Managing Internal Resource for Sustainability: A Case of Indian Family Business

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Abstract*: Family Business plays an important role in any economy to enhance employment in low income strata of population. They are included in house hold enterprises where the resources of business and owner is inseparable. A few family baseness had grown from informal level to formal due to consistent growth while a few had extinct. The extinction and survival of small family business ignite a curiosity to identify reasons for it. The inseparability in resources between business and owner limit the growth trajectory and scope for availing finance from formal system. This compels the small family business to depend on own resources or to rise fund on personal risk.The population in this research is grocery traders as it is one of the prominent in family business as it can be started as a part of residence, all family members can contribute, need of less expertise and lower investment. This paper analyse how small family business manage resources in time when they are in need. The research is conducted in Coimbatore District in Tamilnadu and the sample size is 392. It is a longitudinal survey as the data is collected over a period of one year. The shops were classified on two parameters, floor area and daily sales and measures for comparison are Net Trading Cycle, Gross Margin Return on Investment (GMROI) and Net Profit Ratio (NPR). Family business use Resource Bootstrapping and Bricolage (RBB) strategies to overcome resource scarcity or to reduce the cash outflow which include the use of own fund, premises, vehicles and family members. The Paper explain how the RBB strategies add to the value addition through reducing operating expenses.

Index Terms: Grocery retailers, informal enterprises, Resource bootstrapping, revenue to expense ratio, return on investment.

I. INTRODUCTION

Role of Family business in economy

Family business are entrepreneurships that use own resources for business. It is a sort of necessity entrepreneurship as they opt business as a last sort in choosing a career choice or occupation. The role of family business in economy, especially in grocery retailing, is to widen the supply chain network to rural areas to reduce the possibility of food desert in India. The root causes for the emergence of food desert is the travelling distance and accessibility to the shops which may increase due to the closure of shops in rural areas (Paula Dutko, 2012).The family business has its own unique success propositions like long hours of working, function from own premises to sustain in competitive environment. Hence, the family business has a social responsibility and commitment to make the life of rural economy more powerful and growing in enhancing self-employment.

The resource management of informal family business is different from organised model which are resource self-reliant. The management of resource scarcity can be explained using two theories.

Resource bootstrapping and bricolage: two behavioural strategies in resource management

Resource bootstrapping is a strategy to substitute an expensive or a scarce resource with a cheap resource while bricolage is a strategy to manage a resource scarcity with what is readily available in hand at that time. a few resources constrain that informal enterprises face are, capital, spatial, expertise, and legal assistance. This paper attempts to analyse how resource bootstrapping and bricolage are used as the managerial strategies by informal enterprises taking the grocery retailers as a special case. Grocery retail shops spread over everywhere people live. Hence, population density, distance to travel, demographic factors of shops, size of the retail shops in terms of floor area, capital used, inventory range are the controlling variables in this research. Sales, total cost, and profitability are the dependant variables used to compare the performance of different strata of retailers and how resource bootstrapping and bricolage influence these variables is to be analysed.

The main challenges in analysing the operational efficiency of informal enterprises is, information asymmetry, inseparability of business from owner, heterogeneity in resources used, low education, and fear to respond to surveys. Hence the data on operational activities must be collected through continuous interaction and observation.

Research Methodology

The data is collected from the family business in Coimbatore and sample size is 392 shops. The prime data was collected using a longitudinal data collection process in which the respondents were observed continuously to

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understand how these shops manage resource scarcity. Multiple regression model is used to explain the factors that influence the profitability of the firms.

Findings

The response to different parameters of operations by the retails vary significantly with the size of the retail shop.

Controlling variable	Resource bootstrapping strategies and their benefit to the shop		
	Small	Medium	Large
Capital	From friends, relatives, or own saving, low interest, or no interest. Most of the shops are informal	Own fund and loans.	Own fund and loans. Registered retailers. Avail overdraft facility and facility.
inventory	Lower storage capacity. Focussed stock kit Unit mix based on demand, only fast moving items based local demand, short net trading cycle, low content of slow moving products. But the cost of procurement increases with number of procurements per unit period. Customization is the important facility	More generalised stock kit unit mix, not strictly based on local demand or frequent demand. More space needed for storage, content of slow moving products increase, net trading cycle elongates, but saves cost due to bulk purchase.	Wide range of merchandise to attract high net worth customers. Inventory planning is based on forecasting. Possibility for phantom products and wastage due to expiry of life. Very lengthy net trading cycle. More investment on additional storage
Assortment range	narrow	wide	Very wide
Promotion	Personal relations, regular and consistent customers	A mix of regular customers and occasional customers. Small discounts are given to the customers.	Customers are attracted by large assortment, uniqueness in products, high rate of discounts, facility to choose from rack directly, self-service, one time bulk purchasing.
Credit sales	Credit sales amount up-to 60% of daily sales, bad debt, and receivables high, but essential to promote sales	Credit sales is limited to regular customers with a limit, medium receivables, and less bad debt.	No credit sales, No bad debt.
Door delivery	Door delivery is a part of the customer service and it helps to retail personal relation	No door delivery	No Door delivery
Location effect	average foot fall is consistent but limited depending on the population density and number of shops	Footfall depends on the traffic intensity.	Most of the large shops are in city centres. Due to

	in the proximity	Hence, sales are inconsistent. The average bill size is medium.	time constrain and convenience, customers from city prefer to reduce number of procurements but prefer bulk purchase
Distance from city or town	The carriage in increases and hence the total cost increases. But sales will increase as it would be inviable for the local customers to travel long to buy daily needs. Door delivery further ease the customers.	The carriage inward reduces but the sales will be limited to daily commuters. Hence holidays, strikes, climate changes etc. will affect adversely. Week end sales may depend on local population density.	Week end sales increase as the customers to visit with family in their vehicle. The shopping experience and economical use of vehicle persuade them to complete the purchase for the next week. This will increase sales
Number of shops within the proximity	Credit facility, door delivery etc. will limit the switch over of customers one shop to another.	The competition will affect the business signific	Deep discount sales, seasonal offers , week end offers pull the customer

		antly. Hence the uniqueness in assortment, goodwill, price etc. influence the footfall. .	s
Cash purchase and purchase discounts	Being small, the quantity purchased is small and lack of credit facility, cash purchase is essential which in turn depends on the collection of receivables, cash sales. This pressurise for free flow of cash or to depend on informal money lenders for fund at high interest. Cash discounts will be negligible.	Bulk purchase and credit purchase due to high volume will not affect the procurement schedule but the bargaining power will improve the profitability. If receivables are not collected in time, payment schedule will be affected.	Since modern retailers get credit facility and large volume purchase will enhance the bargaining power and profit increases. But the deep discounts and advertisements will reduce the profit earned from bulk purchasing. Hence control of operational expense is necessary.
Vendor supplied products	The supply from local producers, farmers and van suppliers improve the	The supply from local producers,	Modern format with large footfalls get both

	inventory level and the retailer get a fixed period to sell the product and pay the price.	farmers and van suppliers improve the inventory level and the retailer get a fixed period to sell the product and pay the price	spatial charges, commission, and credit facility. This will increase availability of new and unique brands in store. .
labour	Self-labour, part time labour or engagement of family members. this reduce cost of operation.	Labour charges are controlled by using part time employees for hourly basis and piece work rate for packing into standardised packets.	A combination of part time, piece-rate, and full time labour are used.
Transportation cost	it may be brought in public transport or own vehicle or even in small vehicles	other retailers or reduce the number of carriage in by purchasing bulk matching to the carriage capacity	Generally, the supplier will deliver at warehouses as large shops buy in large quantity.
Wastage	Wastage is very high as major content of the merchandise is perishable. But shrinkage cost and cost of phantom cost are negligible	Shrinkage cost and spill over are high, cost of phantom products is significant.	Wastage cost is high but expired products and slow.

II. CONCLUSION

Resource bootstrapping and bricolage are two behavioural strategies seen among entrepreneurs to overcome the resource constrains when they are either scarce or expensive. All entrepreneurs use one or another type of resource bootstrapping methods but varies from one person to another and one industry to another industry. They can be temporary or permanent. The factors that influence the selection of resource bootstrapping or bricolage, are size of the firm, age of the firm, location, capital used etc.

The results of this research also support the findings of Ebben(2006), Winborg (2008), Padachi (2011), Fatoki (2013) , Auken and Neely (2006) and Lehm and Little (2005). There is a positive effect of resource strategies on profitability. The extension of research to the informal retail formats also support the findings of previous researches.

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