



Entrepreneurship from a family business perspective with special reference to Palakkad district

Jishnu MS¹, Krishna darshan¹, Lalit Lalson¹, Dr. V Sudha²

¹ Department of Business Administration, School of Management, Nehru Arts and Science College, Coimbatore, Tamil Nadu, India

² Assistant professor, Department of Business Administration, School of Management, Nehru Arts and Science College, Coimbatore, Tamil Nadu, India

Abstract

Family businesses constitute the backbone of India's entrepreneurial ecosystem, contributing approximately 85% of all enterprises and playing a pivotal role in employment generation and economic development. This study examines entrepreneurship from a family business perspective in Palakkad district, Kerala—a region uniquely positioned as the "Granary of Kerala" with a rich tapestry of traditional and emerging enterprises. The research investigates how family dynamics, cultural values, and intergenerational transmission shape entrepreneurial behavior, decision-making patterns, and business sustainability. Employing a descriptive research design with mixed methods, data was collected from 50 family businesses across agriculture, trading, manufacturing, and service sectors. Key findings reveal that agriculture-based and trading businesses dominate the landscape, with 75% of enterprises in their first or second generation. The study concludes that family businesses must embrace formal governance structures, succession planning, and professional management to ensure long-term survival in an increasingly competitive environment.

Keywords: Family dynamics, entrepreneurial ecosystem, trading businesses

Introduction

In today's digital economy, entrepreneurship is increasingly driven by advanced technologies. Artificial Intelligence and Machine Learning have emerged as powerful tools that support entrepreneurs in identifying opportunities, automating processes, and making data-driven decisions. AI refers to the ability of machines to perform tasks that typically require human intelligence, while ML enables systems to learn from data and improve performance over time. Entrepreneurs now rely on AI-powered tools for market analysis, customer engagement, financial forecasting, and operational efficiency. Technologies such as chatbots, recommendation systems, predictive analytics, and intelligent automation have lowered entry barriers and enabled start-ups to compete with established firms. However, the success of AI-driven entrepreneurship depends on factors such as digital skills, access to data, cost of implementation, and organizational readiness. This study focuses on understanding how AI and ML influence entrepreneurial performance, innovation capacity, and business sustainability in a rapidly evolving digital environment.

Problem Statement

Despite their important contribution to the regional economy, family businesses in Palakkad district face several challenges that affect their sustainability and growth. A major issue is the lack of formal succession planning, as cultural hesitation to discuss leadership transitions creates uncertainty during generational change. Excessive family control and centralized decision-making limit professional management practices and operational efficiency. Additionally, working capital constraints and limited access to institutional finance restrict expansion and innovation.

Scope of the Study

This study focuses on Palakkad district, Kerala, covering major towns such as Palakkad municipality, Ottapalam, and Shoranur, along with rural areas like Mannarkkad and Chittur to include agricultural family businesses. It examines family-owned enterprises across sectors including agriculture and food processing, retail trade (textiles, jewelry, and grocery), small manufacturing units, and emerging service providers.

Review of Literature

The theoretical foundation of this study draws upon extensive research on family businesses, particularly in the Indian context. Sharma and Manikutty (2012) examined how family structure influence strategic decisions in Indian family firms, finding that extended family networks and community ties significantly impact business choices beyond pure financial considerations. Zellweger, Chrisman, and Chua (2023)^[10] found that strong family cohesion and shared values significantly influence strategic decision-making and innovation in family firms, enhancing trust, resource sharing, and long-term entrepreneurial sustainability. Eddleston and Kellermanns (2023)^[3] reported that family governance structures shape entrepreneurial orientation, where family-led firms balance moderate risk-taking and innovation with long-term stability. Debicki, Matherne, and Nordqvist and Melin (2024)^[7] showed that family culture and shared values guide entrepreneurial decision-making and risk management, helping firms maintain continuity and competitive advantage. Ratten (2024)^[8] emphasized that family businesses significantly contribute to regional economic development by pooling family resources and strengthening entrepreneurial resilience. Kraus, Clauss, and Breier (2024)^[6] found that family firms increasingly adopt digital technologies and

sustainable practices, driven by family leadership and long-term strategic orientation. De Massis and Rondi (2024) [4] concluded that family involvement enables firms to balance tradition with innovation, encouraging responsible risk-taking and long-term growth.

Campopiano, Minola, and Sainaghi (2025) [1] highlighted that effective succession planning ensures entrepreneurial continuity, as successors introduce new opportunities and innovative practices. Chirico and Nordqvist (2025) [2] found that family social capital—trust, cooperation, and networks—improves access to resources and enhances entrepreneurial success. Ratten and Dana (2025) [9] reported that family businesses rely on community relationships and local networks, strengthening entrepreneurial development in regional economies.

Research Methodology

The study adopts a descriptive research design with a mixed methods approach. Descriptive research is appropriate as it aims to describe the characteristics, management practices, challenges, and succession planning status of family businesses in Palakkad district.

Target Population: The target population comprises all family businesses operating in Palakkad district, defined as "a business where one or more family members have ownership stake, participate in decision-making, and intend to keep the business within the family across generations." Inclusion criteria require businesses to be registered in Palakkad district, operational for minimum five years, with at least two family members involved in ownership or management.

Sampling Technique: A combination of convenience sampling and purposive sampling is employed. Convenience sampling facilitates initial contact through personal networks, District Industries Centre lists, and local business

associations. Purposive sampling ensures representation across different sectors (agriculture, manufacturing, trading, services), business age categories (5-15 years, 15-30 years, 30+ years), and different generations (first, second, third generation).

Sample Size: The final sample size is 50 family businesses, selected to ensure diversity while maintaining feasibility for in-depth analysis.

Research Methodology

- To analyze how family values and culture shape business decision-making in family businesses in Palakkad district.
- To examine the role of family influence in fostering entrepreneurial behavior among family businesses in Palakkad district.

Data Collection Methods

Primary Data: Structured questionnaire surveys administered personally to all 50 sample businesses capture quantitative metrics. The questionnaire covers general information, family profile, organizational structure, business operations, challenges (rated on Likert scales), succession planning, and future plans. Semi-structured interviews with 10 purposively selected businesses provide qualitative insights into family dynamics, critical incidents, and succession experiences.

Secondary Data: Sources include District Industries Centre records, MSME Development Institute reports, KINFRA data, Palakkad Chamber of Commerce directories, academic literature, and census statistics.

Data Analysis and Interpretation

Analysis on Influence of Family Values on Business Decision-Making

Table 1: Influence of Family Values on Business Decision-Making

Level of Influence of Family Values	Number of Respondents (n=50)	Percentage (%)
Very Strong	18	36
Strong	20	40
Weak	8	16
None	4	8
Total	50	100

Table 1 shows the level of influence that family values have on business decision-making among family-owned enterprises in Palakkad district. Out of the 50 respondents surveyed, 18 respondents (36%) reported that family values have a very strong influence on business decisions, while 20 respondents (40%) indicated a strong influence. Meanwhile, 8 respondents (16%) felt that family values have only a weak influence, and 4 respondents (8%) stated that family values have no influence on their business decisions.

Interpretation

The results clearly indicate that family values play a dominant role in shaping managerial and strategic decisions within family-owned enterprises. A large majority (76%) of respondents reported either strong or very strong influence, suggesting that business decisions are often guided not only by economic considerations but also by family traditions,

reputation, and collective interests. This reflects the cultural characteristics of family enterprises in Palakkad, where trust, legacy, and family harmony are considered important in managing business operations.

Analysis on Family Influence in Encouraging Entrepreneurial Behaviour

Table 2: Family Influence in Encouraging Entrepreneurial Behaviour

Level of Family Influence	Number of Respondents (n=50)	Percentage (%)
Very Much	22	44
Much	16	32
Little	8	16
Not at all	4	8
Total	50	100

Table 2 presents the extent to which family influence has encouraged individuals to become entrepreneurs in Palakkad district. Out of the 50 respondents surveyed, 22 respondents (44%) stated that their family influenced them very much in choosing entrepreneurship as a career. Another 16 respondents (32%) reported that their family influence was much. On the other hand, 8 respondents (16%) indicated that family influence was little, while 4 respondents (8%) reported no influence from their family in their entrepreneurial decision.

Interpretation

The results indicate that family plays a crucial role in shaping entrepreneurial intentions and behavior. A majority of respondents (76%) acknowledged that family influence strongly motivated them to start or manage a business. This suggests that family businesses in Palakkad often serve as a platform where entrepreneurial knowledge, skills, and business values are transferred across generations. Family encouragement, financial support, and exposure to business activities from a young age contribute significantly to the development of entrepreneurial mindset.

Findings from the Study

- Family businesses in Palakkad district are predominantly concentrated in traditional sectors, with agriculture and trading each accounting for 30% of the enterprises studied, while manufacturing and services contribute 20% each. This distribution reflects the district's strong agrarian base and established local trading networks. In terms of generational involvement, the majority of businesses are managed by the second generation (40%), followed by first-generation founders (35%), while third-generation businesses account for 20% and fourth-generation firms only 5%, indicating that many enterprises are currently in a transitional phase of leadership continuity.
- The study finds that family values significantly influence entrepreneurial decision-making in family businesses in Palakkad district. Most enterprises rely on collective family opinions and traditional values when making strategic choices. This strong family involvement contributes to stability and long-term orientation, but it may also limit independent decision-making and rapid innovation in some cases.
- The findings reveal that family influence is a major factor in fostering entrepreneurial behaviour among family business owners in Palakkad district. Most entrepreneurs are motivated by family encouragement, business legacy, and family support systems. This indicates that family environment acts as an important catalyst for entrepreneurial development and continuity of family enterprises.
- The level of professionalization varies significantly across sectors, with the services sector showing the highest professionalization index (6.5) due to greater adoption of modern management practices and technology, while agriculture-based businesses display the lowest level (2.8), reflecting reliance on traditional management systems. Furthermore, the study indicates mixed attitudes among the next generation toward continuing family businesses, where 45% are interested or actively involved, 30% remain uncertain, and 25% are disinterested, suggesting that attracting younger

family members into the business remains a key challenge for sustaining entrepreneurial continuity.

- Overall, these findings demonstrate that while family businesses remain a vital component of Palakkad's entrepreneurial ecosystem, their long-term success depends on improved succession planning, increased professionalization, better access to finance, and stronger engagement of the next generation in business leadership.

Suggestions

- **Strengthening Succession Planning:** Family businesses in Palakkad should develop formal succession plans to ensure smooth leadership transition. Documented succession policies, clear role allocation, and early grooming of successors can reduce conflicts and uncertainty during generational change.
- **Improving Access to Finance:** Since working capital shortage is the most significant challenge, entrepreneurs should actively utilize government schemes such as MSME credit facilities, Mudra loans, and cooperative bank support. Financial literacy programs and improved banking relationships can also help family businesses manage cash flow more effectively.
- **Encouraging Professionalization:** Family enterprises, particularly in the agriculture and traditional trading sectors, should adopt professional management practices such as proper accounting systems, trained employees, digital record-keeping, and strategic planning. Involving qualified non-family professionals can enhance efficiency and competitiveness.
- **Promoting Skill Development and Workforce Training:** To address the shortage of skilled labour, family businesses should collaborate with training institutions, skill development centers, and government programs to upgrade workforce capabilities. Continuous training can improve productivity and innovation.
- **Enhancing Innovation and Technology Adoption:** Businesses should gradually adopt modern technologies such as digital accounting, online marketing, and e-commerce platforms. Technology integration will help family businesses expand market reach and remain competitive against organized sector enterprises.
- **Encouraging Next Generation Participation:** To address the declining interest among younger family members, businesses should involve the next generation in strategic decisions and encourage them to introduce new ideas, digital tools, and modern management practices. Providing educational and entrepreneurial training can also strengthen their engagement.
- **Building Strong Business Networks:** Family businesses should participate in local chambers of commerce, industry associations, and entrepreneurial networks. Such networks provide opportunities for collaboration, knowledge sharing, and access to new markets.

- **Government and Institutional Support:** Government agencies and financial institutions should design targeted awareness programs, training workshops, and simplified loan procedures specifically for family-owned enterprises to support their sustainability and growth.

Conclusion

The study examined entrepreneurship from a family business perspective in Palakkad district, focusing on how family dynamics influence business operations and entrepreneurial outcomes. The findings indicate that family businesses form a significant part of the district's economic structure, particularly in traditional sectors such as agriculture and trading. Most enterprises are currently managed by the first and second generations, showing that many businesses are still in the early or transitional stages of development. The study also revealed major operational challenges, including shortage of working capital, increasing competition from organized sectors, and lack of skilled labour, which affect the growth and stability of family enterprises.

Furthermore, the research highlights concerns related to succession planning and professional management. A large number of family businesses lack formal succession plans, which may create difficulties in leadership transition and long-term sustainability. The level of professionalization varies across sectors, with service-based businesses adopting modern management practices more than traditional agriculture-based enterprises. Although a considerable proportion of the next generation shows interest in continuing the family business, a section remains uncertain or disinterested. Therefore, the study concludes that strengthening succession planning, encouraging professional management, improving financial access, and engaging younger family members are essential for ensuring the sustainable growth of family businesses in Palakkad district.

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