Family-Owned Businesses White Paper Annotated Bibliography

For Chetan Walia
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Peer- or Editorial Reviewed Sources (JSTOR, Academic Search Elite)

Collins, C. J., Hanges, P. J., & Locke, E. A. (2004). "The relationship of achievement motivation to entrepreneurial behavior: A meta-analysis [Electronic version]. Retrieved 2 March, 2018, from Cornell University, ILR School site: http://digitalcommons.ilr.cornell.edu/articles/x

Article reviews Schumpeter's theory of innovation and McClelland's theory of achievement motivation to determine, through a meta-analysis, the relationship between achievement motivation and entrepreneurial behavior.

Cowell, Noel M., and Tanzia S. Saunders. "Family Values and Employment Relations: A Jamaican Case Study." ***Social and Economic Studies*****, vol. 59, no. 3, 2010, pp. 97–126.** ***JSTOR*****, JSTOR, www.jstor.org/stable/41803639.**

Case study of Jamaican family-owned businesses, concluding that family values contribute to business resilience, and that practices such as aversion to trade unions contribute to better employment relations. Article concludes that high-risk employment practices and weak internal policies threaten business sustainability.

Daily, Catherine M., and Janet P. Near. "CEO Satisfaction and Firm Performance in Family Firms: Divergence between Theory and Practice." ***Social Indicators Research*****, vol. 51, no. 2, 2000, pp. 125–170.** ***JSTOR*****, JSTOR, www.jstor.org/stable/27522477.**

Article examines the link between CEO job and life satisfaction and the overall firm's performance. This is a new and improved testing model, built on previous models, to test for job and life satisfaction using better methodology and inquiry.

Ding, Shujun, and Zhenyu Wu. "Family Ownership and Corporate Misconduct in U.S. Small Firms." ***Journal of Business Ethics*****, vol. 123, no. 2, 2014, pp. 183–195., www.jstor.org/stable/42921485.**

Article in the field of family business management, with empirical findings to indicate that small family-owned firms are less likely that small non-family-owned firms to commit misconduct. This finding is interpreted through the lens of family-owned firms aiming to achieve succession of moral capital—older generations do not want to leave a legacy of misconduct and therefore are far less likely to commit it.

Duh, Mojca, et al. "Core Values, Culture and Ethical Climate as Constitutional Elements of Ethical Behaviour: Exploring Differences Between Family and Non-Family Enterprises." *Journal of Business Ethics*, vol. 97, no. 3, 2010, pp. 473–489. *JSTOR*, JSTOR, www.jstor.org/stable/40929466.

Article researches the link between family involvement in an enterprise, and how such family involvement influences the enterprise's core values, ethical climate, and ethical behavior. Conclusions show a significant difference between family and non-family enterprises regarding type and strength of culture climate.

Berghoff, Hartmut. "The End of Family Business? The Mittelstand and German Capitalism in Transition, 1949-2000." *The Business History Review*, vol. 80, no. 2, 2006, pp. 263–295. *JSTOR*, JSTOR, www.jstor.org/stable/25097190.

Article focuses on the "mittlestand" class in Germany—small to medium sized family firms in Germany, defined by class, wealth, and commitment to family business values. This is a deep, comprehensive look at one sector of business in Germany that has enjoyed long success. This article can be used to show certain models for American family-owned businesses, and there are many human-interest examples of successful transfer between generations.

FitzGibbon, Scott. "The Principle of Subsidiarity and the Law of the Family Business." BYU Journal of Law and Policy. 2015.

Article proposes a principle for guidance of the law in the matter of balancing the aims of businesses and the aims of family: "the principle of subsidiarity." By this principle, governments will recognize smaller organizations and foster their aims. This article can show how small family-owned businesses can be helped at the government level to succeed, and how their success or failure is not always isolated in the marketplace or business sector, but can be an issue of governance.

Greenberg, Brian. "All in the Family." *USA Today*. May 2017

Article describes a list of failings that contribute to the dissolution of family-owned businesses. This is a list of critical mistakes, and warnings against them, if businesses intend to survive.

Kaya, Perihan Hazel. "Joseph A. Schumpeter's Perspective on Innovation." International Journal of Economics, Commerce and Management United Kingdom Vol. III, Issue 8, August 2015. http://ijecm.co.uk/wp-content/uploads/2015/08/383.pdf

Thesis studies the concept of innovation (Schumpeter) through a systems approach. "Schumpeter treats technological innovation and entrepreneurial activity as forces which transfer productive resources of the static economy to dynamic innovations." Schumpeter will be an important figure in this white paper, as he is the founding economic theorist on entrepreneurship and innovation.

Lee, Yoon G. "Business Longevity and Dissolution: A Study of Family-Owned Businesses in the US" Conference Proceedings of the 6th Conference of the Asian Consumer and Family Economics Association.

Data analysis between 1997 and 2000 that demonstrates the characteristics of family-owned businesses that demonstrate longevity. Aspects include managers; business management; coping strategies; and business problems. Direct compare/contrast between family-owned and non-family-owned businesses will show how specific decisions and reactions help the longevity of family-owned businesses.

McFarlin, Dean B. "Does 'Family' Matter to Corporate Performance?" *Academy of Management Perspectives*, vol. 22, no. 2, 2008, pp. 100–101. *JSTOR*, JSTOR, www.jstor.org/stable/27747448.

Article provides brief meta-analysis of previous research to determine whether family-run firms outperform other kinds of firms. Results are mixed. One key finding was that businesses with a single founder outperformed counterparts.

Pacher, Sigurd. "Innovation and Entrepreneurship-the Austrian Economist Joseph A. Schumpeter." Austrian Embassy Washington. 2014. http://www.austria.org/austrianinformation/2015/3/27/innovation-and-entrepreneurship-the-austrian-economist-joseph-a-schumpeter.

Article provides a history and background of renowned economist Joseph Schumpeter. Article provides biographical information, overview of his major theories, including the link between successful entrepreneurship and innovation, and the formula of "invention + entrepreneur = innovation."

Perret, Steven. "Succession in Family Owned Businesses: The Influence of Succession Planning and Demographic Characteristics on Succession Success." Graduate Dissertation. Louisana State University Agricultural and Mechanical College. 2008.

Doctoral dissertation examines the successes and failures of family owned businesses in southern Louisiana, based on aspects of succession planning. Original data collection and survey instruments used to conclude that only 38% of surveyed businesses completed a planned succession to the next generation.

Robb, Alicia M., and Robert W. Fairlie. "Determinants of Business Success: An Examination of Asian-Owned Businesses in the USA." ***Journal of Population Economics*****, vol. 22, no. 4, 2009, pp. 827–858.** ***JSTOR*****, JSTOR, www.jstor.org/stable/40344759.**

Article uses confidential US census data to analyze the successes of Asian-owned businesses. Specific indicators include levels of human capital and start-up capital. CBO data included information on business outcomes of closure, profits, employment, and sales. The study finds that a family business background is important for outcomes, and that the main factor of success is learning and apprenticeship training in a family-owned structure. The study also finds, relevant to this white paper, that transferred businesses have a high success rate—this will be used as a focus of comparison for businesses that fail to endure after successive generations.

Schwass, Joachim. "Family Businesses: Successes and Failures." IMD Global Family Business Center. International Institute for Management Development. 2013.

White paper exploring the structures of family businesses, changes in power, diversity of roles, conflicts, and governance. Searches for an answer to the question: "is there a formula for success for family businesses?" Perhaps most relevant to this research is the paper's distinction among generations of power, their cultures, and their types of change (revolutionary vs evolutionary), cultures of "I" vs cultures of "us" and different competencies.

Terry A. Beehr, et al. "Working in Small Family Businesses: Empirical Comparisons to Non-Family Businesses." ***Journal of Organizational Behavior*****, vol. 18, no. 3, 1997, pp. 297–312.** ***JSTOR*****, JSTOR, www.jstor.org/stable/3100146.**

Article is a study of sources of conflict within family businesses, that affect succession, transfer of power, and working conditions. Can be used in an early white paper section to demonstrate the problems specific to family-owned businesses. Later sections can address solutions.

Vallejo, Manuel Carlos. "The Effects of Commitment of Non-Family Employees of Family Firms from the Perspective of Stewardship Theory." ***Journal of Business Ethics*****, vol. 87, no. 3, 2009, pp. 379–390.** ***JSTOR*****, JSTOR, www.jstor.org/stable/40294931.**

Article examines the issue of commitment in family-owned firms, but not from the angle of family members. Non-family members' levels of commitment are studied, with a proposed model of commitment to study this variable in the success of family firms. Results seem to indicate that the identification level of non-family employees "positively and significantly influences the profitability and the survival or continuity of family-owned businesses."

Online Sources

Aileron. "The Facts of Family Business." *Forbes*. 31 July 2013. https://www.forbes.com/sites/aileron/2013/07/31/the-facts-of-family-business/#4275076c9884

Article provides quick and succinct facts about family businesses as background and context for the white paper.

Relevant quotations: "**Fact:** Family businesses generate over 50% of the US Gross National Product (GNP)." "**Fact:** Less than one third of family businesses survive the transition from first to second generation ownership. Another 50% don't survive the transition from second to third generation." "From Berkshire Hathaway and Wal-Mart to small stores everyone, about 90% of all U.S. businesses are family-owned or controlled by a family. The biggest issue with many family businesses is that they get stuck doing things the same way they have operated for years even when the business out grows that structure. The founding generation holds on to the reins of leadership too long and won't pass control to their children."

Caspar, Christian and Ana Kartina Dias and Heinz-Peter Elstrodt. "The Five Attributes of Enduring Family Businesses." McKinsey & Company Organization. January 2010. https://www.mckinsey.com/business-functions/organization/our-insights/the-five-attributes-of-enduring-family-businesses

Article offers insights into the five dimensions of Activity needed for family businesses to succeed: 1) Family; 2) Ownership; 3) Wealth Management; 4) Foundations; and 5) Business & Portfolio Governances.

Holton, Robert. "Family Business: A Critical Look at Survival Statistics." Family Business Magazine. 2016. https://www.familybusinessmagazine.com/critical-look-survival-statistics.

Article provides a broad overview of statistics on family business survival. Research comes from John Ward of the Kellogg School of Business, and are often mis-used, mis-quoted, or taken out of context. The main statistics are:

- 20% still survived as an independent firm with the same name.
    - Of that 20%, 13% were still owned by the same family.
- 80% no longer survived as an independent firm with the same name.
    - Of that 80%:

- 33% ceased operating 0 to 29 years from the date of founding.
- 35% ceased operating 35 to 59 years from the date of founding.
- 16% ceased operating 60 to 89 years from the date of founding.
- 16% ceased operating 90 years or longer from the date of founding.

Ward presented the data on the first page of his book as follows: "Only 13% of successful family businesses last through three generations [emphasis added]. Less than two-thirds survive the second generation."

Keyt, Andrew. "The 4 Forces that Drive Family Business Success." ***Entrepreneur*****. 9 September 2015. https://www.entrepreneur.com/article/250416**

Article detailing the difficulties and failures in family business succession. Author provides the following list of investment procedures in the succeeding generation to counteract these failures:

- Helping them match skill/passion to work (regardless of whether or not that work is in- or outside the business)
- Preparing them to be responsible owners
- Holding those working for the business accountable for their performance
- Educating them about the challenges of leadership

Nayab, N. and Rebecca Scudder. "What is Entrepreneurship? A Look at Theory." Brightuhub Business. 27 August 2011. http://www.brighthub.com/office/entrepreneurs/articles/78364.aspx

Article gives a general, but useful overview of several business and entrepreneurial theories. From early theories (1680-1734), through 19th and 20th century economist and thinkers, and into today's contemporary theories of innovation, risk, motivations, conditions, and skills.

Stalk, George Jr. and Henry Foley. "Avoid the Traps that Can Destroy Family Businesses." Harvard Business Review. January-February 2012. https://hbr.org/2012/01/avoid-the-traps-that-can-destroy-family-businesses

Article highlights 3 Traps family businesses fall into: 1) Forcing children to be inheritors; 2) Slow growth; 3) Lack of cross-function training (members remain in silos of specialty due to bloodline, gender, age, etc.) Relevant quotation: "Some 70% of family-owned businesses fail or are sold before the second generation gets a chance to take over. Just 10% remain active, privately held companies for the third generation to lead. In contrast to publicly owned firms, in which the average CEO tenure is six years, many family businesses have the same leaders for 20 or 25 years, and these extended tenures can increase the difficulties of coping with shifts in technology, business models, and consumer behavior. Today family firms in developing markets face new threats from globalization. In many ways, leading a family-owned business has never been harder."

"Succession Failure." *The Economist*.
https://www.economist.com/news/business/21690027-family-businesses-arabian-gulf-need-address-problem-succession

A look at family business succession in Saudi Arabia—problems, difficulties, and proposed solutions that global businesses can learn from.

Relevant quotations: "Succession is a problem for family businesses the world over. The Family Business Institute calculates that only 30% of such businesses survive into the second generation, only 12% into the third generation and only 3% into the fourth. But the problem may be bigger in the Gulf than anywhere else. Around 80% of the companies in the region, producing more than 90% of its non-oil wealth, are family-owned or controlled."

"These family firms are mostly fairly recent creations—the products of the oil and property booms of the 1970s and 1980s that turned people who were lucky or well-connected enough to own prime bits of land into moguls."

"The two most obvious results of a botched succession are incompetent leaders and feuds. Family tradition often conspires against merit: families routinely favor the eldest son regardless of his ability.