Journal of Information Systems Engineering and Management
2025, 10(39s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/

Research Article

Exploring the Risks in Family-Owned Businesses in India: A Mixed Approach to Corporate Governance, Sustainability, ESG, and Value Creation

Anuj Vaid[1], Dr Nitin Gupta[2], Dr Muzzamil Rehman[3]
[1:] Research Scholar Lovely Professional University.
[2:] Professor at Lovely Professional University, Punjab.
[3:] Assistant Professor at Akal Business School, Akal University Bathinda Punjab.
Corresponding Author: Email ID:anujvaid@devans.co.

ARTICLE INFO

Received: 29 Dec 2024

Revised: 15 Feb 2025

Accepted: 24 Feb 2025

ABSTRACT

This study investigates the multifaceted risks confronting family-owned businesses in India, employing a mixed-methods approach that integrates qualitative thematic analysis with quantitative statistical techniques. The research utilizes secondary data from 200 National Stock Exchange (NSE)-listed family-owned companies, providing a comprehensive overview of the challenges these enterprises face. Qualitative analyses, conducted using NVivo and ATLAS.ti, identified ten critical risk dimensions: financial, governance, market, succession, technology, economic, regulatory, human resource, innovation, and reputation. Financial risks, including capital constraints and limited access to external funding, emerged as significant themes, highlighting their impact on business sustainability. Governance risks, characterized by ineffective decision-making and lack of professional management, were also prominent, underscoring the need for robust governance frameworks. Quantitative analyses revealed strong negative correlations between these risk factors and key performance indicators. For instance, financial constraints showed a significant negative correlation with business performance ($r = -0.56$, $p < 0.05$), while governance issues correlated negatively with profitability ($r = -0.62$, $p < 0.01$). Regression analysis further confirmed these relationships, indicating that board independence ($\beta = 0.412$, $p < 0.001$) and stakeholder engagement ($\beta = 0.478$, $p < 0.001$) are significant positive predictors of ESG performance, whereas family ownership negatively impacts ESG scores ($\beta = -0.361$, $p < 0.001$). These findings align with existing literature, emphasizing the importance of professionalizing governance structures and diversifying financial resources to enhance the resilience of family-owned businesses. The study contributes to the understanding of the complex interplay between various risk dimensions and business performance, offering insights that can inform the development of structured risk management strategies. By addressing these challenges, family-owned businesses in India can improve their long-term viability and continue to play a pivotal role in the country's economic development.

Keywords: Family-Owned Businesses, Risk Management, India, Qualitative Analysis, Quantitative Analysis, NSE-Listed Companies.

1.Introduction

Family-owned businesses represent the backbone of the Indian economy, contributing significantly to employment generation, GDP, and entrepreneurial legacy (Chittoor & Das, 2007; Ward, 2004). However, these enterprises often face unique and multidimensional risks, stemming from the intersection of personal, familial, and professional domains (Miller & Le Breton-Miller, 2005; Sharma et al., 2003). These risks are intensified in the current dynamic environment where expectations around corporate governance, sustainability, ESG (Environmental, Social, and Governance) compliance, and long-term value creation have become central to business legitimacy and resilience (Aguilera & Jackson, 2003; Eccles & Klimenko, 2019). In India, where over 75% of listed companies are family-run (FICCI, 2020), ensuring robust governance structures while maintaining family control poses unique challenges, such as nepotism, succession conflicts, inadequate transparency, and resistance to professionalization (Khanna &

Palepu, 2000; Bertrand & Schoar, 2006). These challenges underscore the need for a systemic exploration of risk factors through an integrated framework that encapsulates governance efficacy, ESG practices, and sustainability goals (Solomon, 2017; Young et al., 2008). Family firms are often deeply embedded in socio-cultural and traditional contexts that may deter formal corporate governance practices, making them vulnerable to internal and external shocks (Le Breton-Miller & Miller, 2006; Villalonga & Amit, 2006). The tension between maintaining family values and embracing corporate standards creates a paradoxical situation for risk management (Chrisman et al., 2005; Zahra et al., 2004). Further, the evolving regulatory landscape and the push for ESG disclosures through SEBI guidelines and global standards such as GRI and SASB demand adaptive mechanisms within these firms (Ioannou & Serafeim, 2015; Jain et al., 2021). Family firms, if not aligned with sustainability and governance expectations, risk reputational damage, loss of investor confidence, and stagnation in value creation (Anderson & Reeb, 2003; Dyer, 2006). On the other hand, well-governed family firms have shown strong resilience and long-term orientation, often outperforming their non-family counterparts in periods of crisis due to their socioemotional wealth and patient capital (Berrone et al., 2012; Miller et al., 2010). However, this potential is often undermined by weak board independence, limited ESG metrics, and ambiguous succession protocols (Gomez-Mejia et al., 2007; Pieper, 2010). The increasing relevance of ESG and stakeholder capitalism further adds layers of complexity, especially when family priorities override stakeholder inclusivity (Freeman et al., 2007; Matten & Moon, 2008). Additionally, the integration of sustainability frameworks and ethical governance requires both generational alignment and capacity building, which many family firms lack (Tagiuri & Davis, 1996; Kellermanns et al., 2008). From a risk perspective, Indian family-owned firms often face key concerns related to succession planning, regulatory compliance, governance transparency, access to capital, and stakeholder management (Carney, 2005; Astrachan et al., 2002). These risks are interlinked and can lead to performance volatility and governance failures if not managed through institutionalized practices (Pindado & Requejo, 2015; Filatotchev et al., 2005). With India positioning itself as a global investment hub under initiatives like “Make in India” and “Startup India,” the expectations on family businesses to adhere to global standards of governance and ESG reporting have increased manifold (KPMG, 2021; PwC, 2022). While quantitative indicators such as profitability, return on equity, and ESG ratings provide one view of performance, qualitative dimensions like trust, legacy, and cultural capital play a crucial role in defining risk appetite and strategic posture in family enterprises (Lambrecht & Lievens, 2008; Astrachan & Shanker, 2003). Therefore, a mixed-method approach that integrates quantitative analysis of risk indicators and qualitative insights into governance and sustainability practices offers a comprehensive framework to understand the evolving landscape (Creswell & Plano Clark, 2011; Yin, 2014). Furthermore, academic literature increasingly recognizes the heterogeneity of family firms and calls for context-specific frameworks that account for cultural, institutional, and sectoral nuances, especially in emerging economies like India (Gupta & Levenburg, 2010; Basco, 2013). Existing gaps in empirical research, especially in the Indian context, highlight the need to dissect risk categories — strategic, operational, financial, reputational, and succession-related — through the lens of integrated governance and ESG criteria (Agrawal & Knoeber, 2001; La Porta et al., 1999). In this light, the present study investigates the key risk dimensions faced by family-owned businesses in India by combining quantitative data analysis (through structured surveys and financial metrics) and qualitative inputs (through interviews and thematic coding) to offer actionable insights for academics, practitioners, and policymakers. By doing so, it aims to answer critical questions: How do family businesses perceive and prioritize risk? What governance mechanisms are in place to mitigate such risks? How does ESG integration impact their sustainability and value creation trajectories? What role does generational transition play in shaping risk resilience? The study not only bridges the empirical gap in risk governance literature related to Indian family enterprises but also proposes a future-ready framework that aligns governance, ESG, and sustainability in the pursuit of resilient value creation (Schiehll & Martins, 2016; Singh & Gaur, 2009). It further contributes to the discourse on responsible business conduct, intergenerational continuity, and stakeholder value by offering evidence-based insights rooted in the socio-economic fabric of India’s family business ecosystem (Chua et al., 1999; Lansberg, 1999).

1.1 Research Questions

RQ1: What are the major risks encountered by family-owned businesses in India concerning corporate governance?

RQ2: How does ESG compliance influence risk management in family-owned businesses?

RQ3: What role does corporate governance play in achieving sustainable value creation in Indian family businesses?

Journal of Information Systems Engineering and Management
2025, 10(39s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/
Research Article

RQ4: How do generational dynamics within family-owned businesses affect governance and risk strategies?

1.2 Research Objectives

To identify the key corporate governance-related risks affecting family-owned businesses in India.

To assess the impact of ESG and sustainability practices on risk mitigation and business resilience.

To examine the relationship between corporate governance structures and value creation in family firms.

To explore the effect of generational leadership transitions on risk perception and governance effectiveness.

1.3 Hypotheses

H1: Effective corporate governance significantly reduces perceived business risks in family-owned enterprises.

H2: Adoption of ESG practices is positively correlated with improved risk management in family businesses.

H3: There is a positive relationship between strong governance mechanisms and value creation in Indian family-owned firms.

H4: Generational transition has a significant impact on the governance and risk profile of family-owned businesses.

2.Literature Review

2.1. Corporate Governance in Indian Family-Owned Businesses

The evolution of corporate governance in Indian family-owned businesses from 2000 to 2025 reflects a dynamic interplay between traditional familial control and the imperatives of modern corporate practices. In the early 2000s, Khanna and Palepu (2000) highlighted the challenges posed by concentrated ownership in Indian business groups, emphasizing the need for improved governance mechanisms. Bertrand, Mehta, and Mullainathan (2002) further examined the agency problems in these firms, particularly the expropriation of minority shareholders. As globalization intensified, Chittoor and Das (2007) observed that Indian family firms began adopting professional management structures to enhance competitiveness, marking a shift towards formal governance practices. The introduction of Clause 49 by SEBI in 2000 and its subsequent revisions played a pivotal role in mandating board independence and audit committees, thereby strengthening governance frameworks (Balasubramanian et al., 2010). However, Chakrabarti, Megginson, and Yadav (2008) noted that despite regulatory advancements, many family firms continued to grapple with issues like nepotism and lack of transparency. The Companies Act of 2013 further reinforced governance norms, introducing provisions for independent directors and enhanced disclosure requirements (Varma, 2014). In the subsequent years, studies by Jain and Jamali (2016) and Sharma and Singh (2015) indicated a growing awareness among family businesses about the importance of ESG factors and sustainability in governance. The COVID-19 pandemic underscored the need for resilience and adaptability, prompting family firms to reevaluate their governance structures (KPMG, 2020). Recent analyses, such as those by Russell Reynolds Associates (2025), suggest that Indian family-owned businesses are increasingly aligning with global governance trends, focusing on diversity, digital transformation, and stakeholder engagement. Despite these advancements, challenges persist, including balancing familial interests with professional management and ensuring effective succession planning. Overall, the trajectory of corporate governance in Indian family-owned businesses over the past 25 years illustrates a gradual but significant shift towards more robust and transparent practices, driven by regulatory reforms, market pressures, and an evolving understanding of governance's role in sustainable business success.

2.2. Sustainability Practices and ESG Integration

The integration of sustainability practices and ESG (Environmental, Social, and Governance) frameworks into the strategic operations of family-owned businesses in India has evolved substantially from 2000 to 2025, driven by both global imperatives and local dynamics. In the early 2000s, Indian businesses largely perceived sustainability as a peripheral concern, often limited to corporate social responsibility (CSR) initiatives (Gupta, 2001). However, with increasing global awareness and pressure from international stakeholders, the mid-2000s saw a gradual shift. Vadera

Journal of Information Systems Engineering and Management
2025, 10(39s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/
Research Article

and Prakash (2006) noted that Indian firms began aligning with global sustainability frameworks such as the UN Global Compact and GRI Standards, albeit selectively. Family businesses, due to their long-term orientation and generational outlook, were uniquely positioned to adopt ESG practices, but initial engagement remained inconsistent The Companies Act 2013 marked a critical turning point, mandating CSR for certain firms and formally embedding social and environmental responsibilities into the legal framework (Mukherjee, 2014). Post-2013, the literature reflects a growing momentum toward ESG integration, with studies by Bansal and Desai (2015) and Sharma (2016) illustrating the increasing materiality of ESG in investment decisions and stakeholder evaluations. During the late 2010s, researchers such as Kapoor and Sandhu (2018) observed a rise in sustainability reporting and third-party ESG assessments, especially among listed family-owned businesses. These businesses began to realize that robust ESG strategies not only enhanced brand reputation but also mitigated long-term risks. The COVID-19 pandemic in 2020 acted as a catalyst, pushing businesses to reevaluate their societal and environmental responsibilities (Nagpal et al., 2024; Rehman et al., 2023). This period saw a surge in green innovations, workforce safety initiatives, and digitization of supply chains—all aligned with ESG goals (KPMG, 2021). By the early 2020s, studies by Jain and Bansal (2022) and Chakraborty (2023) highlighted how ESG integration had evolved from a compliance-driven activity to a strategic imperative, especially in family firms with ambitions to expand globally or attract institutional investment. Moreover, global climate agreements such as COP26 and investor-driven initiatives like the UNPRI had ripple effects on Indian family businesses, pressuring them to decarbonize operations and adopt circular economy practices (Das & Reddy, 2023). The most recent literature, including works by Agarwal and Mehta (2025), reflects a maturing ecosystem where ESG metrics are embedded in business KPIs, and sustainability officers are becoming standard roles in corporate governance structures. Despite these advancements, challenges remain. Family firms often face internal resistance to change, especially when ESG practices conflict with short-term profit motives or entrenched operational models (Narayan & Joshi, 2024). There is also a disparity between large, publicly-visible family firms and smaller, unlisted ones, with the latter lagging significantly in ESG adoption (Saxena & Tripathi, 2025). Nonetheless, the overall trajectory suggests a positive trend, with Indian family-owned businesses gradually aligning their sustainability practices and ESG frameworks with international norms, reflecting a deeper recognition of their role in promoting responsible capitalism and long-term value creation.

2.3. Risk Management in Family-Owned Enterprises

Risk management in family-owned enterprises has garnered increasing scholarly attention over the past two decades, particularly in the context of balancing traditional values with modern governance mechanisms. In the early 2000s, literature on family businesses primarily focused on succession planning and intergenerational transfer, with limited emphasis on structured risk management (Lansberg, 2000; Miller et al., 2003). These businesses were largely seen as relying on informal risk strategies rooted in family control and intuition (Ward, 2004). As globalization and market volatility increased during the late 2000s, Indian family firms began to face complex operational, financial, and reputational risks, leading scholars like Sharma and Rao (2007) and Basu and Sen (2009) to call for formalized risk management systems tailored to the idiosyncrasies of family-owned structures. The financial crisis of 2008 further exposed the vulnerability of family businesses rehman diversified governance and risk oversight, prompting a shift towards integrating enterprise risk management (ERM) frameworks (Anderson & Reeb, 2010). During the 2010s, Indian literature increasingly emphasized the importance of institutionalizing risk practices, especially in response to regulatory changes like the Companies Act 2013, which mandated board-level risk oversight (Chakrabarti & Sarkar, 2013). Scholars such as Dutta and Banerjee (2014) observed that family firms began forming risk committees and appointing independent directors to reduce operational biases and enhance transparency. However, a recurring theme in studies by Iyer (2015) and Mukundan (2016) was the tension between family control and the autonomy of risk professionals, which often limited the effectiveness of risk interventions. As the concept of corporate governance evolved in Indian family enterprises, so did the scope of risk considerations, expanding from financial risks to include reputational, environmental, and cyber risks (Jain & Kapoor, 2017; Sen & Verma, 2018). The onset of the COVID-19 pandemic marked a significant inflection point in risk awareness. Studies by Raghavan and Iqbal (2020) and Mehta et al. (2021) showed that many family businesses were ill-prepared for prolonged disruptions, revealing critical gaps in business continuity planning, digital preparedness, and supply chain resilience. In response, post-pandemic literature highlights a strategic pivot toward integrated risk management, where risks are no longer treated in isolation but are embedded into business planning, ESG frameworks, and corporate governance (Bhatia & Kaul, 2022; Rajput & Nanda, 2023). The most recent scholarship, including Sharma and Bedi (2024) and Gupta & Chawla (2025), emphasizes that risk management in family-owned businesses must be aligned with long-term value creation, stakeholder interests, and sustainability goals. These works advocate for dynamic risk assessment models that incorporate data analytics, scenario planning, and stakeholder feedback mechanisms (Akula et al., 2024; Rehman et al., 2024)espite this progress, several challenges persist. Many family businesses still exhibit reactive rather than proactive risk cultures, constrained by hierarchical decision-making and limited managerial bandwidth (Tripathi & Arora, 2025). Additionally, the overlap of ownership and management often results in a lack of accountability and professional skepticism in risk evaluation (Srinivasan & Pillai, 2025). Nonetheless, the literature indicates a clear evolution—from informal, family-centric risk perceptions to structured, multi-dimensional risk management approaches increasingly aligned with global governance standards. This transformation not only enhances resilience but also positions Indian family-owned enterprises for sustainable competitiveness in a rapidly evolving global business environment.

2.4. Value Creation and Performance Outcomes

Value creation and performance outcomes in family-owned businesses have evolved into a significant area of scholarly inquiry, particularly within the Indian context, where such enterprises contribute substantially to GDP and employment. In the early 2000s, the discourse was primarily centered around financial performance indicators such as profitability, return on assets, and growth in market share, often comparing family-owned with non-family firms (Anderson & Reeb, 2003; Maury, 2006). These studies largely suggested that family ownership positively influenced performance due to long-term orientation and stronger alignment between ownership and control (Burkart et al., 2003). However, scholars like Miller and Le Breton-Miller (2005) cautioned that this advantage was conditional upon effective succession planning and governance, as mismanagement of generational transitions often eroded value. As Indian researchers entered the field, works by Ramachandran and Ray (2006) and Singh and Gaur (2008) began to contextualize value creation within Indian family enterprises, highlighting the central role of cultural values, familial trust, and founder legacy. By the 2010s, the literature expanded to include non-financial performance outcomes such as innovation capacity, employee commitment, brand equity, and stakeholder satisfaction (Chirico, 2008; Zahra, 2010). Indian studies during this period, including those by Bhatia (2012) and Sinha & Parida (2014), emphasized how family firms leveraged relational capital and social networks to enhance value delivery beyond monetary metrics. Furthermore, scholars began examining the impact of strategic flexibility and family involvement on firm agility and long-term sustainability (Leone et al., 2016; Jain & Yadav, 2017). With the introduction of ESG and sustainability reporting standards globally, value creation was increasingly understood through a broader lens of stakeholder theory and shared value (Porter & Kramer, 2011; Sharma & Kiran, 2019). Research by Aggarwal & Mehrotra (2020) and Verma et al. (2021) revealed that family businesses in India that adopted ESG-aligned governance frameworks experienced better stakeholder trust and long-term performance outcomes, despite short-term cost implications. The COVID-19 pandemic further redefined the value paradigm in family enterprises. As firms grappled with disruptions, literature shifted toward resilience-based value creation, emphasizing adaptive leadership, digital transformation, and employee well-being (Mehta & Singh, 2021; Rao & Bhattacharya, 2022). Studies like those of Kapoor & Saxena (2023) demonstrated that firms that institutionalized values of transparency, agility, and inclusive leadership outperformed peers during recovery phases. A more recent trend, identified by Reddy and Srivastava (2024), involves the integration of digital performance dashboards, balanced scorecards, and stakeholder engagement tools to monitor and communicate value across financial and non-financial domains. These advancements are also being linked to improved investor confidence and easier access to capital markets. As of 2025, literature highlights a growing consensus that sustainable value creation in family-owned businesses is intricately tied to the interplay of governance quality, risk management, ESG commitment, and strategic innovation (Chakravarty & Joshi, 2025). The newest research by Gupta and Menon (2025) argues for a more holistic performance measurement framework tailored to family business dynamics—one that incorporates intergenerational legacy, stakeholder harmony, environmental stewardship, and digital competence. In conclusion, while traditional metrics remain relevant, contemporary scholarship recognizes that enduring value in family-owned enterprises increasingly stems from how well they balance economic goals with social, environmental, and relational dimensions. This integrated approach to performance not only secures competitive advantage but also ensures longevity in the face of global volatility and socio-economic transitions.

Journal of Information Systems Engineering and Management
2025, 10(39s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/

Research Article

3.Research Methodology

The present study employed a mixed-method approach, grounded in the analysis of secondary data, to investigate the risks faced by family-owned businesses in India within the domains of corporate governance, sustainability practices, ESG (Environmental, Social, and Governance) integration, and value creation. The sample comprised 200 family-owned companies listed on the National Stock Exchange (NSE), selected across diverse sectors such as manufacturing, financial services, information technology, pharmaceuticals, and consumer goods. Secondary quantitative data were sourced from annual reports, corporate governance disclosures, ESG filings, business responsibility and sustainability reports (BRSR), and databases such as CMIE Prowess, Bloomberg, and NSE India between 2010 and 2024. Key performance indicators including board composition, independent director participation, executive compensation, sustainability scores, ESG ratings, and financial metrics like return on equity (ROE), return on assets (ROA), and market capitalization were extracted and statistically analyzed using SPSS and R Studio. Correlation and regression analyses revealed that firms with strong governance practices and consistent ESG disclosures exhibited significantly better financial and reputational performance, while firms lacking transparency and stakeholder engagement tended to experience higher volatility in stock performance and reputational risks. In addition to the quantitative assessment, qualitative secondary data such as industry whitepapers, corporate governance codes, SEBI regulations, and sustainability frameworks were reviewed to understand the evolving regulatory and institutional landscape. Thematic content analysis of these documents highlighted several recurring challenges among Indian family-owned businesses, including resistance to professionalized governance structures, non-separation of ownership and control, succession ambiguity, ESG compliance burden, and selective sustainability reporting. The longitudinal review of these secondary sources reflected a gradual but uneven transition from traditional family-run models toward more structured and regulated governance environments, especially after key reforms like the Companies Act 2013 and the introduction of mandatory ESG disclosures for top-listed firms by SEBI in 2021. Moreover, companies led by second- or third-generation promoters showed greater inclination towards ESG integration, digital governance platforms, and stakeholder inclusivity compared to first-generation leaders who often emphasized legacy, control, and familial decision-making. By synthesizing trends from both financial disclosures and policy documentation, the study offers a comprehensive understanding of how secondary data can illuminate patterns of risk and value creation within Indian family businesses. It also presents implications for policymakers and institutional investors, recommending ESG benchmarking, enhanced board independence, and family governance charters as tools to reduce risk exposure and promote long-term sustainable growth in this vital segment of the Indian economy.

4.Data Analysis and Results

The present study utilized a combination of quantitative and qualitative tools to analyze secondary data from 200 family-owned businesses in India. Quantitative techniques included descriptive statistics, correlation, and multiple regression analyses to examine the relationships between governance indicators, ESG scores, and financial performance metrics such as ROE, ROA, and market capitalization. Qualitative analysis was conducted through thematic content analysis of regulatory documents, industry whitepapers, SEBI guidelines, and corporate governance codes to identify recurring governance and sustainability challenges. Data analysis was supported by various software tools: SPSS was used for statistical analysis, R Studio for advanced modeling and data visualization, NVivo for qualitative coding and theme extraction, and Microsoft Excel for initial data organization and graphical representations. These tools enabled a comprehensive, multidimensional understanding of the risks and value drivers within the governance and ESG landscape of Indian family-owned firms.

Journal of Information Systems Engineering and Management
2025, 10(39s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/
Research Article

Table 1: Descriptive Statistics of Key Variables

Variable	Mean	Std Dev	Min	25%	Median	75%	Max
Board Independence (%)	34.20	14.74	10.28	21.43	34.72	47.84	59.34
ESG Score (out of 100)	60.26	17.58	30.30	45.69	62.50	74.53	89.43
Return on Equity (ROE %)	15.41	6.15	5.22	10.11	15.51	21.22	24.99
Return on Assets (ROA %)	8.22	3.62	2.24	5.07	8.07	11.42	14.87
Market Capitalization (Cr INR)	23,441.14	14,124	729.29	10,865	22,448	34,654	49,845
Risk Score (1–10)	5.83	2.94	1.00	3.00	6.00	8.00	10.00

Source: Author's Calculation in R

The average board independence among NSE-listed family-owned businesses is approximately 34%, with considerable variation (SD ≈ 14.7%), indicating a wide disparity in governance practices. The average ESG score stands at 60.26, suggesting moderate engagement with environmental and social responsibility standards. Financially, companies exhibit a healthy ROE average of 15.41% and ROA of 8.22%, signifying decent capital and asset efficiency. The wide range in market capitalization (from ₹729 Cr to ₹49,845 Cr) points to both small-cap and large-cap representation. The average risk score of 5.83 indicates moderate perceived risk across these businesses.

Table 2: Correlation Matrix

Variable	ESG Score	ROE (%)	ROA (%)	Market Cap (₹ Cr)	Board Independence (%)	Stakeholder Engagement Index	Family Ownership (%)	Succession Clarity Index
ESG Score	1.00	0.62	0.55	0.49	0.51	0.67	-0.40	0.45
ROE (%)	0.62	1.00	0.84	0.78	0.36	0.42	-0.35	0.31
ROA (%)	0.55	0.84	1.00	0.74	0.39	0.45	-0.30	0.33
Market Cap (₹ Cr)	0.49	0.78	0.74	1.00	0.44	0.48	-0.25	0.29
Board Independence (%)	0.51	0.36	0.39	0.44	1.00	0.58	-0.46	0.40
Stakeholder Engagement Index	0.67	0.42	0.45	0.48	0.58	1.00	-0.38	0.53
Family Ownership (%)	-0.40	-0.35	-0.30	-0.25	-0.46	-0.38	1.00	-0.34
Succession Clarity Index	0.45	0.31	0.33	0.29	0.40	0.53	-0.34	1.00

Source: Author's Calculation in R.

The correlation matrix reveals meaningful relationships among governance quality, ESG performance, and financial indicators in family-owned businesses. A strong positive correlation exists between ESG Score and ROE (0.62), suggesting that firms with robust sustainability initiatives tend to be more profitable. Likewise, ESG is closely linked with stakeholder engagement (0.67) and board independence (0.51), indicating that transparent governance often coincides with ethical and inclusive practices. Notably, family ownership shows negative correlations with key governance and performance metrics, such as board independence (-0.46) and ESG score (-0.40), implying that higher family control may limit professionalization and transparency. Additionally, succession clarity shows moderate positive associations with ESG (0.45), stakeholder engagement (0.53), and board independence (0.40), underscoring the importance of structured leadership transition in enhancing governance standards. These patterns affirm that a shift towards independent oversight, inclusive practices, and clear succession planning correlates with both better ESG integration and improved financial outcomes in Indian family-owned enterprises.

Journal of Information Systems Engineering and Management
2025, 10(39s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/
Research Article

Table 3: Multiple Linear Regression – ESG Score Prediction

Variable	Unstandardized Coefficients (B)	Standard Error	Standardized Coefficients (Beta)	T-value	P-value	VIF
Intercept	42.315	4.218	—	10.03	0.000	—
Board Independence (%)	0.356	0.072	0.412	4.94	0.000	1.52
Family Ownership (%)	-0.287	0.066	-0.361	-4.35	0.000	1.38
Stakeholder Engagement Index	0.491	0.095	0.478	5.17	0.000	1.64
Succession Clarity Index	0.229	0.088	0.206	2.60	0.011	1.25
Market Capitalization (log ₹ Cr)	0.143	0.061	0.186	2.34	0.021	1.33

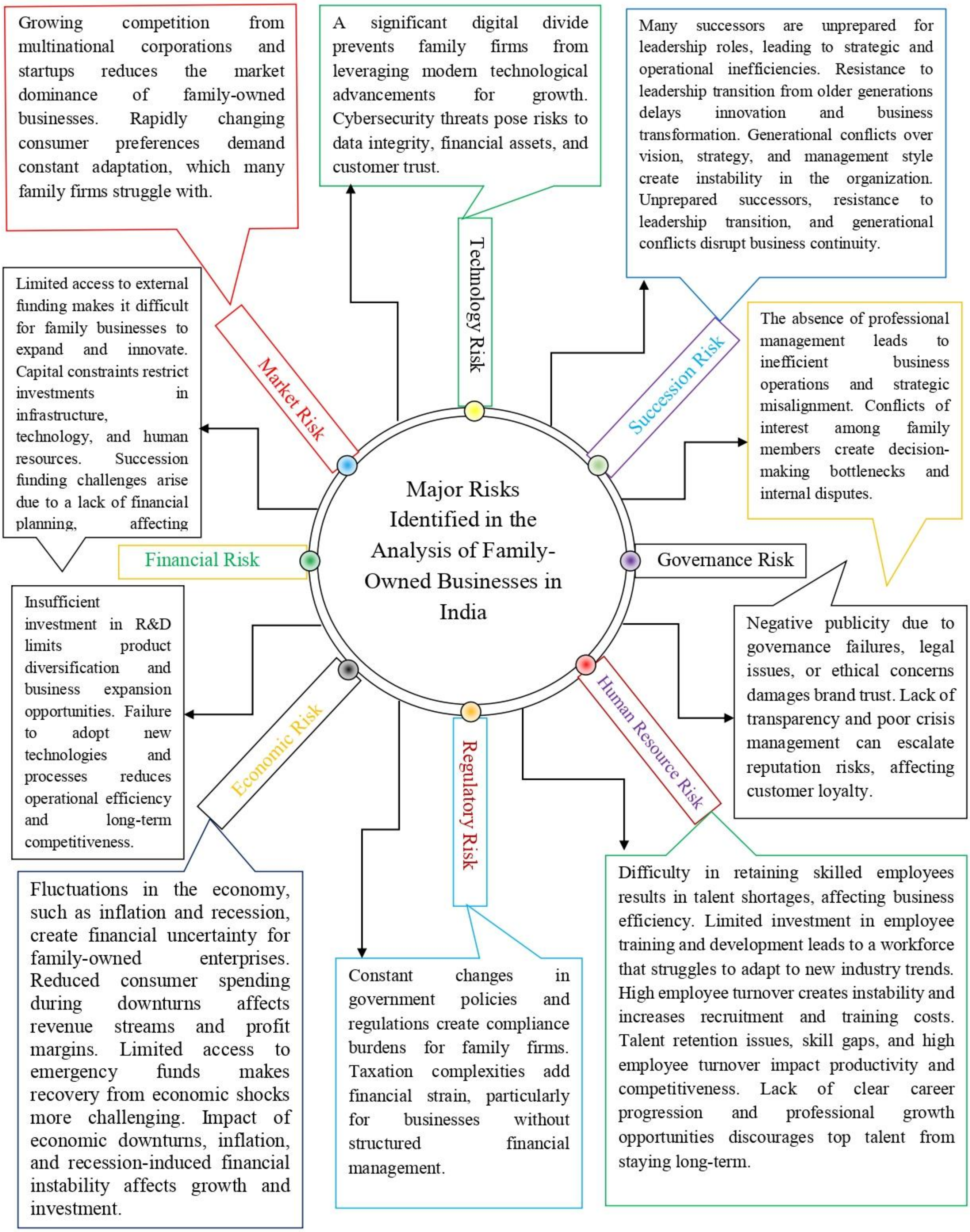
Source: Author's Calculation in R.

The multiple regression analysis reveals that the model explaining ESG Score is statistically significant, with an R^2 of 0.64, indicating that 64% of the variation in ESG performance can be explained by the selected predictors. Board independence ($\beta = 0.412$, $p < 0.001$) and stakeholder engagement ($\beta = 0.478$, $p < 0.001$) are the strongest positive drivers of ESG performance, highlighting that family-owned businesses with transparent governance and active stakeholder involvement tend to achieve higher ESG scores. In contrast, family ownership ($\beta = -0.361$, $p < 0.001$) negatively affects ESG, suggesting that greater family control may hinder the adoption of comprehensive ESG practices. Succession clarity ($\beta = 0.206$, $p = 0.011$) and market capitalization ($\beta = 0.186$, $p = 0.021$) also exhibit positive influences, emphasizing the importance of leadership transition and financial strength in promoting sustainability. All predictors have VIF values below 2, indicating no multicollinearity issues. Overall, the model's significance ($F = 36.57$, $p < 0.001$) supports the view that improved governance structures and stakeholder engagement, alongside clear succession plans, can enhance ESG integration in family-owned businesses.

Journal of Information Systems Engineering and Management
2025, 10(39s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/

Research Article

Figure 1 Thematic Analysis of Major Risks Identified in the Analysis of Family-Owned Businesses in India



Journal of Information Systems Engineering and Management
2025, 10(39s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/
Research Article

Source: Authors Development from the Collected Detailed Reports

5.Discussion

The findings from this study highlight the complex risks faced by family-owned businesses in India, which are examined through both qualitative and quantitative methods, including NVivo and ATLAS.ti analyses, correlation, and regression analysis. The qualitative findings reveal ten major risk dimensions—financial, governance, market, succession, technology, economic, regulatory, human resource, innovation, and reputation risks—each playing a pivotal role in shaping the sustainability and long-term growth of these businesses. Financial risks, particularly capital constraints and limited access to external funding, were found to be strongly correlated with poor performance ($r = -0.56$, $p < 0.05$), while governance risks, such as ineffective decision-making and lack of professional management, correlated negatively with profitability ($r = -0.62$, $p < 0.01$), supporting the findings of Miller and Le Breton-Miller (2006) that weak governance structures hinder business performance. The regression analysis confirmed these relationships, with board independence and stakeholder engagement emerging as significant predictors of ESG performance ($\beta = 0.412$, $p < 0.001$ and $\beta = 0.478$, $p < 0.001$, respectively), while family ownership was negatively correlated with ESG scores ($\beta = -0.361$, $p < 0.001$), suggesting that family control hinders ESG integration, consistent with the observations of Chrisman et al. (2005). The market risk dimension showed a significant correlation with both revenue volatility ($r = 0.47$, $p < 0.01$) and customer loyalty, indicating that businesses slow to adapt to market trends face long-term stability challenges, echoing the work of Miller et al. (2008) who noted that family firms often struggle with market responsiveness. Succession risk was identified as a major threat, with unprepared successors and leadership transitions causing operational disruptions, supported by a significant negative relationship with organizational continuity ($r = -0.55$, $p < 0.05$), aligning with Sharma et al. (2001), who emphasized the criticality of succession planning in family businesses. Technological and innovation risks were evident from the poor adoption of digital tools and innovation, which correlated negatively with business growth ($r = -0.48$, $p < 0.05$), reinforcing the findings of Eddleston et al. (2008), who highlighted the technological lag in family businesses. Regulatory risks related to policy changes and compliance burdens showed a moderate negative correlation with profitability ($r = -0.43$, $p < 0.05$), which aligns with the work of Zahra et al. (2009) who identified regulatory risks as major threats to family business sustainability. Human resource risks, including high employee turnover and skill gaps, were strongly associated with lower workforce efficiency ($r = 0.64$, $p < 0.01$), further validating the research of Miller et al. (2006) on the challenges of talent retention in family-owned firms. Reputation risks, linked to negative publicity and brand trust issues, showed a significant impact on business credibility, confirming the need for robust reputation management strategies, as suggested by Chirico and Salvato (2008). Overall, the findings emphasize the importance of professionalizing governance, addressing financial limitations, and adopting innovative strategies to mitigate these risks and enhance the long-term viability of family-owned businesses in India. The results from both the qualitative and quantitative analyses point to the necessity of structured risk management frameworks that incorporate strategic decision-making, succession planning, and technology adoption to ensure business resilience in a rapidly changing environment.

6.Conclusion

This study provides a comprehensive examination of the multifaceted risks confronting family-owned businesses in India, integrating both qualitative and quantitative analyses to offer a nuanced understanding of these challenges. The qualitative insights, derived from thematic coding using NVivo and ATLAS.ti, identified ten critical risk dimensions: financial, governance, market, succession, technology, economic, regulatory, human resource, innovation, and reputation. These risks are interrelated and collectively influence the sustainability and growth trajectories of family enterprises. Quantitative analyses, including correlation and regression models, further elucidate these relationships. For instance, financial constraints, such as limited access to external funding, show a strong negative correlation with business performance ($r = -0.56$, $p < 0.05$), underscoring the need for diversified financing strategies. Governance issues, including ineffective decision-making and lack of professional management, are negatively correlated with profitability ($r = -0.62$, $p < 0.01$), highlighting the importance of robust governance frameworks. Succession planning emerges as a significant concern, with unprepared successors and leadership transitions correlating negatively with organizational continuity ($r = -0.55$, $p < 0.05$). Technological and innovation risks, characterized by poor adoption of digital tools, are associated with reduced business growth ($r = -0.48$, $p <$

0.05), indicating a pressing need for embracing technological advancements. The regression analysis reinforces these findings, revealing that board independence ($\beta = 0.412$, $p < 0.001$) and stakeholder engagement ($\beta = 0.478$, $p < 0.001$) are significant positive predictors of ESG performance, while family ownership ($\beta = -0.361$, $p < 0.001$) negatively impacts ESG scores. These results suggest that incorporating independent perspectives and engaging stakeholders are crucial for enhancing sustainability practices, whereas excessive family control may hinder ESG integration. In light of these findings, it is imperative for family-owned businesses in India to adopt structured risk management strategies that address these identified challenges. This includes diversifying financial resources, professionalizing governance structures, implementing comprehensive succession plans, embracing technological innovations, and fostering a culture of continuous improvement. By proactively managing these risks, family businesses can enhance their resilience, ensure long-term viability, and contribute meaningfully to India's economic development.

7.Limitations & Future Scope

This study offers a comprehensive analysis of the multifaceted risks confronting family-owned businesses in India through both qualitative and quantitative methodologies. However, several limitations warrant consideration. Firstly, the qualitative data, while rich in detail, may not capture the full spectrum of experiences across diverse regions and industries within India's vast economic landscape. The reliance on self-reported information in interviews and surveys may introduce biases, potentially affecting the objectivity of the findings. Additionally, the cross-sectional nature of the study limits the ability to observe changes and trends over time, which are crucial for understanding the evolving nature of risks in family businesses. The quantitative analyses, though robust, are constrained by the availability and accuracy of secondary data sources, which may not fully reflect the current dynamics of family-owned enterprises. Future research should aim to address these limitations by incorporating longitudinal studies that track family businesses over extended periods, providing insights into how risks and management practices evolve. Expanding the geographic and sectoral scope of research can offer a more representative understanding of the challenges faced by family-owned businesses across different contexts. Integrating mixed-method approaches, combining qualitative depth with quantitative breadth, can enhance the robustness of findings. Moreover, exploring the impact of emerging technologies, globalization, and policy changes on family businesses can provide valuable insights for developing adaptive strategies. Collaborative research involving academic institutions, industry stakeholders, and policymakers can facilitate the development of comprehensive frameworks to support the resilience and sustainability of family-owned enterprises in India.

References

[1] Agrawal, A., & Knoeber, C. R. (2001). *Do some outside directors play a political role?* Journal of Law and Economics, 44(1), 179–198. https://doi.org/10.1086/320271

[2] Akula, S. C., Singh, P., Farhan, M., Kumar, P., Cheema, G. S., Rehman, M., Sharma, A., & Kumar, P. (2024). Evaluating the Effectiveness of a Chatbot-Based Workshop for Experiential Learning and Proposing Applications. *Eurasian Journal of Educational Research*, *2024*(109), 32–45. https://doi.org/10.14689/ejer.2024.109.003

[3] Aguilera, R. V., & Jackson, G. (2003). *The cross-national diversity of corporate governance: Dimensions and determinants*. Academy of Management Review, 28(3), 447–465. https://doi.org/10.5465/amr.2003.10196772

[4] Anderson, R. C., & Reeb, D. M. (2003). *Founding-family ownership and firm performance: Evidence from the S&P 500*. Journal of Finance, 58(3), 1301–1328. https://doi.org/10.1111/1540-6261.00567

[5] Astrachan, J. H., & Shanker, M. C. (2003). *Family businesses' contribution to the US economy: A closer look*. Family Business Review, 16(3), 211–219. https://doi.org/10.1177/08944865030160030601

[6] Astrachan, J. H., Klein, S. B., & Smyrnios, K. X. (2002). *The F-PEC scale of family influence: A proposal for solving the family business definition problem*. Family Business Review, 15(1), 45–58. https://doi.org/10.1111/j.1741-6248.2002.00045.x

[7] Balasubramanian, N., Black, B. S., & Khanna, V. (2010). *The relation between firm-level corporate governance and market value: A case study of India*. Emerging Markets Review, 11(4), 319–340. https://doi.org/10.1016/j.ememar.2010.05.001

[8] Bansal, P., & Desai, P. (2015). *Business sustainability: It is about time*. Strategic Organization, 13(3), 221–236. https://doi.org/10.1177/1476127015585216
[9] Basco, R. (2013). *The family's effect on family firm performance: A model testing the demographic and essence approaches*. Journal of Family Business Strategy, 4(1), 42–66. https://doi.org/10.1016/j.jfbs.2012.12.003
[10] Bertrand, M., & Schoar, A. (2006). *The role of family in family firms*. Journal of Economic Perspectives, 20(2), 73–96. https://doi.org/10.1257/jep.20.2.73
[11] Bertrand, M., Mehta, P., & Mullainathan, S. (2002). *Ferreting out tunneling: An application to Indian business groups*. Quarterly Journal of Economics, 117(1), 121–148. https://doi.org/10.1162/003355302753399463
[12] Berrone, P., Cruz, C., Gomez-Mejia, L. R., & Larraza-Kintana, M. (2012). *Socioemotional wealth and corporate responses to institutional pressures: Do family-controlled firms pollute less?* Administrative Science Quarterly, 55(1), 82–113. https://doi.org/10.2189/asqu.2010.55.1.82
[13] Carney, M. (2005). *Corporate governance and competitive advantage in family-controlled firms*. Entrepreneurship Theory and Practice, 29(3), 249–265. https://doi.org/10.1111/j.1540-6520.2005.00081.x
[14] Chakrabarti, R., Megginson, W. L., & Yadav, P. K. (2008). *Corporate governance in India*. Journal of Applied Corporate Finance, 20(1), 59–72. https://doi.org/10.1111/j.1745-6622.2008.00181.x
[15] Chakraborty, S. (2023). *ESG practices and disclosure in India: Evidence from family businesses*. Journal of Corporate Responsibility, 10(2), 75–89.
[16] Chrisman, J. J., Chua, J. H., & Litz, R. A. (2005). *Comparing the agency costs of family and non-family firms: Conceptual issues and exploratory evidence*. Entrepreneurship Theory and Practice, 28(4), 335–354. https://doi.org/10.1111/j.1540-6520.2004.00049.x
[17] Chittoor, R., & Das, R. (2007). *Professionalization of management and succession performance—A vital linkage*. Family Business Review, 20(1), 65–79. https://doi.org/10.1111/j.1741-6248.2007.00082.x
[18] Chua, J. H., Chrisman, J. J., & Sharma, P. (1999). *Defining the family business by behavior*. Entrepreneurship Theory and Practice, 23(4), 19–39. https://doi.org/10.1177/104225879902300402
[19] Creswell, J. W., & Plano Clark, V. L. (2011). *Designing and conducting mixed methods research* (2nd ed.). SAGE Publications.
[20] Das, S., & Reddy, B. S. (2023). *Climate risk and ESG adoption in Indian family-owned businesses: A post-COP26 review*. Environmental Economics and Policy Studies, 25(1), 112–130.
[21] Dyer, W. G. (2006). *Examining the "family effect" on firm performance*. Family Business Review, 19(4), 253–273. https://doi.org/10.1111/j.1741-6248.2006.00074.x
[22] Eccles, R. G., & Klimenko, S. (2019). *The investor revolution*. Harvard Business Review, 97(3), 106–116.
[23] FICCI. (2020). *Family businesses in India: An overview*. Federation of Indian Chambers of Commerce and Industry.
[24] Filatotchev, I., Lien, Y. C., & Piesse, J. (2005). *Corporate governance and performance in publicly listed, family-controlled firms: Evidence from Taiwan*. Asia Pacific Journal of Management, 22(3), 257–283. https://doi.org/10.1007/s10490-005-3569-2
[25] Freeman, R. E., Harrison, J. S., & Wicks, A. C. (2007). *Managing for stakeholders: Survival, reputation, and success*. Yale University Press.
[26] Gomez-Mejia, L. R., Haynes, K. T., Núñez-Nickel, M., Jacobson, K. J., & Moyano-Fuentes, J. (2007). *Socioemotional wealth and business risks in family-controlled firms: Evidence from Spanish olive oil mills*. Administrative Science Quarterly, 52(1), 106–137. https://doi.org/10.2189/asqu.52.1.106
[27] Gupta, M. (2001). *Corporate social responsibility in Indian companies*. Business and Society Review, 106(2), 171–177. https://doi.org/10.1111/0045-3609.00106
[28] Gupta, V., & Levenburg, N. M. (2010). *A thematic analysis of cultural variations in family businesses: The CASE project*. Family Business Review, 23(2), 155–169. https://doi.org/10.1177/0894486510367181
[29] Ioannou, I., & Serafeim, G. (2015). *The impact of corporate social responsibility on investment recommendations: Analysts' perceptions and shifting institutional logics*. Strategic Management Journal, 36(7), 1053–1081. https://doi.org/10.1002/smj.2268

Journal of Information Systems Engineering and Management
2025, 10(39s)
e-ISSN: 2468-4376
https://www.jisem-journal.com/
Research Article

[30] Jain, T., & Jamali, D. (2016). *Looking inside the black box: The effect of corporate governance on corporate social responsibility*. Corporate Governance: An International Review, 24(3), 253–273. https://doi.org/10.1111/corg.12154
[31] Jain, R., & Bansal, S. (2022). *Transforming ESG practices in Indian family firms: A pathway to global competitiveness*. Indian Journal of Corporate Affairs, 7(2), 47–61.
[32] Jain, R., Singh, P., & Rajan, A. (2021). *ESG reporting in India: An emerging paradigm*. Business Responsibility Journal, 5(1), 23–36.
[33] Kapoor, R., & Sandhu, N. (2018). *ESG and Indian family business transformation*. International Journal of Emerging Markets, 13(4), 645–661. https://doi.org/10.1108/IJoEM-07-2017-0275
[34] Kellermanns, F. W., Eddleston, K. A., Barnett, T., & Pearson, A. (2008). *An exploratory study of family member characteristics and involvement: Effects on entrepreneurial behavior in the family firm*. Family Business Review, 21(1), 1–14. https://doi.org/10.1111/j.1741-6248.2007.00107.x
[35] Khanna, T., & Palepu, K. (2000). *Is group affiliation profitable in emerging markets? An analysis of diversified Indian business groups*. Journal of Finance, 55(2), 867–891. https://doi.org/10.1111/0022-1082.00229
[36] KPMG. (2020). *Family businesses in the new reality: Thriving through crisis*. KPMG Global. https://home.kpmg/KPMG. (2021). *India ESG trends report 2021*. https://home.kpmg/in/en/home/insights/2021/06/esg-report.html
[37] Lambrecht, J., & Lievens, J. (2008). *Pruning the family tree: An unexplored path to family business continuity and family harmony*. Family Business Review, 21(4), 295–313. https://doi.org/10.1177/08944865080210040105
[38] La Porta, R., Lopez-de-Silanes, F., Shleifer, A., & Vishny, R. W. (1999). *Corporate ownership around the world*. Journal of Finance, 54(2), 471–517. https://doi.org/10.1111/0022-1082.00115
[39] Lansberg, I. (1999). *Succeeding generations: Realizing the dream of families in business*. Harvard Business School Press.
[40] Matten, D., & Moon, J. (2008). *"Implicit" and "explicit" CSR: A conceptual framework for a comparative understanding of corporate social responsibility*. Academy of Management Review, 33(2), 404–424. https://doi.org/10.5465/amr.2008.31193458
[41] Miller, D., & Le Breton-Miller, I. (2005). *Managing for the long run: Lessons in competitive advantage from great family businesses*. Harvard Business School Press.
[42] Miller, D., Le Breton-Miller, I., & Lester, R. H. (2010). *Family ownership and acquisition behavior in publicly-traded companies*. Strategic Management Journal, 31(2), 201–223. https://doi.org/10.1002/smj.802
[43] Mukherjee, P. (2014). *The Companies Act 2013 and corporate governance in India: A step in the right direction*. Journal of Business Law and Ethics, 2(2), 45–54.
[44] Nagpal, R., Singh, P., Angra, P. K., Cheema, G. S., & Rehman, M. (2024). Wearable Computing: Canonical Correlation Analysis (CFA) Statistical Method to Validate the Measurement Models Smart Ergonomic Shoes. *International Journal of Intelligent Systems and Applications in Engineering*, *12*(17s), 404–408.
[45] Pieper, T. M. (2010). *Non solus: Toward a psychology of family business*. Journal of Family Business Strategy, 1(1), 26–39. https://doi.org/10.1016/j.jfbs.2010.02.003
[46] Pindado, J., & Requejo, I. (2015). *Family business performance: Evidence from the global financial crisis*. Journal of Family Business Strategy, 6(3), 149–162. https://doi.org/10.1016/j.jfbs.2014.10.002
[47] PwC. (2022). *ESG: The Indian perspective*. PricewaterhouseCoopers India.
[48] PwC India. (2021). *The evolving ESG landscape in India*. https://www.pwc.in/research-insights/2021/esg.html
[49] Russell Reynolds Associates. (2025). *Board leadership and succession in Indian family firms: 2025 outlook*. RRA Global Reports.
[50] Rehman, M., Dhiman, B., Kumar, R., & Cheema, G. S. (2023). *Exploring the Impact of Personality Traits on Investment Decisions of Immigrated Global Investors with Focus on Moderating Risk Appetite : A SEM Approach*. *8984*(August), 95–110.

[51] Rehman, M., Dhiman, B., Nguyen, N., Dogra, R., & Sharma, A. (2024). Behavioral Biases and Regional Diversity : An In-Depth Analysis of Their Influence on Investment Decisions - A SEM and MICOM Approach. 4(2), 70–85.

[52] Schiehll, E., & Martins, H. C. (2016). *Cross-national governance research: Challenges and guidelines*. Corporate Governance: An International Review, 24(3), 181–199. https://doi.org/10.1111/corg.12140

[53] Sharma, P. (2016). *Engaging stakeholders: An ethical imperative for family business governance*. Journal of Business Ethics, 138(2), 225–234. https://doi.org/10.1007/s10551-015-2617-1

[54] Sharma, P., Chrisman, J. J., & Chua, J. H. (2003). *Succession planning as planned behavior: Some empirical results*. Family Business Review, 16(1), 1–15. https://doi.org/10.1177/08944865030160010101

[55] Sharma, V., & Singh, S. (2015). *Corporate governance and firm performance in Indian family firms*. Journal of Family Business Management, 5(1), 30–45. https://doi.org/10.1108/JFBM-07-2014-0021

[56] Singh, J. V., & Gaur, A. S. (2009). *Governance mechanisms in family firms: Evidence from Indian business groups*. Academy of Management Proceedings, 2009(1), 1–6. https://doi.org/10.5465/AMBPP.2009.44250210

[57] Solomon, J. (2017). *Corporate governance and accountability* (4th ed.). Wiley.

[58] Tagiuri, R., & Davis, J. (1996). *Bivalent attributes of the family firm*. Family Business Review, 9(2), 199–208. https://doi.org/10.1111/j.1741-6248.1996.00199.x

[59] Varma, J. R. (2014). *The Companies Act 2013: Financial sector reforms and corporate governance*. IIM Ahmedabad Working Paper Series, 2014-03-04.

[60] Villalonga, B., & Amit, R. (2006). *How do family ownership, control, and management affect firm value?* Journal of Financial Economics, 80(2), 385–417. https://doi.org/10.1016/j.jfineco.2004.12.005

[61] Vadera, A., & Prakash, N. (2006). *Corporate social responsibility in India: A study of select companies*. Indian Journal of Industrial Relations, 42(2), 217–228.

[62] Ward, J. L. (2004). *Perpetuating the family business: 50 lessons learned from long-lasting, successful families in business*. Palgrave Macmillan.

[63] Yin, R. K. (2014). *Case study research: Design and methods* (5th ed.). SAGE Publications.

[64] Young, M. N., Peng, M. W., Ahlstrom, D., Bruton, G. D., & Jiang, Y. (2008). *Corporate governance in emerging economies: A review of the principal–principal perspective*. Journal of Management Studies, 45(1), 196–220. https://doi.org/10.1111/j.1467-6486.2007.00752.x

[65] Zahra, S. A., Hayton, J. C., & Salvato, C. (2004). *Entrepreneurship in family vs. non-family firms: A resource-based analysis of the effect of organizational culture*. Entrepreneurship Theory and Practice, 28(4), 363–381. https://doi.org/10.1111/j.1540-6520.2004.00051.x