

Determinants on Resource Management Decision of Ethnic Family Businesses: Resource Intermingling of Financial Resources and Human Resources

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Introduction

Notable is a rapid growth of ethnic minority owned businesses alongside the increasing importance of family business in the US economy (U.S. Census Bureau, 2007). Ethnic groups are culture-bearing units since nationality or ethnicity is still the most basic influence in constructing one's values and attitudes (Barth, 1969; Imperia, O'Guinn, & MacAdams., 1985). Acquiring and sharing particular values within family systems can be found in the family business systems representing as intermingling resources (Haberman & Danes, 2007; Williams, 1970). The objectives of this study are as follows: to investigate cultural differences of households' intermingling of financial resource and human resource with their family businesses, focusing on ethnicities based on Sustainable Family Business Theory, and to examine the influence of three types of capital - financial, social, and human capital- in family business system on intermingling of resources.

Literature Review

Resource intermingling can be defined as the use of business assets other than wage and salary payments to family employees for the support of the households and/or the use of household assets for the support of the business (Tansel & Schrank, 2010). Resource intermingling between the family and their business has examined as two systems with varying degree of dependence and overlap rather than an utterly separate system (Muske, Fitzgerald, Haynes, Black, Chin, MacClure, & Mashburn, 2009). For small business where may have less successful opportunity for borrowing from commercial lenders, or for managing financial records of intermingling between two, intermingling resources plays a more crucial role maintaining their sustainability (Obendorf, Hess, & Schuchardt, 2006). In particular, ethnic businesses are more likely to depend on resource intermingling in the form of the social group resources such as family and community than other businesses due to cultural differences in management style in addition to a difficulty in lending money (Fratoe, 1986). In that cultural differences from ethnicity are embedded characteristics both in the family and in the family business system, which form one's perception and affect their decision making (Schein, 1985), even though the specific aspects of intermingling within each ethnic group are different, the high dependence of social group resource intermingling is found in minority ethnic businesses.

Methods

Data

This study used data from 2010 Surveys of Consumer Finance (SCF), conducted by the Federal Reserve Board of Governors. The sample for this study is 806 households who answered they own their business and actively participated in management, 12.43 % of the total of 6, 482 households. The sample was appropriately weighted.

Variable

The dependent variable is whether households have intermingled financial or human resources with their family business, and vice versa. This is a dummy variable, coded 1 if there is the use of business assets other than wage and salary payments to family employees for the support of the family or the use of family assets for the support of the business, or if there is any family member working in the

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business without pay. Four explanatory variables of interest were included: 1) culture (ethnicity), 2) human capital (education and perceived health condition), 3) financial capital (net value of the business), and 4) social capital (age of the business).

Analysis

Frequencies for all variables were calculated by using adjusted sampling weights to represent national sampling estimates (Table1). To assess the significance of the differences among the proportion of the owning family with resource intermingling, we implemented means test (Table2). Means tests are used with the repeated-imputation-inference (RII) technique to examine differences of resource intermingling circumstance in family businesses by ethnicity. To analyze the influence of independent variables on the dependent variable, which was dichotomous, logistic regression analysis was estimated (Table 3).

Results

Table1 and Table 2 contain descriptive statistics. Table 1 shows descriptive characteristics of the sample. More than 80% of the respondents were white, whereas only a small portion of respondents were in the three minority groups: 5.94% in black, 5.22% in Hispanic, and 5.33% in Asian and others.

Table 1

Characteristics of Sample in the 2010 SCF

	Percent (%)
Cultural Influence	
Race/Ethnicity (White)	
White	83.51
Black	5.94
Hispanic	5.22
Asian and other	5.33

However, higher participation in resource intermingling within ethnic owning family, and statistically significant differences of resource intermingling between them were found as presented in Table 2. More than 65% of business owning family had intermingled their resources between the family and the business. Such a high prevalence supports the importance of resource intermingling in family businesses.

Table 2

Proportion of Family Businesses with Resource Intermingle by Race/Ethnicity (Means Test)

Race/ Ethnicity	Intermingle	Mean Differences	Financial Intermingle	Mean Differences	Human intermingle	Mean Differences
White	65.51	N/A	27.49	N/A	59.37	N/A
Black	66.51	-1% ^c	26.49	1.006%	58.99	0.38%
Hispanic	69.63	-4.116% [*]	25.26	2.23%	66.11	-6.74% ^{**}
Asian and others	73.99	-8.478% ^{**}	29.88	-2.388%	68.87	-9.498% ^{***}

Note. Significance level: *** $\alpha=0.1\%$, ** $\alpha=5\%$, * $\alpha=10\%$

Human resource intermingling was more commonly found in every ethnic owning family than financial resource intermingling. This is consistent with previous research that assumed ethnic family businesses are heavily relied on their human capital inputs to substitute for limited financing opportunities from official financial market to achieve sustainability of their firms (Bates, 1997; Dyer, 2006). In particular, Hispanic owning family and Asian/other owning family were more widely participated in the human resource intermingling than white besides total resource intermingling, which consists of both financial resource intermingling and human intermingling.

In logistic regression as presented in Table 3, it was also found that Hispanic and Asian/other owning families were more likely to have resource intermingling than white owning family. Hispanic family businesses showed the highest probability of resource intermingling than white family businesses.

Table 3

<i>Results of Logistic Regression Analysis on Resource Intermingling</i>			
	Coefficient ^a	SE	ExpB
Cultural Influence			
Race/Ethnicity (White)			
Black	0.1413	0.3469	1.152
Hispanic	0.5139*	0.3607	1.672
Asian and other	0.5007*	0.3810	1.650
Financial Capital			
Log Business Assets	0.3479***	0.0267	1.416
Log Family Income	0.0136	0.0221	1.014
Social Capital			
Business Age	0.0147**	0.00750	1.015
Head Age	-0.00945*	0.00714	0.991
Human Capital			
Head's education(Less than high school diploma)			
High school diploma	0.5099*	0.3918	1.665
Some college	0.2745	0.3956	1.316
Not grad degree	0.6674*	0.3912	1.949
Grad degree	0.8286*	0.3964	2.290
Perceived Health status(Poor health)			
Excellent health	-0.8364*	0.6215	0.433
Good health;	-0.4864	0.6173	0.615
Fair health	-0.6750	0.6404	0.509
Financial Decision Preference			
Risk tolerance(no risk)			
Average	0.1006	0.1935	1.106
Above average	-0.0214	0.2207	0.979
Substantial risk	-0.0818	0.3201	0.921
Preference for length of the planning horizon(Next few month; 0.3month)			
Next year(0.3-1year)	0.0610	0.2851	1.063
Next few year(1-3years)	-0.0506	0.2393	0.951
Next 5 to 10 years	-0.0414	0.2339	0.959

	Coefficient ^a	SE	ExpB
Longer than 10years	0.4221*	0.2623	1.525
Intercept	-0.2592	0.8194	0.772

Note. ^a Significance level: *** $\alpha=0.1\%$, ** $\alpha=5\%$, * $\alpha=10\%$

Discussion and Implications

Overall, the study confirms that families move their financial or human resources back and forth between the family and business system supporting the previous literature. The mean differences in intermingling by ethnicity were significant between white and Hispanic owning families and white and Asian/other. In the logistic regression, those two groups, Hispanic and Asian/other owning families were more likely to do resource intermingling than white. These results reflect the cultural influence on resource intermingling, a management style. The logistic analysis of the full model showed the importance of interdependence between the family and the business for their sustainability.

The findings have implications for financial counselors: when working with family businesses additional information must be gathered regarding intermingling with the expectation that it may be greater for ethnic business owners.

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