Succession study

Panel: More family biz research needed

FRANZ W. KELLERMANNS
Otto Beisheim School of Management

SANJAY GOEL
International Family Enterprise Research Academy

MARKO SARSTETD
Ludwig-Maximilians University Germany

TORSTEN M. PIEPER
Cox Family Enterprise Center

JOSEPH F. HAIR JR.
Kennesaw State University

JOSEPH H. ASTRACHAN
Cox Family Enterprise Center

THOMAS M. ZELLWEGGER
University of St. Gallen, Switzerland

By Tonya Layman
Contact/Write With

Family businesses are a huge factor in the U.S. economy but there is not enough quality research on what makes them tick or even how they should be defined, according to a panel of family business experts.

There are 15 million family-owned businesses in the United States and family enterprises generate 57 percent of the nation’s gross domestic product, according to Family Enterprise USA statistics cited by Joseph H. Astrachan, Wachovia eminent scholar chair of family business and executive director of the Cox Family Enterprise Center at Kennesaw State University during a Family Business Symposium at KSU’s Coles College of Business.

Family businesses employ 63 percent of the U.S. workforce and 75 percent of all new jobs are generated by family businesses, according to Family Enterprise USA, Astrachan said. In addition, family businesses are not all privately owned operations — about 60 percent of all publicly held U.S. companies are family-controlled.

"Those numbers are too overwhelming to push it to the background," Astrachan said. "Family businesses operate differently and if you are going to accept that they operate differently, you will have to accept how to do research differently."

One of the major challenges for family business researchers is the determination of what makes a family business. Some define it as a majority ownership, while others say a family business is only a family business if a family has the runnings for the next generation of the family to take over the reins.

"Often there is that desire to go to the next generation. That is a driver that makes a family business behave like a family business. The goal there is family-building," said Franz W. Kellermanns, associate professor of management at the University of Tennessee at Knoxville, at the Aug. 19 event.

Kellermanns, a visiting professor at WHEU – Otto Beisheim School of Management in Germany, specializes in strategy process and entrepreneurship with a focus on family business research.

"I am strong in the research of stewardship and positive behavior in family firms. I believe family can add tremendous value to a family business," he said, adding there needs to be better understanding of "emotional wealth" in the family business. "Decisions > See SUCCESION STUDY, 35A

Facts about family-owned businesses

- 80% of the world’s businesses are family-owned.
- Family-run businesses account for more than half of the nation’s gross domestic product.
- Nearly 35% of family-owned businesses are Fortune 500 and other large companies including Ford, Kohl Industries, Cargill, Wal-Mart, Wegnerhouse, Lows and others.
- Approximately 60% of all public companies in the U.S. are family-controlled.
- Family-owned businesses account for 60% of total U.S. employment, 78% of all new jobs and 65% of all wages paid.
- Many family businesses were started after WWII.
- More than 25% of family firms expect the next CEO to be a woman.
- More than 30% of all family-owned businesses survive into the second generation.

Source: Cox Family Enterprise Center, Coles College of Business, Kennesaw State University
Sucession study

Continued from 33A

are often not based on economic reasons but on nonfinancial reasons in the family business,” Kellermans also studies succession planning.

“A lot of family firm CEOs die in the job,” he said. “They don’t want to retire but are resistant to advice, so what happens when they don’t plan and what are the consequences of this?”

Thomas M. Zellweger, associate professor and managing director of the Center for Family Business at the University of St. Gallen in Switzerland, studies the nonfinancial goals and nonfinancial returns in family business.

“We have to look at what drives emotional value — including both the positive aspects and the negative aspects,” he said.

Sanjay Goel, associate professor of strategic management and entrepreneurship at the University of Minnesota-Duluth and president of the International Family Enterprise Research Academy, said he is working on governance and behavioral issues.

“We are studying CEO empathy levels,” Goel said. “Often the CEO will favor family goals over business goals and then try to appoint external directors to keep the family in check. We are also looking at how do family businesses decide on their aspirations levels. If you are going to start up the next Google versus opening a small flower shop in Kennesaw, what kind of aspirations are needed and how does that determine their efforts?”

Astrachan introduced two members of the panel as experts in research methodology: Marko Sarstedt, assistant professor of quantitative methods in marketing and management at Ludwig-Maximilians University in Munich, Germany, and a visiting professor at European University of Applied Sciences in Hamburg, Germany; and Joseph F. Hair Jr., professor of marketing and executive director of KSU’s doctor of business administration program.

“The research that is out there is shoddy,” Astrachan said. “If we believe all that’s out there, it’s amazing that companies have survived given the current state of research. So before you do anything, check with these guys because they are the methods experts.”

Sarstedt strives to translate research methods into family business research initiatives.

“The basic statistical tool kit is not effectively helping you learn about the effects you want to learn about, so we are working to transfer research insights into the family business research field,” he said.

Hair believes there are numerous opportunities to expand family business research.

“There are opportunities to look at family businesses in China, Korea and other countries well known for having larger numbers of family business,” he said.

Family business studies should move beyond narrow specifics, Hair said. Preferred methods should include more structural equation modeling, which is a statistical technique for testing and estimating causal relations using a combination of statistical data and qualitative causal assumptions.

“About half of the studies out there are using simple statistics,” Hair said. “We realize that you can develop a richer picture and a more precise picture with multivariate analysis. There are tremendous opportunities for family business researchers to adopt more sophisticated approaches to improve research findings for academic researchers in the field.”

Torsten M. Pieper, assistant professor of management and research director of the Cox Family Enterprise Center, asked the students in the room to raise their hands if they were interested in doing family business research. More than half did, making Pieper optimistic that family business research will become mainstream.

“There is change about to happen,” he said. “The next generation of researchers is coming so it is going to happen more.”

Pieper, who came from an entrepreneurial background, is interested in why some family businesses survive over multiple generations while others fail.

“We have to focus on the family and how it affects the enterprise,” he said. “Very often in family business the primary goal is not to make money. Families have strategies and the idea is they use the strategy to build the business.”

The panel discussed the latest thinking in the family business field with an audience of about 35 KSU doctor of business administration students and faculty and business owners and managers.