Heck (2004) found that ethnic respondents in control of a family business were significantly less than their non ethnic counterparts. It was also found that first- and second-generation ethnic family owned firms performed much better than other sub-groups of ethnic firms. Ram et al. (2008) are keen to stress that it is important to advance understandings about the link between ethnic resource and structural disadvantage. This does not necessarily mean promulgating a resource-rich view of ethnic family social capital, however. But neither, they argue, does it mean continually categorizing ethnic minorities as culturally marginalized and structurally disadvantaged. Instead, Ram et al. (2008) argue for a mixed embeddedness perspective which situates enterprise as constructed through social/personal resources and the institutional contexts of markets, competition, state and the regulatory regime.(Astrachan, 2010)

Economical and technical environment

According to Table 2, economical and technical environment is significantly correlated with growth and development of family business in two industries in Tehran. Sign test shows that legal and political environment is in a desired condition. Government facilities for businesses are appropriate and it is better for textile industry. Justin and Moores (2006) investigated how strategy, systems, and environment affect innovation in family firms. This research addresses the idea of shifting, leadership, different mechanisms of facilitating communication, and the importance of the firm of technical progress, linking each to innovation, the findings suggest that linkage between established family firms and innovation may be substantially stronger than currently assumed by many.

IMPLICATIONS AND FUTURE RESEARCH DIRECTIONS

According to the results, personal and family factors are in a good condition and are about mean, and environmental factors are generally in a good condition. Also, personal factors of owner-managers, family factors and environmental factors as independent variables and they are significantly correlated with growth and development of family business as a dependent variable.

The study proposes some notes about results and future researches:

i. Using mass media for encouraging society to start up family business.
ii. Using national institute for family business researches and collaboration with international institutes in Iran such as IFERA (International Family Enterprise Research Academy.
iii. Using mass media for encouraging society to start up family business.
iv. Using national institute for family business researches and collaboration with international institutes in Iran such as IFERA (International Family Enterprise Research Academy).
v. Using family business courses and consultation institute in Iran universities such as: University of Vermont; family business center (FBC); and University of Wisconsin, Madison.

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