

Chapter 2

What It Means to Be a Family Business Today

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The Meaning of a Family Business in the Twenty-First Century

The study of family businesses, as a discipline, can be considered to be still in its infancy. There exists a challenge within the academic and business community because they have yet to uniformly define what exactly constitutes a family business. A leading expert in family businesses, Professor John Davis, has reviewed an abundance of definitions that can be found in the literature pertaining to family businesses. As a result of his analysis, he has clustered the varying definitions into two major categories: structural definitions and process definitions (Davis, 2001). The main thrust behind the structural definition is that it focuses on the ownership or management arrangements within the family business, for example, ‘51% or more ownership by members of the family’. The process definition of a family business centres on the amount of involvement the ‘family’ has in the business. Davis (2001, p. 1) provides an example of the process definition based on how much influence the family has on the policy of the business, and the desire to perpetuate the family in terms of its control in the business. Table 1 provides definitions posed in the literature by some of the world’s leading researchers on family business, and we have applied Davis’s (2001) principles of structural versus process lens to them.

The European Commission has provided a definition of what a family business is and uses that as the basis to measure the contribution of family businesses to the EU economy. Family businesses are important to the European economy because it is the backbone of its economy. Findings from *European Family Businesses (2020)* indicate that between 65% and 80% of all European companies are family businesses, and they contribute on average more than 40%–50% of all jobs in the European Union. Within the EU definition, you will notice that it leans more

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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 and Rice (1967)	Process definition
Ownership control by a single family or individual	Barnes and Hershon (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 and 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 et al. (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 and 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

towards the process definition as identified by [Davis \(2001\)](#). The [European Commission \(n.d., para. 2\)](#) proposes that a firm, of any size, is a family business, if:

- Most decision-making rights are in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children's direct heirs.
- Most decision-making rights are indirect or direct.
- At least one representative of the family or kin is formally involved in the governance of the firm.
- Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25% of the decision-making rights mandated by their share capital.

Astrachan and Shanker (2003, p. 211) clearly state in their work that because there is no 'concise, measurable, agreed-upon definition of a family business', this leads to a 'challenge in quantifying their collective impact'. Emanating from their research, they created a spectrum on which one could define a family business, from a broad to a narrow definition. Key to their understanding of the term family business is the 'degree of family involvement in the business'. They depicted this spectrum as a 'bullseye' with a broad definition in the outer sphere. From a broad definitional perspective, Astrachan and Shanker (2003) propose that to be a family business only requires input from some family members in the business, and the strategic direction of the business is controlled by the family. They also pose a 'middle ground' definition which is the intention to pass the business on to a family member, with the incumbent still involved in the running and operations of the family business. In the 'nucleus' of the bull's eye, Astrachan and Shanker (2003) propose a narrow definition where the management and operation of the family business include representatives from different generations of the family, with siblings in different management roles and up-and-coming family members (possibly cousins) joining the family business at entry level. Van Der Vliet (2021) provides an expanded version of Astrachan and Shanker's (2003) bullseye as per Fig. 1.

Van Der Vliet (2021) has applied the broad, middle and narrow definitions to family businesses in the United States at two points in time: 2003 and 2021, and has observed the sheer growth in the volume of family businesses by evaluating them based on the revised bullseye approach.

As is evident from the various definitions posed here, writers tend to vary in how much family control of a company is needed to call the business a family business. Writers often disagree on how much the family must want to perpetuate the family control of the business to qualify as a family business. Cano-Rubio et al. (2017, p. 132) advocate that if there was a single general criterion used to conceptualise the term 'family business', this would 'ensure that the concept used in the different studies of these companies does not condition the results obtained'. The lack of agreement on a definition is troubling because it reflects the lack of conversations in the field on this subject. More troubling still is the many writers in the field who use the term family business to identify their subject, without defining the term at all. Writers also frequently confuse the family and other kinds of business, e.g. small business. The two are decidedly distinct, given

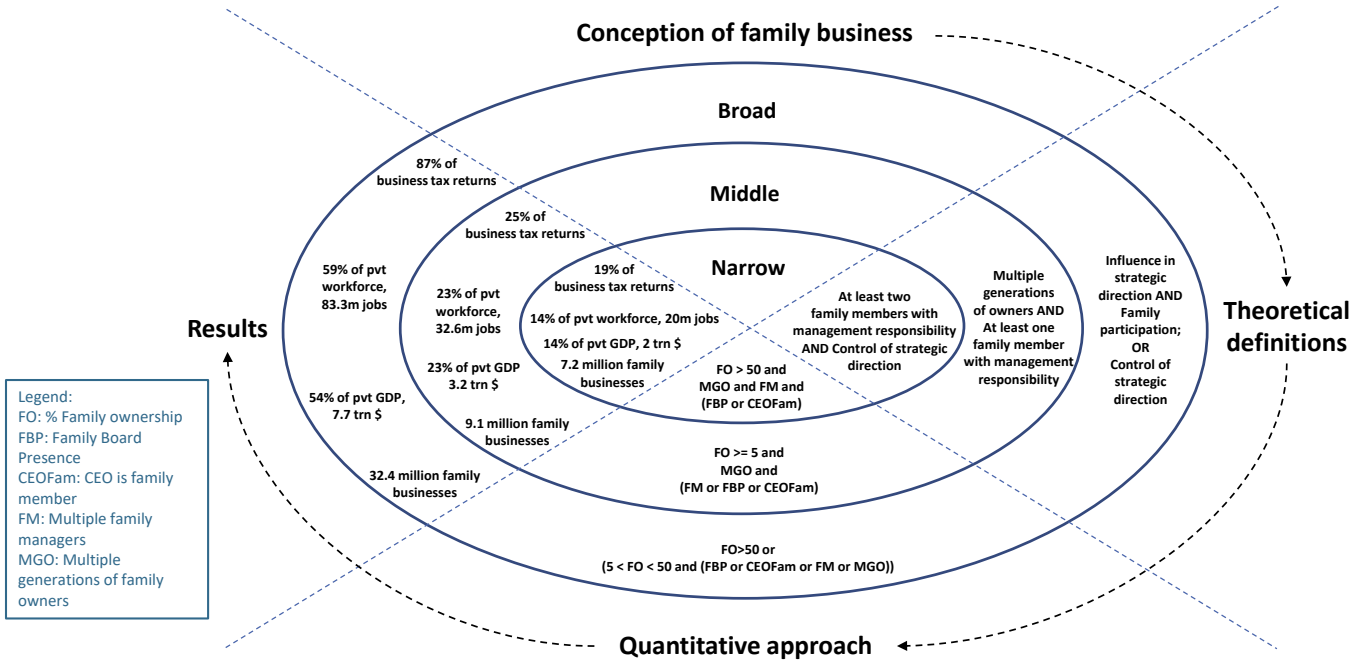


Fig. 1. Bullseye 2021 (Van Der Vliet, 2021).

the large size of many family businesses, i.e. Samsung, WalMart and the non-family ownership of many small businesses. Another often-made mistake is to assume that family companies are private companies. Most are but over half of all publicly traded companies in the United States, for example, are family owned.

In choosing the respondents for this book, we asked each case study author to ask the family business if they thought they were a family business, and if so then they could be included in the book. On further analysis of each of the family businesses portrayed here, they fitted into either the structural or process definitional categories.

Family Businesses Around the World

Are family businesses an enigma or a reality? They are very much the latter as they are the most frequently encountered ownership model in the world, and their impact on the global economy is tremendous. *Tharawat Magazine* (2014) produced a report that showcased the contributions that family businesses make to the global gross domestic product (GDP) as per Fig. 2.

Just shy of 10 years later, we can see from the research that in that length of time family businesses have made an even bigger stamp on a nation’s GDP. For example, in 2021, Van Der Vliet (2021) reported that in 2021 family businesses in the United States contributed to 64% of the US GDP, a 7% increase. In the Netherlands, it is estimated that over 276,000 of its businesses are family businesses (*European Family Businesses*, 2017), and Finnigan (2016) found that in Argentina family businesses contributed just shy of 1 trillion to the nation’s GDP.

Most of the world’s wealth is created by family-owned businesses. In a joint piece of research, the University of St. Gallen along with Ernst and Young found that in 2023 family businesses they studied generated \$US8.02 trillion in revenue, which was a 10% increase on their previous findings in 2021 (Robertsson, 2023). Many of today’s well-known brands stem from family-owned businesses such as WalMart, owned by the Waltons with revenues of \$572.8 billion (Ozbun, 2022) and employing 2.3 million people worldwide in 2022 (Walmart, 2023) to the Porsche family who owns Volkswagen with total revenues of US\$18.8 billion



Fig. 2. Percentage of Family Business Contribution to National GDP (Tharawat Magazine, 2014).

worldwide and with total market revenue amounting to US\$1.8 trillion in 2021 (Statista Mobility Market Insights, 2022). In some countries, family businesses have a long history in the fabric of the economy. Up to 2006, the oldest family business in the world was the Osaka temple-builder Kongo Gumi which was established in 578. When it succumbed in 2006, it was replaced by Hoshi Onsen, which is in the Ishikawa Prefecture in Japan. Started by the Hoshi family in 718, it is currently being led by the 46th generation of the Hoshi family. Table 2 identifies the 10 oldest family firms according to Kristie (2021).

Table 2. Top 10 Oldest Family Businesses in the World.

Family Business Name	Year of Establishment	Country
Hoshi Onsen	718	Japan
Stiftskeller St. Peter	803	Austria
Chateau de Goulaine	1000	France
Founderia Pontificia Marinelli	1000	Italy
Barone Ricasoli	1141	Italy
Barovier & Toso	1295	Italy
Hotel Pilgrim Haus	1304	Germany
Richard de Bas	1326	France
Gmachl	1334	Austria
Torrini Firenze	1369	Italy

Countries Represented in This Book

The family businesses portrayed in this book come from the Republic of Ireland, Germany, the United States, the United Arab Emirates and Australia.

Ireland as a nation has a plethora of family businesses. For such a small country, i.e. less than five million inhabitants, it has over 170,000 family businesses (Deacon et al., 2020). These businesses straddle all industry sectors within the marketplace and employ nearly a million people, i.e. nearly one in five people in the Republic of Ireland (Deacon et al., 2020). The Republic of Ireland is still a young nation. It has had its troubles for many years with its closest neighbour: the United Kingdom. The Republic of Ireland gained its independence in 1932, but many of Ireland's oldest family businesses have seen through many key phases in life, for example, famines, wars, pandemics, recessions etc. Many of Ireland's oldest family businesses can be found within the hospitality sector. For example, Carey's Pub in Carlow which was established in 1542 is still being run by a member of the founding family, and Morahan's of County Roscommon is still been operated and managed by the Morahan family since 1641. Avoca, which is

one of the world's oldest surviving clothing manufacturers, was established in 1723 and is still run by members of the original founders.

It has only come to light recently that Germany's oldest family business is that of the Coatinc Company, which was founded in 1502 having started as blacksmiths in the town of Siegen (Welle, 2023). Coming a close second is the William Prym Holding Ltd. family business which was founded in 1530. It originally produced rolled plates and wires but changed its business model in 1903 to sewing kits and snap fasteners. It currently has a global workforce of 3,300 employees (Prym n.d.). According to the Foundation for Family Business (Schultz, 2019), 90% of all businesses in Germany are family businesses and include icon brands like Volkswagen, ALDI, Bosch and the Merck Group. The Merck Group is one of the oldest pharmaceutical companies in the world and was founded in 1668, with the descendants of Emanuel Merck's three sons managing the business as general partners (Simon, 2005). These businesses are key employers as they employ 58% of all employees in Germany. In Germany, most family businesses are small in that 90% of all family businesses generate less than one million in sales revenue (Schultz, 2019), but conversely, the number of very big family businesses, like BMW and Porsche, is extraordinarily high when Germany is compared to other industrial nations. Schultz (2019) found that 43% of German companies with sales revenues of more than €50 million are family-owned businesses. Family Capital (2021) has found that Germany's top 500 family businesses employed over 6.4 million people globally in 2019, generating over \$1.8 trillion in revenues, which accounted for nearly 43% of the country's GDP.

Family businesses in the United States are outstanding contributors to the nation's economic engine. Evidence indicates that they contribute greatly to GDP and employment. For example, Van Der Vliet (2021) reported that family businesses account for 64% of US GDP and that 62% of the US workforce are employed by family businesses. There are approximately 24.2 million family businesses in the United States. Though the United States is a fairly 'new' country when compared to other nations, family businesses can still be found pre the 'Declaration of Independence'. The Shirley Plantation, established by Edward Hill in 1638, whose great-granddaughter married Jon Carter and whose descendants are managing the family business, still is considered to be the US's oldest farming family business (Spector, 2021). A close second to the Shirley Plantation is another farm-based family business, and that is the Little Farm, established by the Little family between 1640 and 1650, which is being overseen by his direct descendent who still lives on the farm (Spector, 2021). A family of note in the United States is the Zildjian family. Their family business was established in Constantinople in 1623 and celebrates its 400th anniversary this year. In 1928 members of the Zildjian family began manufacturing cymbals in the US. Now based in Massachusetts, the world renowned manufacturer of musical instruments sells its products under the Zildjian, Vic Firth and Balter brand names. Other members of the Zildjian family are involved in the business with Debbie Zildjian, a member of the board of directors, who has two daughters, both of which are 15th generation shareholders. One of Debbie's daughters, Cady Zildjian, is the Vice Chair of the board of directors (Zildjian, 2023).

According to [Puri-Mirza \(2021\)](#), there are approximately 343,000 private sector businesses in the United Arab Emirates. Within those private enterprises are family businesses and, like elsewhere around the world, they also contribute greatly to the national economy. [Abbas \(2022\)](#) reports that in the United Arab Emirates, 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 United Arab Emirates. The Vice President and Ruler of Dubai, Sheikh Mohammed bin Rashid, is supporting the advancement of family businesses in the United Arab Emirates. He has assisted in the establishment of a new centre with the remit of scaling and supporting family businesses. [Cabral \(2022\)](#) reports that the programme aims to double the number of family businesses in the United Arab Emirates, which would lead to an increase in the GDP to \$320 billion by 2032.

Australia's landscape for family businesses is quite extensive. Evidence indicates that family businesses make up around 70% of all businesses in Australia ([CoSpedia, 2022](#)). According to [Family Business Australia \(n.d.\)](#), family businesses contribute more than AUS\$4.3 trillion to the economy with average turnover being AUS\$12 million per annum. Family businesses make up a significant portion of the top 500 private companies in Australia ([IBISWorld, 2022](#)). On examining the companies listed, the author of this chapter found that within the top 26 companies, 10 are family-owned businesses with three out of the top five being family owned. Australia has a number of old family businesses, with the oldest being founded in 1808, Summerville farm in Tasmania's Derwent Valley, and is being led by the seventh generation of the family. Other old businesses that are still being run by members of the founding family include: Lionel Samson & Son which was founded in 1829 by two brothers who came to the Swan River Colony on one of the first settlement vessels. In the 1880s, Lionel Samson and Son was the single largest importer of beers and spirits into Australia. Coopers Beer is a family run business which was established in Adelaide in 1862, and they are still pouring pints around the country. Another brewery that is family owned is J. Furphy & Sons, which is a 5th generation, family owned manufacturing business based in Shepparton, Northern Victoria and with operations in Albury NSW and Geelong Victoria. Phillip Blashki migrated from England and established the firm P. Blashki & Sons around 1875. The family business still operates in the twenty-first century, making regalia including academic gowns, judges' wigs, chains of office, medals, badges, epaulettes and swords. Peacock Bros. was established on Collins Street in Melbourne, 1888. Brothers Ernest and Charles Peacock founded the small general printing business together, quickly developing a reputation for exceptional quality and outstanding service.

During COVID, family businesses globally managed to survive the pandemic somewhat. [Bajpai et al. \(2021\)](#) found that, on a global scale, family businesses laid

off fewer staff (8.5%) when compared to non-family businesses (10.2%). Family businesses displayed resilience during COVID more than other companies, and Bajpai et al. (2021, p. 2) advocate that it is that resilience that will lead family businesses to be the ‘engine of the global economic recovery from COVID-19’.

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