The Heart of Business: Understanding family-owned ventures

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Professor Naomi Birdthistle has entrepreneurship and family business running through her veins. She tried to work in her family business when she was four but was told she was too small. She came back year after year asking to work and eventually her grandmother capitulated and left her work in the family business when she was seven. After years of working in the family business part-time and having completed her studies at Stirling University, Babson College, Harvard University, and the University of Limerick, Naomi established her own consulting business, consulting family businesses in her hometown. She is now a Professor of Entrepreneurship and Business Innovation at Griffith University, teaching future family business leaders and researching family business issues as well. Naomi is an award-winning academic having received numerous awards for her teaching and her research.

What does it mean to be a family business?

The study of family businesses remains an emerging field within academia. However, a significant challenge persists due to the lack of a universally accepted definition for what constitutes a family business. Professor John Davis, a renowned expert in this area, has meticulously reviewed various definitions from existing literature and categorized them into two main types: structural definitions and process definitions (Davis, 2001). Structural definitions focus on ownership and management arrangements, such as the requirement that a family owns 51% or more of the business. In contrast, process definitions emphasize the family's level of engagement and influence in business operations and decision-making, reflecting their desire to maintain control over the company's direction. To highlight varying perspectives, Table 1 has been developed, which features definitions from influential researchers in the family business field. These definitions are categorized based on Davis's (2001) framework, distinguishing between structural and process viewpoints. This classification provides insight into the multifaceted approaches scholars and practitioners take when defining family businesses and understanding their core features.

Table 1: Definitions of family businesses with a structural or process lens applied

Family business definition	**Author**	**Structural or process lens applied**
Members of one family own enough voting equity to control strategy, policy, and tactical implementation	Miller & Rice 1973	Process definition
Ownership control by a single family or individual	Barnes & Herson 1976	Structural definition
Two or more family members influence the direction of the business through the exercise of management roles, kinship ties or ownership rights	Davis & Tagiuri 1982	Process definition
Family influence over business decisions	Dyer 1986	Process definition
Ownership and operation by members of one or two families	Stern 1986	Structural definition
Legal control over the business by family members	Lansberg, Perrow & Rogalsky 1988	Structural definition
Closely identified with at least two generations of a family, the link has had a mutual influence on the company policy and the interests and objectives of the family	Donnelley 1964	Process definition
Expectation or actuality of succession by a family member	Churchill & Hatten 1987	Process definition
Single-family effectively controls the firm through the ownership of greater than 50% of the voting shares and a significant portion of the firm's senior management team is drawn from the same family	Leach et al., 1990	A mix of structural and process definitions

In their research, Astrachan and Shanker (2003, p.211) emphasize the absence of a concise, universally agreed-upon definition for family businesses, which complicates quantifying their overall impact. As a result, they devised a spectrum that allows for defining family businesses across a range—from broad to narrow (see Figure 1).

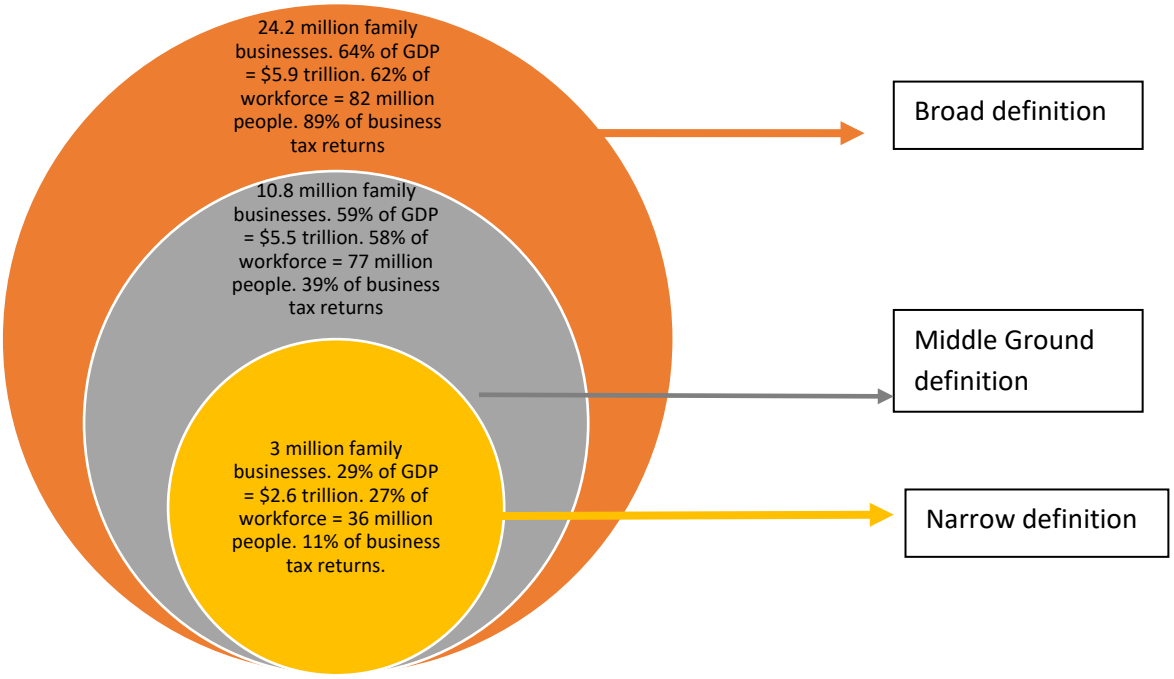

Figure 1: Defining family business: The family business bull's-eye
Adapted from: Astrachan & Shanker (2003, p. 218)

This spectrum accounts for the diverse levels of family engagement within a business and provides varying degrees of specificity in the definition. Their proposed definitions include the following:

- Broad Definition: At the outer edge of the bull's eye, a family business involves some family participation, with the family controlling the strategic direction. Even if only a few family members are involved, it qualifies as a family business.
- Middle Ground Definition: Moving toward the centre, this definition emphasizes passing the business to a family member. Incumbent family members actively manage the business, preparing for the generational transition.
- Narrow Definition: At the core, extensive family involvement spans generations. Management includes family members from different age groups, including siblings and cousins in various roles and potentially younger relatives joining at entry-level positions.

The diverse definitions within the bull's eye spectrum highlight the challenge of precisely defining family businesses. Due to their varying nature and the absence of universally agreed-upon criteria, Astrachan and Shanker's spectrum recognizes different levels of family involvement. This nuanced approach allows for a deeper understanding of the term and its implications. Additionally, Pieper et al. (2021) builds upon Astrachan and Shanker's bullseye model, as shown in Figure 2, applying it to U.S. family businesses across different time periods, revealing the growth in their volume.

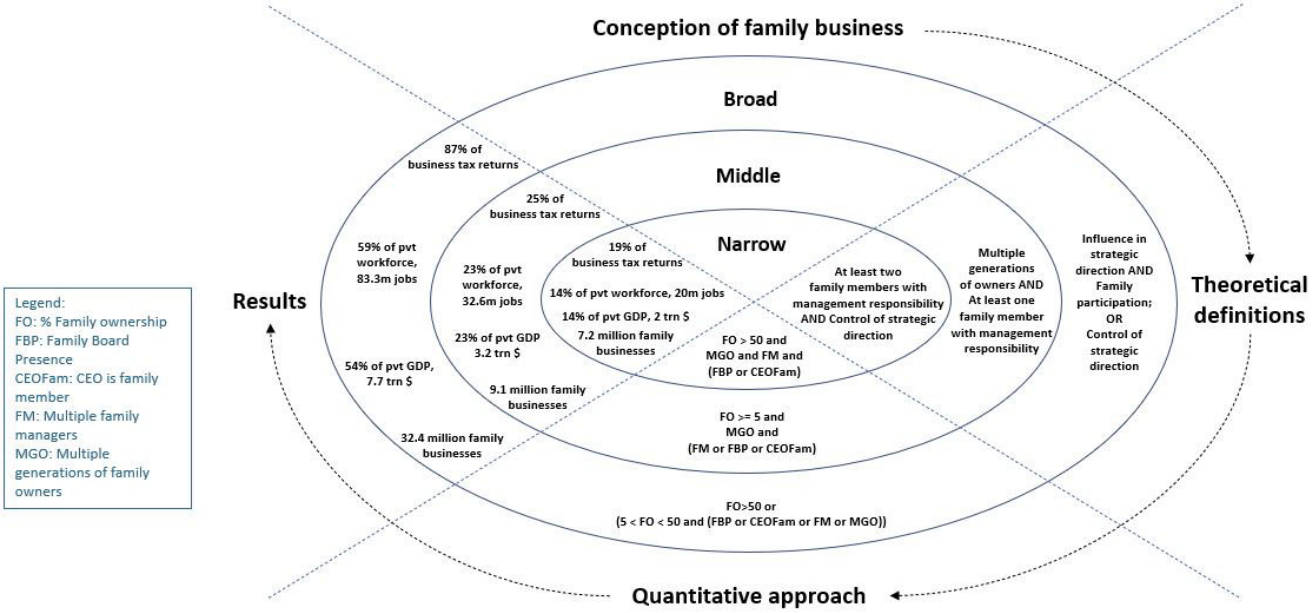

Figure 2: Bullseye 2021 (Pieper et al., 2021, p. 15)

In contrast to the Astrachan and Shanker (2003) study findings, Pieper et al. (2021) found that in relation to the 'Broad' circle there is a small reduction in results i.e., decreased contribution of small businesses to GDP and workshop. Therefore, small businesses have grown slower than larger businesses in the last 18 years in the US. In the narrow ring they have found that some large family businesses may have decreased percentage contributions to GDP and workforce. For example, Walmart would qualify to be considered in the narrow ring.

The absence of a universally agreed-upon definition for family businesses has resulted in diverse interpretations and criteria among writers and researchers. This lack of consensus raises concerns, potentially impacting research outcomes. Cano-Rubio et al. (2017) advocate for a single general criterion to ensure consistent and comparable results across studies. The absence of standardization also highlights a gap in discussions within the field, emphasizing the need for dialogue and collaboration. Some writers use the term 'family business' without clarity, leading to ambiguity and misinterpretation, hindering a comprehensive understanding. Confusion sometimes arises between family businesses and other types of enterprises, such as small businesses. It's crucial to differentiate between the two, considering that family businesses span a wide spectrum—from local small enterprises to global giants like LG and Bacardi. Notably, family businesses can be privately owned, but there are also publicly traded companies with family ownership (e.g., CBS & Viacom).

To address these complexities, the authors of the book selected respondents based on self-identification as family businesses. They then categorized them using structural or process definitions (as proposed by Davis (2001)), aiming for a more comprehensive understanding of family business dynamics. Their systematic approach contributes to a meaningful exploration of this vital sector.

Key characteristics of a family business

Family businesses are not homogenous entities, and their characteristics can vary significantly based on various factors. The size, industry, culture, and level of family involvement all contribute to the uniqueness of each family business. As a result, these businesses may face distinct challenges related to family dynamics, succession planning, and finding a balance between personal and professional interests. Despite these differences, family businesses play an integral and diverse role in the global business landscape, making substantial contributions to economies worldwide. Being a family business implies that ownership, control, and management primarily rest in the hands of one or multiple family members. These family members have a direct say in decision-making processes and significantly influence the company's strategic direction and operations. The family members in this context are typically those related by blood or marriage.

Several key characteristics distinguish family businesses, including active family involvement in the business, significant family ownership, a long-term orientation with a focus on legacy and continuity, and the influence of family values and culture. Succession planning is also crucial to ensure smooth transitions of leadership and ownership between generations. Family businesses often prioritise relationships with employees and customers, fostering loyalty and trust. Moreover, family businesses may have family members assuming multiple roles, taking on responsibilities as both family members and business professionals, creating a unique organizational dynamic. In summary, the diverse nature of family businesses contributes to their resilience and adaptability in navigating challenges and opportunities, making them an important and enduring presence in the business world.

Family businesses around the world

Family businesses are undeniably a reality rather than an enigma. In fact, they are the most common ownership model found across the world and hold significant influence over the global economy. Their prevalence and contributions to the Gross Domestic Product (GDP) are immense and well-documented. The impact of family businesses on the global economy is not to be underestimated. Their longevity, adaptability, and dedication to long-term sustainability are factors that have enabled them to thrive and make substantial contributions to economic growth and prosperity. As a result, family businesses are a vital and enduring aspect of the business landscape, and their presence and influence are felt across continents and industries. As per Tharawat Magazine (2023), Figure 3 highlights the substantial contributions that family businesses make to global Gross Domestic Product (GDP). This data underscores their economic significance and the essential role they play in various industries and markets worldwide.

Figure 3: Global assessment of family-owned businesses: National GDP contribution and workforce participation.

Source: Tharawat Magazine (2023, para.5)

It is evident from the research produced by Tharawat Magazine (2023) that family businesses play a significant and important role in the economies of various nations and have cemented their impact on a nation's GDP, highlighting their enduring importance in the business landscape. In India, for example, family businesses contributed to a remarkable 79% of the country's GDP, and it is home to 15 of the world's largest 500 family businesses (Tharawat Magazine, 2023). This substantial contribution demonstrates the enduring strength and influence of family businesses in one of the world's largest economies. Similarly, in the United Arab Emirates, family businesses have a substantial presence, accounting for an estimated 70% of employment. Their significant representation further illustrates their role as a driving force in the UAE economy (Tharawat Magazine, 2023).

Family-owned businesses indeed play a pivotal role in the creation of global wealth and are often significant contributors to revenue generation and economic growth. The joint research conducted by the University of St. Gallen and Ernst and Young reveals the substantial impact of family businesses on the global economy. In 2023, the family businesses studied generated an astounding $US8.02 trillion in revenue, representing a remarkable 10 % increase from their previous findings in 2021 (EY Global, 2023). The success of family-owned businesses is further exemplified by some of the world's most well-known and prosperous brands. Wal-Mart, owned by the Waltons, stands as a prime example, with impressive revenues of $572.8 billion recorded in 2022. Additionally, the company employed 2.3 million people worldwide in the same year, demonstrating the scale of its operations and its impact on job creation (Walmart, 2023). Likewise, the Porsche family's ownership of Volkswagen has played a crucial role in the automotive giant's success. In 2021, Volkswagen's total revenues reached US$18.8 billion, contributing significantly to the overall market revenue of US$1.8 trillion for the same year (Statista Mobility Market Insights, 2022).

These examples highlight the resilience, adaptability, and long-term vision of family-owned businesses, allowing them to thrive and contribute significantly to global economic prosperity. Their ability to build enduring brands and drive substantial revenue reaffirms their position as key players in the global business landscape. Family businesses have a long history in some countries, deeply ingrained in the fabric of their economies. For instance, the Osaka temple-builder Kongo Gumi held the title of the world's oldest family business, established way back in 578 (McClathchie, 2023). Although it ceased operations in 2006, it was replaced by Nishiyama Onsen Keiunkan which has had 52 generations of the same family operating the family business. Some of the oldest family businesses in the world can be seen in Table 2.

Table 2: Oldest family businesses in the world

Family Business	Country of origin	Year founded	Functions of the family business
Nishiyama Onsen Keiunkan	Japan	705 AD	Nishiyama Onsen Keiunkan is a traditional hot spring inn in Japan. It holds the Guinness World Record for being the oldest hotel in continuous operation.
Hoshi Onsen Chojukan	Japan	718 AD	Hoshi Onsen Chojukan is a traditional Japanese hot spring inn located in the Ishikawa Prefecture. It is currently being led by the 46th generation of the Hoshi family.
Château de Goulaine	France	1000	Château de Goulaine is a castle and vineyard located in the Loire Valley France. It has been in the Goulaine family since it was established.
Barone Ricasoli	Italy	1141	Barone Ricasoli is one of the oldest wineries in Italy and is in Tuscany. It has remained under the ownership of the Ricasoli family for over 850 years
Richard de Bas	France	1326	Richard de Bas is a paper mill located in Ambert France. It has been operated by the Bas family for over 700 years and is known for producing high-quality handmade paper.
Antinori	Italy	1385	Antinori is another renowned winery in Tuscany Italy. It is one of the oldest family-run businesses specialising in wine production.
Rentez-Vous	France	1394	Rentez-Vous is a French clothing business that has been passed down through generations of the Rentez family for more than 600 years.
Zildjian	Turkey / USA	1623	Zildjian is renowned for manufacturing cymbals. The business was established in Turkey and later moved to the United States. It has remained family-owned for nearly 400 years.
Kikkoman	Japan	1630	Kikkoman is a well-known Japanese food company specializing in soy sauce and other condiments. It has been owned by the Mogi family for over 360 years.

Source: Authors own

These examples underscore the enduring influence of family-owned businesses, significantly contributing to global economic activity and shaping commercial landscapes across diverse industries and regions. Research findings emphasize their ongoing impact on national economies,

driven by adaptability, innovation, and contributions to growth. As we peer into the future, family businesses remain pivotal in shaping economies and societies worldwide.

Countries represented in this book

The family businesses portrayed in this book come from England, Zambia, Lebanon, India, and the United Arab Emirates. In England, family businesses play a pivotal role in its economy. One of the oldest family businesses in England is RJ Balson and Son Ltd, which is a butcher in Bridport, Dorest, which has been selling sausages and bacon since 1515, during the reign of Henry VIII (Agency, 2015). The Balson family's legacy continues to thrive, making them the oldest direct lineage family business in England. Other family businesses include JCB led by the Bamford family, which has a global footprint. Also, Burberry is a family business, which is known for its iconic trench coats, whose heritage dates to the 19th century. Warburtons, a household name in bread, remains family-owned and committed to quality.

Few studies have been conducted on family businesses in Zambia. Since Magasi (2016) found that most small and medium sized enterprises (SMEs) are family run and SMEs play an important role in the Zambian economy we can assume that family businesses are active in Zambia. International Trade Centre (2020) report that SMEs represent 97% of all businesses, 70% of GDP and 88% of employment in Zambia therefore family businesses are active in the country. A family business that is interwoven into the fabric of the Zambian economy is Lusaka Laundry (Konge, 2014). This family business, which was established in the 1930s, by Pargji Ranchod with his wife Fulliben, is now run by Mr Rajen Rachod, who is the grandson of the founder.

In Lebanon, family businesses have a very active role in the economy. Zeidan (2021) reports that 1.05 million of the 1.24 million jobs are provided by family businesses and therefore represents 85% of the private sector. BerytechBeat (2019) found that family businesses account for more than 95% of all micro, small and medium-sized enterprises (MSMEs) in Lebanon, with only 5% being able to survive the transition from second to third generation. Family businesses in Lebanon have added challenges to running their business in the country, besides the 'typical' issues family businesses face such as succession, growth etc. Fares (2023, para. 1) reports that the economic and political situation in Lebanon has raised significant concerns about the future of family businesses. The country has been grappling with an ongoing economic crisis, compounded by the impact of the COVID-19 pandemic and the devastating Beirut port explosion in 2020. Despite these challenges, family businesses in Lebanon also have opportunities to adapt and innovate, ensuring their resilience and long-term viability. A family business that has stood the test of time in Lebanon is the Fattal Group, established in 1897, which is led by the great granddaughter of the founder, Caroline Fattal (Fattal, 2021). This family business employs 3,000 people, has 35,000 customers, and can be found in multiple business sectors such as healthcare and office equipment (Forbes, 2024).

India has a rich history of multi-generational family businesses that have thrived over time, becoming integral to the country's economy. Mafatlal (2023) reports that family businesses constitute approximately 85% of all incorporated businesses in India. Furthermore, despite the rise of start-ups, family businesses still contribute significantly, accounting for 79% of India's annual GDP (Mafatlal, 2023). PwC's Family Business Survey (2023) shows how resilient and successful family businesses are in India by the very nature that 'an impressive 83% of enterprises experienced

substantial growth while a mere 5% experienced reduction in sales' (para.4). Family businesses cross the full spectrum of MSMEs as well as large enterprises in India and have a long history in the Indian economy and includes names like: Tata Group – established in 1868, Reliance Industries – established 1929, and Bajaj Group – established in 1930 (SiliconIndia, 2014). One of the oldest family businesses in India is the Wadia Group, founded by Lovji Wadia who won the contract to manufacture ships and docks for the East India Company in 1736 (SiliconIndia, 2014). The family business today has expanded beyond building ships and ports, and now includes real estate, retail, healthcare, auto components, and plantations for example in its business portfolio (The Wadia Group, 2010).

In the United Arab Emirates (UAE) there are approximately 343,000 private sector businesses, including family businesses, which significantly contribute greatly to the national economy (Puri-Mirza, 2021). Abbas (2022) reports that in the UAE, family-owned businesses contributed to 70 % of the UAE's GDP. The National (2023, para 6) is quoted as saying that up to '90 % of private companies in the country are family businesses, employing more than 70 % of the sector's workforce.' According to Forbes Middle East, 21 UAE families were ranked among the Arab world's 100 most powerful family businesses – second highest in the region after Saudi Arabia (Varghese, 2021). At the highest level in the country, family businesses have also been identified as being important for the future of the UAE. Sheikh Mohammed bin Rashid, the Vice President, and Ruler of Dubai, is actively promoting the growth of family businesses in the UAE. He played a key role in setting up a new centre dedicated to scaling and supporting family enterprises. According to Cabral (2022), this program aims to double the number of family businesses in the UAE, potentially boosting the GDP to $320 billion by 2032.

The future of family businesses post COVID-19

During the COVID-19 pandemic, family businesses demonstrated a notable level of resilience compared to non-family businesses. Research conducted by Bajpai et al. (2021) on a global scale revealed that family businesses laid off fewer staff (8.5%) compared to non-family businesses (10.2%). This ability to retain more employees during challenging times highlights the resilience and adaptability of family businesses in the face of economic disruptions caused by the pandemic.

Due to their capacity to weather crises and make strategic decisions with a long-term perspective, Bajpai et al. (2021) argue that family businesses are positioned to play a significant role in driving the global economic recovery from COVID-19. As the world continues to recover from the impacts of the pandemic, family businesses may emerge as key drivers of economic growth and stability, both at the local and global levels. The findings of this research suggest that family businesses' unique characteristics, such as strong family values, commitment to employees, and focus on long-term sustainability, contributed to their ability to navigate the challenges brought about by the pandemic more effectively than other companies. As a result, they are expected to be instrumental in fostering economic recovery and rebuilding in the post-pandemic era.

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