

FAMILY ORIENTATION IN FAMILY FIRMS :

A MODEL AND SOME EMPIRICAL EVIDENCE

by

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ABSTRACT

Attention has been drawn recently to the differences which exist between family and non-family firms (Leach, 1994; Cromie, Stephenson and Monteith, 1995; Beehr, Drexler and Faulkner, 1997) but Ward (1987) indicates that there are different types of family firms. More specifically, as Dunn (1995) puts it, *"in some families it is evident that the business serves the family, as opposed to the family serves the business"*. For some families in business, economic rationality dominates decision making, yet for others a family first ethos is to the fore whilst a third group recognises the need to respond to economic and family considerations.

In this paper firms which pay attention to both family and business are not investigated. However, Ward's model of the characteristics of family firms is discussed and data based on a Scottish and Irish sample of 217 firms which put family first when business and family objectives clash and 848 firms which focus on business objectives, is presented. Results suggest that the former exhibit several of the characteristics defined by Ward. This suggests that a considerable number of family firms may be lifestyle businesses in which economic goals receive less attention than in growth oriented firms.

These results have major implications for policy makers. If a substantial number of family firms differ from rational economic ventures in their values and methods of operation, then policy makers should be flexible when intervening to support this important section of the SME community. Policy issues in connection with family firms in Britain are considered in the light of our findings.

MANAGERIAL AND POLICY IMPLICATIONS

- Family firms tend to have different objectives to non-family firms.
- Family firms are not homogeneous.
- Sometimes the business serves the family : sometimes the family serves the business.
- Orientations change as family firms develop.
- Family oriented firms are reluctant to accept external sources of capital for fear of diluting family control.
- Family oriented family firms are less change and risk oriented than others but they are vital sources of employment and wealth in communities.
- Firms become more family oriented as they get older.
- Policy makers should not ignore family oriented firms in favour of business oriented SMEs.
- Business advisors should appreciate how business families and their family firms function and use this as a diagnostic tool before they intervene.

INTRODUCTION

Family businesses comprise the great majority of business enterprises in Britain (Leach 1994; Cromie, Stephenson and Monteith, 1995), the USA (Dyer, 1988; Ward and Sorenson, 1987; Gersick, Davis, McCollom Hampton and Lansberg, 1997), Australia (Reed, 1989) and many other parts of the world. Indeed Kotkin (1992) argues that in China, Japan and India the family is the firm. Family firms have been defined in several ways (Ward, 1987; Ward and Aronoff, 1991; Kirchoff and Kirchoff, 1987), but Litz's (1997) definition is most useful. He argues that a family firm is a business in which *"ownership and management are concentrated in a family unit [and in which] individuals within the firm seek to perpetuate or increase the degree of family involvement"*. The coexistence of family values and needs alongside business necessities can create significant differences between family and non-family businesses since family and business objectives are often incompatible (Friedman, 1991).

However, whilst differences between family and non-family businesses have been explored (Cromie *et al*, 1995; Beehr, Drexler and Faulkner, 1997) it should be recognised that family firms are not homogeneous. Ward (1987) contends that they differ with respect to their inclination to pursue a business first or a family first philosophy and, this paper focuses on this aspect of the difference amongst family firms. These proclivities create different *"philosophies and practices at work [in these types of family firms] that either promote or present obstacles to success (on their terms)"* (Dunn, 1995). Whilst definitions of success in family firms can differ from those used in non-family businesses Dunn (1995) intimates that business first firms are more likely to possess the attributes needed for growth. Dunn, Hughes and Adams (1996) also show that these firms have an interest in equity finance from the Alternative Investment Market and that this is stimulated by considerations of business growth.

The paper is structured as follows. Empirical studies and relevant static and dynamic models of family firms are explored followed by an outline of the research method. Results are then presented and compared with the theoretical models. Relevant issues are then examined in a discussion section.

Sub-systems in Family Firms

Static Models

It is widely recognised that interacting family and business systems exist in family firms (Leach, 1990) and that clashes can occur between the essentially rational orientation of the latter (Acs and Gerlowski, 1996) and the emotional and relational orientation of the former (Leach, 1994). However, Gersick *et al* (1997) contend that matters are even more complicated in that there are family, business and ownership sub-systems developing over time, each with their own demands.

Ward (1987) recognises these orientations in producing a model of eight prototypical family firms, but in the interest of simplicity the principal focus of this paper is on those exemplars at the extremities of his bi-polar scale. In these businesses there is a family orientation in which the *“business serves the family”* – hereafter called family first firms, or a business orientation in which the *“family serves the business”* – (Dunn, 1995), hereafter called business first firms.

It is likely that firms which differ in this respect will have different structural and managerial features and it is proposed to discuss the features of family oriented firms with respect to ownership, business and family matters. Ward (1987) suggests that family oriented firms will be rather rigid and will centralise decision making. Furthermore family members will take the most important decisions. To retain family domination of affairs, shares will be retained almost exclusively by family members and there will be a reluctance to promote non-family members to the senior management team. In support of these contentions, Francis (1980) notes that families are expert at retaining control by controlling Boards, Goffee and Scase (1985) find that non-family managers are socialised to accept family values. Donckels and Fröhlich (1987) feel that such firms will be more stable than progressive and conservative about growth whilst Ward suggests that diversification will be the least likely growth strategy. It is also suggested that growth will be financed from internal rather than external sources.

Retaining control of shares and senior management positions ensure that decision rights are retained by the family, who will also have a strong interest in controlling the disbursement of residual profits. For this reason, Ward argues that family oriented firms will be unwilling to risk outside influence from institutional investors. For family members their long-term future is linked with the fortunes of the firm and they will normally prefer non-equity capital (Dunn *et al* 1996). However, even when ordinary

shares are issued family members can still maintain substantial control by keeping their seats on Boards (Nyman and Silbertson, 1978).

Whilst Hoy and Verser (1994) point out that strategic planning in family firms is complicated by the overlapping needs of family, management and owners, Ward (1987) feels that the outcome of this interaction is conservatism. He argues that since planning is associated with change and risk-taking, these firms will fail to make strategic plans and will simply muddle through. Family firms can develop in an “*entrepreneurial capitalism*” mode (Ward, 1987) but as has been suggested others do not operate according to the rational business model (Dunn, 1996). This is especially true in dealing with human resources.

Human Resource Issues

Family life has a major impact on the development of individuals. Parental style, the number and gender of siblings and other aspects of family structure all effect the development of the individual. Family norms and culture constrain individual behaviour but they also encourage trust (Dyer and Handler, 1994) and an emotional element in a relationship which is less common in other social situations. “*We are happy when family relationships are going well*” (Duck, 1992) and the “*intrinsic ‘tribal’ sense of a unique....identity*” is a powerful positive force for many family firms (Kotkin, 1992).

However, family relationships can also go wrong. Sibling rivalry, resentment of the authority exercised by parents and competition between fathers and sons can lead to the breakdown of family relationships which impact adversely on general health. For example, Lynch (1987) argues that several serious physical illnesses are linked to relational difficulties. Individuals in non-family situations who experience relational difficulties can isolate themselves from difficult others or limit their interaction. However in family firms, especially in the West, the parties find it difficult to avoid one another at work or at home (Kaye, 1991). All forms of social organisation experience conflicts but some of Kotkin’s (1992) Asian interviewees consider that non-Western communities are more proficient at dealing with differences in families and clans in which relationships are founded on love rather than on exchange or threat.

Whether families are close or feuding, family dynamics will impact on the firm when some individuals are members of both family and business and ownership systems.

When family and business systems coalesce there are many possibilities but Ward (1987) argues that issues of equity and dependence are important human considerations. In family oriented firms, family members will get equal treatment even if their abilities are not on a par (Kets de Vries, 1994) and family members will be expected to work for the family firm. Doing your own thing is not an option. Assumptions such as these will have a clear impact on employment policies and managerial behaviour.

Typology of Family Firms

Indications are that the kind of assumptions made by a family and their behaviour can produce a certain orientation in a family firm. Ward (1987) feels that the differences are strong enough to warrant the development of a typology of family firms and Figure 1 depicts the postulated assumptions in family and business oriented family firms at the boundaries of his continuum.

Figure 1: <u>Likely Assumptions and Circumstances in a Family First V Business First Family Firm as suggested by Ward</u>	
1 Family Assumptions	
<i>Family First Group</i>	<i>Business First Group</i>
<p>(i) Are more rigid in their views. A rigid family struggles to prescribe the rules of the game as well as its outcome control.</p> <p>(ii) Are less likely to take risks. Would like to maintain business in its present condition.</p> <p>(iii) Are less likely to strategically plan.</p> <p>(iv) Believe in 'equality of results'. Give each child the same chance, regardless of ability. Job as a birthright.</p> <p>(v) Dependence. Think geographical separation implies emotional separation and is therefore a bad idea.</p>	<p>(i) Are less Rigid in their views. More likely to allow things to evolve.</p> <p>(ii) Are more likely to take risks. Yearn to preserve the spirit of risk taking that sparked the business initially.</p> <p>(iii) Are more likely to strategically plan.</p> <p>(iv) Believe in 'equality of opportunity'. Believe that after a certain point individuals should make their own way in the world and deserve no extra help in the supply of jobs for the family.</p> <p>(v) Independence. Grant each member freedom to follow own path.</p>
2 Family and Business Circumstances	
<i>Family First Group</i>	<i>Business First Group</i>
<p>(i) Smaller Business Wealth.</p> <p>(ii) Smaller Business Size.</p> <p>(iii) Fewer Family Members.</p> <p>(iv) Low-Tech Business.</p>	<p>(i) Larger Business Wealth.</p> <p>(ii) Larger Business Size.</p> <p>(iii) More Family Members.</p> <p>(iv) High-Tech Business.</p>

(v) More Need for Personal Service.	(v) More need for Invention/Research.
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Source: J.L. Ward (1987). *Keeping the Family Business Healthy*. San Francisco : Jossey Bass.

Ward also argues that the circumstances of the firm and family can influence the orientation. If, for example, the firm is small and the family is large, a business orientation must prevail. As Figure 1 indicates he suggests that business income, size, technology and necessity to innovate along with the number of family members working in the firm impact on the orientation.

Dynamic Models

Ward's model is useful in highlighting key variables in this debate but Gersick *et al* (1997) argue that family, business and ownership systems have a developmental dimension. Owners, the business and the family develop and the potency of each system will vary with time. People regularly join and leave the family system and move from one dimension of the business to the other. These changes can influence the nature of the whole family business system and can have a powerful impact on the assumptions and behaviours which occur in family firms.

It seems plausible therefore, that a young family business will have different constraints and opportunities than a second or third generation firm. In the first generation the owner will probably also be the CEO, issues of survival and growth will dominate business decisions and family involvement may be rather limited. However, as the firm matures the family may turn its attention to support increasing numbers of siblings in the business and later non-managing family shareholders may have a degree of control of the business in a 'Cousin Consortium'. In these phases, family attention may turn to "*creating entry criteria and career paths for the young adult generation*" (Gersick *et al*, 1997), the business may well be established in the market, decision making is more complex and an element of slack may be available to cushion the harsh impact of economic realities. In this situation firms may have the opportunity to focus on family objectives to a greater extent than previously (Dyer and Handler, 1994). There is some evidence that "*first generation firms in [the UK] are less pro-family than subsequent generations*" (Cromie *et al* 1995) and this study will test to see if this is true and to discover if this leads to different behaviours in the important areas highlighted by Ward.

This Study

Ward has argued that behaviours will differ within family firms. However, he suggests that those differences will be most marked in firms at the extremities of his family first – business first continuum and this study examines assumptions, circumstances and behaviours in these bi-polar cases to determine if Ward's arguments can be supported. As Figure 1 indicates five key assumptions and five circumstances are considered important by Ward and all five assumptions and three of the five circumstances are assessed in this piece of research. The remaining circumstances; the type of operations technology in use and the extent of innovative activity, were omitted because the research group found it difficult, within the context of a large quantitative study using pre-determined questions, to incorporate the questions advocated by Hage and Aiken (1969) and Forehand (1963) on these matters.

In addition, Ward does not include a developmental component in his 1987 model but the research group considered that a family or business orientation could be partly contingent upon the generation in charge of the business. Therefore, they tested to see if differences occurred between the orientations, and behaviours of firms with first and subsequent generations in charge.

In essence comparisons are made between 217 firms which say they place family objectives before business objectives in the event of a conflict and 848 firms who place business objectives first. Comparisons are also made between the behaviours and characteristics of firms from different generations to discover if their actions are in keeping with a family first or business first stance.

METHODOLOGY

The Sample

It has long been believed that family firms constitute the vast majority of business enterprises in Scotland but there was little empirical evidence to support this belief. Therefore Scottish Enterprise felt that a major investigation of family firms in the region was an important first step in formulating a family firms policy initiative and they commissioned a research study. Similar viewpoints were also expressed

amongst policy makers in Northern Ireland and the enquiry was expanded to encompass that region.

This provided the motivation for the study but the research group recognised that no sampling frame for family firms exists in the United Kingdom. However, previous smaller scale surveys have indicated that a large number of family firms can be identified from the Dun and Bradstreet database using the criterion of their being two directors or more with the same surname to establish 'family' ownership. In both regions, the researchers' own databases of known family businesses were added to the Dun & Bradstreet database, with duplicates deleted to provide a final sample of 1500 Northern Irish and 6,161 Scottish family businesses. This was considered to be representative of the main population of family businesses in these regions because all the firms included either had co-directors who were 'relatives' (sharing the same surname) or had advertised themselves as a family business. Scotland has three times as many firms with employees than Northern Ireland (Department of Trade and Industry, 1998) so the latter is under represented in the sample. This occurred because the project was under way in Scotland before the Irish joined the research group. A time limit was set and the Irish sample was truncated at 1500.

Questionnaires were dispatched to 7661 firms and 1065 usable replies were received with a greater percentage being received in Scotland (14%) compared with Northern Ireland (9.4%). Given the absolute size of the final sample, no attempt was made to increase the response rate.

The Questionnaire

The survey instrument contained 133 closed questions which could be scanned by computer. A number of matters were addressed, but our focus here is on issues associated with Ward's key variables: the rigidity of the firms, their attitude to risk, their propensity to develop strategic plans, the level of equality afforded to family members and the independence of family members. Physical business characteristics such as turnover, size, the number of family employees and business sector were also noted.

Firms are considered to be inflexible if they are strongly wedded to family ownership, the present management structure, the present product/market portfolio and to rely

on internal finance to fund growth. Three questions were asked about family ownership. These referred to preference for 100% family ownership, preference for the firm to remain entirely within the family, rejecting expansion of ownership to non-family and preference for retaining the current managers. Two questions were asked about strategies for growth and preferences for funding growth from family, bank, venture capital or capital market sources were assessed. In most cases a yes/no response format was used.

Risk taking was assessed by seeking responses to four questions about the desirability of offering shares on the stock market, about using other external sources of finance, about accepting non-family shareholders and about offering part-ownership to outsiders to promote growth. Responses to these questions were again in yes/no format.

Concerns for equity were assessed by asking questions about the importance of family employment as a business objective, the availability of jobs for family and the skills of family incumbents, and the promotion of non-family employees. Once again a yes/no response system was used. To assess the extent of family integration a question was asked about the extent of family agreement on the strategic plan for the business. A concern for family first may well indicate that management is not fully professional. Another indication of this lack of professionalism is the absence of a strategic plan (Donckels and Fröhlich, 1987) and therefore, a question was asked on this matter.

Finally, a number of questions were asked about the turnover and size of the firms. The questions are reproduced in Appendix A and were appropriate, chi-squared values and probabilities in connection with differences between family first and business first firms are presented.

Our purpose is to make comparisons between the 217 companies (22% of the total respondents) who meet family objectives in preference to business objectives in times of conflict and the 848 firms which place business objectives first. Since measurements are ordinal or nominal, in most cases differences between the two groups are assessed using the chi-squared test.

RESULTS

Demographic Information

Both groups of businesses are predominately private sector firms with only a tiny minority being publicly owned. Table 1 shows that they are well established with around 80% of both family first and business first firms trading for eleven years or more and approximately 50% trading for twenty-six years or more. Both groups are essentially small firms which employ 50 people or less although 17% of family first and 20% of business first firms employ more than 50 people. Turning to the sectoral profile of the two groups they are quite similar. However, whilst there is a representative spread of firms in all business sectors more business first firms are to be found in agriculture whereas a larger proportion of family first firms are to be found in the hotel and catering sector. It is felt that the sample is representative of the population of firms in Scotland and Northern Ireland. The sectoral profiles of the two regions reflect the overall sectoral breakdown for the UK suggesting that family businesses are active across the full spectrum of economic activity. The profile for the two regions is quite similar with a more or less even split between all kinds of service and all kinds of manufacturing firms and a small agricultural sector. Scotland and Northern Ireland have more small firms than the UK average, (Department of Trade and Industry, 1998) and, as can be seen in Table 1, the majority of firms in this sample are SMEs.

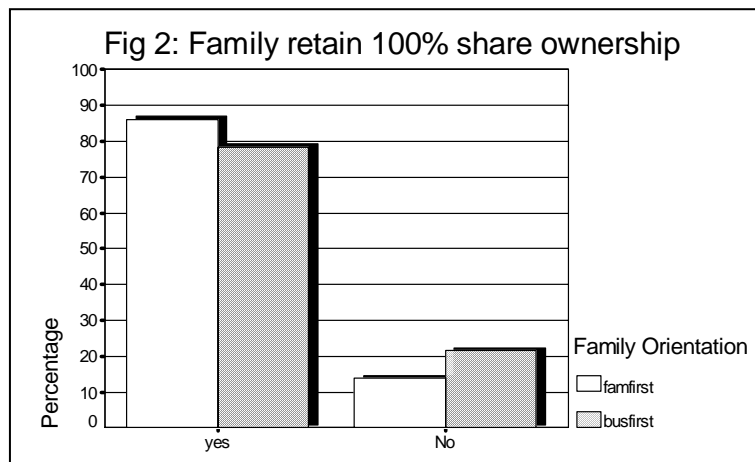
It had been expected that more second and subsequent generation firms would be family oriented but the percentages are almost the same (See Table 1 for details). However, 70% of first generation firms have been trading for eleven years or longer and many could well be approaching second generation status. There are few differences between the comparison groups on issues discussed to date, but the business first firms are growing at a slightly higher rate ($\chi^2 = 4.58$, $df = 3$, $p = 0.2$) and do have significantly higher turnovers ($\chi^2 = 10.8$, $df = 2$, $p = < 0.001$). Demographic data are summarised in Table 1.

Age of Company	Percentage		Generation running the business	Percentage		Size of Company (All employees)	Percentage	
	FF	BF		FF	BF		FF	BF
<5 yrs	5	4	1 st	38	37	1-10 Employees	36	31
6-10	12	14	2 nd	21	22	11-50	46	49
11-25	34	32	3rd +	16	18	51-200	14	15
26-50	26	25				200+	3	5
>50	21	24						
Missing	2	1	Missing	25	23	Missing	1	0

Growth Rate	Percentage		Sales Turnover (£UK)	Percentage		Number on Board	Percentage	
	FF	BF		FF	BF		FF	BF
<1%	27	24	<£1m	61	49	1-5	84	87
2-5%	24	27	£1-5m	32	40	6-10	3	4
6-10%	27	23	>£5m	6	10	11-15	2	2
>10%	17	23				16+	2	2
Missing	5	3	Missing	1	1	Missing	9	5

The Static Model

Turning to the issues raised by Ward, results confirm that family oriented firms are more keen on the status quo.



For example, as can be seen in Fig. 2, 86% of family oriented firms compared with 78% of business oriented firms want 100% family ownership of shares ($\chi^2 = 8.8, df = 1, p = 0.002$).

In the interest of brevity, it is proposed to refrain from presenting charts, percentages and χ^2 statistics for each of the issues raised by Ward (full details are available in Appendix A). Instead, summary results are presented in Table 2. The column 'Higher' indicates that the family first group are significantly more likely to answer yes to these questions than the business first group. For example, as Fig.2 shows, more family first firms agree that it is preferable for family members to own 100% of the share capital of the company. Conversely, fewer family first firms agree that it is a good idea to offer ownership to non-family members.

Table 2: Questions which support the proposition that family oriented firms are more rigid in their views.		
Opinion on ownership and management issues	Family First Group	
	Higher	Lower
(a) Is it your preference that family members should own 100% of the share capital of the company?	.014	
(b) Do you wish ownership of the company to remain entirely in the family in the future	.002	

(c) Have you ever considered expanding ownership to non-family?		.000
(d) Do you wish the family to retain its present level of management responsibility in the future?	.047	
Please indicate method currently being used to achieve growth in your company		
(e) Diversification		.023
(f) New Products/Process Development		.024
Sources of finance which will fund growth		
(g) Funding from family	.045	
(h) Funding from a bank loan		.044
(i) Funding from venture capital		.015
(j) Funding from issue share		.018

Indications in questions (a), (b), (c) and (d) suggest that family oriented firms are more keen to retain or increase family ownership of shares and the current management structure. They do not want to bring in non-family outsiders for fear of diluting family control. In addition, they are not keen on recruiting new managers. Their approach to growth, as evidenced by questions (e) and (f), also suggests that they are not keen on newness. They are not keen on new products or partners. Finally, questions (g) through (j) indicate that funding for growth will come from within the family in preference to outside sources such as banks and venture capitalists.

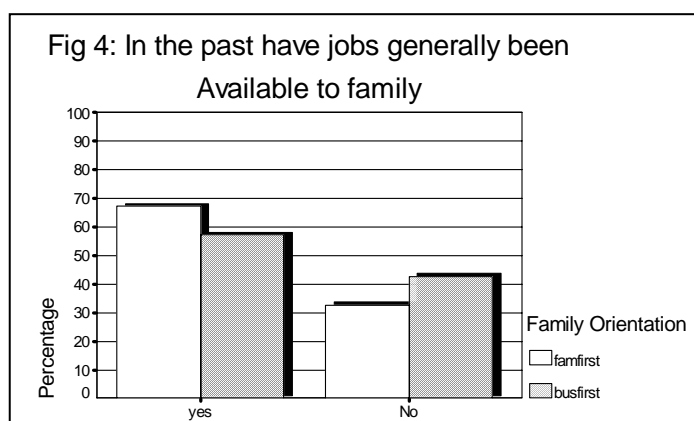
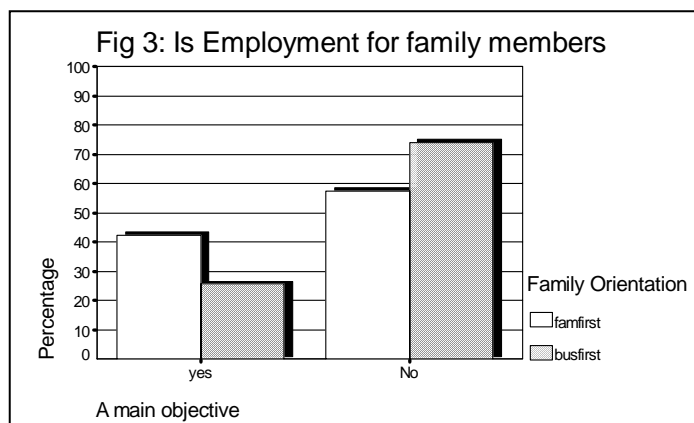
Table 3: Questions which support the proposition that family oriented firms are less likely to take risks.	Family First Group	
	Higher	Lower
The advantages of a stock exchange listing outweigh the disadvantages.		.042
Your family business would benefit from external sources of finance which did not involve full listing on stock exchange.		.036
Your family might be open to discussion about having non-family shareholders if the conditions were acceptable.		.000
Would you consider offering part of the ownership of the business to secure funding for growth.		.004

Attitude to risk

Turning to the risk taking propensity of the two groups', results in Table 3 indicate that family first firms are not keen to explore external sources of finance or to offer part of the ownership to others, even if it was to support growth. For example, 60% of business first firms compared to 46% of family first firms are open to discussions about having non-family shareholders ($\chi^2 = 12.2$, $df = 1$, $p = 0.000$). Retaining control by the current owners (the family) is preferable to the risks involved in working with outsiders.

Level of equality

Ward proposed that family first firms will give each child an equal chance of employment in the firm, (Ward's 'equality of results' – Figure 1) irrespective of qualifications and results support this contention. The implication is that blood ties are important in family first firms and that less than fully competent family members can gain employment. This orientation is confirmed by the fact that in only 56% of family first businesses, compared with 69% of business first firms, non-family members have been promoted to middle and senior management levels ($\chi^2 = 11.8$, $df = 1$, $p = 0.001$). Furthermore, as Fig's 3 and 4 confirm, employment for family members is a major business objective for family first firms.



These results indicate that human resource practice does not adhere fully to rational economic principles.

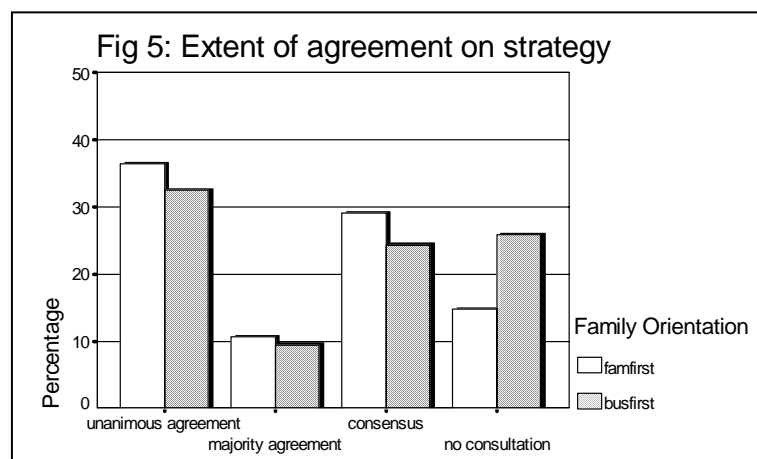
Another example of this is the absence of strategic planning. Strategic planning is not common in small firms in general (Robinson and Pearce, 1986) but business first firms in our sample are more likely to engage in this activity (33% compared to 22%), ($\chi^2 =$

10.3, $df = 1$, $p = 0.001$). Full results for employment matters are presented in Table 4.

Table 4: Questions which support the proposition that family oriented firms favour employing family members.	Family First Group	
	Higher	Lower
Is employment for family members a main objective of the family?	.000	
In the past, have jobs generally been available to family members?	.009	
In the past, have family members been employed only if their skills and experience fit with the needs of the firm?		.005
Have promotions to middle and senior management been achieved by non-family managers in the past?		.001

Independence of family members

The final proposition about organizational behaviour, by Ward concerned the degree of dependency between family members. Whilst we have no direct or qualitative measures of this construct an indication of the likelihood of family cohesion is provided by the extent to which family are consulted about the strategy of the family firm. Results reveal that there is more consultation in family first firms and the chi squared statistic is significant at the 5% level ($\chi^2 = 11.4$, $df = 4$, $p = 0.022$).



An indication of a general lack of consultation is provided by noting that in 28% of business first compared to 16% of family first firms there is no consultation with the family on strategic

matters, (see Fig 5).

In general, results indicate that the business first firms exhibit a more businesslike approach to ownership and managerial matters. This is confirmed further when the uptake of training opportunities by the two groups is examined. Business first firms are significantly more likely to attend marketing, leadership and quality training

sessions and are more likely to seek out financial assistance from state agencies. There is no guarantee that a businesslike orientation will guarantee economic success and/or sustain business growth but Dunn (1995) does suggest, that while family firms in general define success in their own terms, business first firms are more likely to have the capacity to grow.

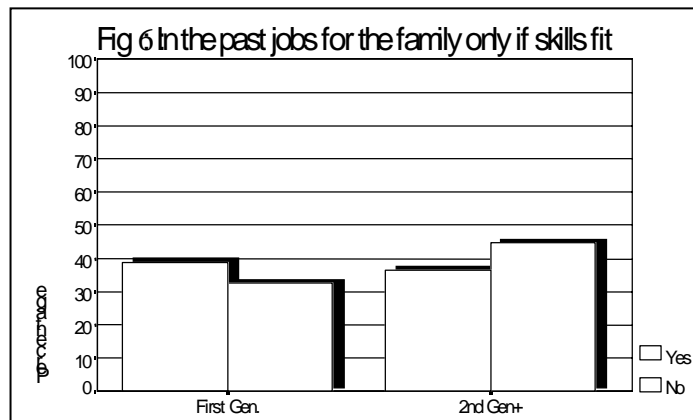
Ward (1987) also suggests that quantitative matters such as the wealth, size and number of family members involved in the firm will influence the choice of a family first or business first orientation. Evidence from this study shows that the sales turnover of business first firms is significantly greater than family first firms. Sixty-two per cent of the latter have turnovers of less than £1m compared to 48% of the former. However, there is no statistical difference between the size of firms in the two groups with around 80% of both groups employing 50 people or less. Furthermore, there are no significant differences between the number of family employees in each group. About 90% of both categories employ between one and five family personnel. Altogether, there is limited evidence about the impact of the characteristics of these firms on their orientation.

Generational issues

Ward's model is static but Gersick *et al* (1997) point out that as family firms develop the mix between family, business and ownership matters change. Bearing this in mind it was contended that the degree of family involvement would increase as firms move from first to second and subsequent generations. However, it was pointed out above that approximately 38% of both family first and business first ventures in this study are first generation firms and it would appear that there is no support for this proposition. However, the developmental process in family firms is continuous (Handler, 1990) and it could be that, whilst a considerable percentage of first generation firms in this study say that in the event of a conflict between family or business objectives, they will choose family objectives, aspects of their behaviour might indicate that they have a strong business orientation. There is some support for this suggestion. On the matter of rigidity there is confirmation that on three of Ward's indices first generation firms are less family oriented. Some 63% of these firms as opposed to 70% of subsequent generation firms want 100% family ownership and this produces a significant chi squared statistic ($\chi^2 = 19.9$, $df = 1$, $p = 0.00$). They were also more keen to expand ownership to non-family members ($\chi^2 = 8.6$, $df = 1$, $p = 0.03$), and less keen, though not significantly so, on retaining the current managerial structure ($\chi^2 = 7.3$, $df = 1$, $p = 0.07$).

Second generation firms are less keen also on risky sources of finance and significantly more of them agree that private finance is more desirable than public finance ($\chi^2 = 3.98$, $df = 1$, $p = 0.046$).

Turning to employment of family members, whilst a majority of both groups felt that family members should only be employed if their skills fit with the needs of the firm, significantly more of first generation firms agree with this policy ($\chi^2 = 6.1$, $df = 1$, $p = 0.013$, see Fig.6).



As with the distinction between the orientation of both groups some of Ward's assertions were unable to be tested. However, whilst the first generation firms live up to their businesslike status by growing at a faster rate of

growth ($\chi^2 = 17.7$, $df = 3$, $p = 0.00$) second generation firms have more employees and greater turnovers. Family first attitudes may appear to create lifestyle firms but as Litz (1997) points out the level of trust in family firms can bring advantages (Barney and Hanson, 1994) which counteract the "agent-related problems" of non-family businesses (Amihud and Lev, 1981). Indeed there is evidence that family public companies out perform non-family public firms in sales turnover growth (Dunn, 1995). For this to happen it might be necessary for firms to pay serious attention to family and business matters.

DISCUSSION

Although it must be recognised that not all aspects of Ward's static model and the Gersick *et al*/dynamic model of family firms are investigated in this paper there is sufficient evidence to suggest that family firms are not homogeneous. For some it is more likely that the family serves the business whilst in others the business serves the family (Dunn, 1995). Family first firms appear, by conventional rational economic standards, to be more rigid and risk averse and to utilise some of their human resources ineffectively. However, as organisational sociologists have reminded us for a long time (Perrow, 1970) behaviours which seem irrational to the observers of

organisations often make good sense to insiders; they understand what it is possible to change.

The statement that when family and business are interrelated, a less effective business enterprise generally results (Donnelly, 1964) is based on the assumption that economic rationality is the dominant paradigm for all firms. However as Litz (1997) points out, family firms may have different objectives. For them issues such as familial health may be as important as return on investment. Dunn (1995) provides evidence that family firms define success differently from non-family businesses. The principal focus of her sample was on *“achieving quality and the creation of wealth for family and non-family”*. Several owners in her study felt a burden of responsibility to their own families, the families they employed and to the community. In short they *“define success in their own terms”*. Furthermore, Dunn reports that owner managers in family firms understand the importance of good family relations for managing their firms. In many cases relational difficulties will have to be resolved before substantive action is taken. If this is not done, necessary change may well be resisted. If attention is paid to family needs and business needs then the superior economic performance of family public companies might be enjoyed by more family businesses.

In the light of these realities, Dunn (1995) argues strongly in favour of special interventions to support family firms in general and family first businesses in particular. Her exhortation is not universally welcomed. Some economists argue that intervention in support of firms distorts the market and claim anyhow that there is no generalised market failure in the small business sector (Storey, 1994 ; Bennett, 1996). Bennett also notes that government programmes in support of SMEs is fragmented and some might argue that the addition of a new sub-sector, a family firms category, in the policy domain is an unnecessary complication in an already chaotic environment.

Even those who are sympathetic to supporting firms which can contribute in a meaningful way to the economy might balk at supporting lifestyle family first businesses. It could be argued that if family matters are a priority then the family should fend for itself.

However, the authors feel that interventions which favour firms who are growth oriented and ignore those who are deemed to be lifestyle businesses may not only

cause problems for the owning family, but also for those who depend on the company for employment. In many cases entire communities depend on the continued existence of a family business. Given the importance of family firms across Europe (Donckels and Frölich, 1991) they should not be excluded from business support networks. To make such support effective service providers must develop appropriate frameworks for family firms. They must recognise that the particular structures and dynamics of a family firm must be addressed if success is to ensue. In particular, they must recognise the criteria by which success is measured and the realities of the organisational context within which behaviour takes place.

CONCLUSIONS

Whilst research on family firms in Britain is still in its infancy an emerging literature reveals that they differ from non-family businesses in terms of ownership, control and management processes and that some of them tend to be more conservative than other ventures. There is evidence also that there are distinct types of family firm and this piece of research confirms that there are significant differences between firms which place family first and those which put business first. The former are rather rigid in outlook, are less inclined to have strategic plans, are less likely to take risks and aim for the equitable treatment of family members, even if this may be detrimental to business success.

In general, family firms have unique features and if, in spite of the views of some economists about the futility of intervening to support business ventures, the government in Britain decides to provide this important sector of the economy with assistance, then their unique features must receive due consideration. The relationship between family and business dynamics must be recognised and the family element must become "*fundamental to the consultation process and outcomes rather than a nuisance element*" (Dunn, 1995).

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