WHAT IS A 'FAMILY BUSINESS' AND WHY DOES IT MATTER?

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ABSTRACT

While people often refer to particular businesses as being a family business when asked to define what they mean or explain what is so special about being a family business they falter. In this paper the unique nature of family business is explored in order to understand why 'familiness' matters. The paper concludes with a discussion about how the FSBRU will explore the uniqueness of 'familiness' through a large scale survey later in 2003 and why using an inclusive definition of family business matters.

INTRODUCTION

In a recent survey of small businesses in the Latrobe Valley an interesting finding was made.[1] When asked whether the business employed family members 56% (N=276) answered in the affirmative with the numbers of family members employed ranging from 1 to 5. However when asked whether the business could be considered a 'family business' 26% of those 155 small businesses that employed family members responded that theirs was not a family business. Furthermore of the 174 businesses that said they could be considered a family business, 46 or 26% did not employ any family members (Barrett, 2003).

Apparently such a finding is not unusual. For example in Birley's (2001) study of family businesses across 16 countries she found that 17% of the group she labelled 'family in' (those who clearly believed, on a range of criteria, that family should be involved in business) reported that they were not a family business (p. 73). Moreover, she found that 20% of the 'family out' group (those who clearly believed, on a range of criteria, that family should not be involved in business) did consider themselves to be family businesses (p. 73). Her explanation for such a finding was 'construct equivalence', that is one owner-manager may consider the business a family business because it is owned by a family member and provides wealth and resources for the family but family involvement would be counter-productive ('family out'). Whereas another owner-manager might welcome family involvement in the business ('family in') despite it not being considered a family owned business. Her conclusion was that "however defined, family businesses are not a homogeneous group and it is clearly dangerous to generalise' (Birley, 2001: p. 73).

While it might be true that these types of findings are not unusual, they do raise the question of 'what is a family business'? The problem of conceptualisation of the term 'family' in relation to the objectives of business is understandable because the concept refers to a social organization that represents distinctive characteristics and ideals which are conditioned by various cultural, religious and ethnic values (Colli & Rose, 1999). Literature on family business recognises the underlined logic behind family business; that the family business need to be examined not only as an economic unit but also as a socially conscious entity, but there is a conceptual vacuum about the definition of family business that would distinguish it from other categories of business. The conceptualisation of family business, therefore, needs to address the issues related to the nature and the effects of the amalgamation of separate, but inextricably linked, social systems: a family and a business. It is also need to take into account the contradictions that would lead to conflicts in realising the objectives of each (Goffee & Scase, 1985; Lansberg, 1983).

In essence 'family business' is a 'chaotic concept' as it refers to a variety of firms with activities, which "neither form structures nor interact causally to any significant degree and many which lack anything significant in common" (Sayer, 1992: 139). A chaotic concept can be used as a category for descriptive purposes but trouble arises when attempts are made to ascribe causal powers to objects or to suggest that objects within this concept behave in a similar fashion (Sayer, 1992). Answering the question; what is a family business? - is therefore important both a theoretical and practical perspective and it goes to the heart of the problem of a lack of theoretical development in the family business field (Wortman, 1994).

This paper therefore starts with the proposition, 'why does it matter whether a firm is a family firm?' and examines the range of issues researchers have suggested where 'familiness' impacts on the behaviour of firms. 'Familiness' can be both a positive and negative quality (Fletcher, 2002) and refers to the unique bundle of resources created by the interaction of family and business (Habbershon,

[1] This was a survey of 788 small businesses (employing less than 20 people) in Latrobe City with a 35% response rate, which was conducted in Nov-Dec. 2002.

Williams & Kaye, 1999). However as Fletcher (2002: 3) points out, "this special quality and distinctiveness should not be taken for granted" and as Chua, Chrisman and Steier (2003: 331) argue, "ignorance about the uniqueness of family firms and the nature of their economic contributions has prevented the development of a rigorous integrated theory of family firms". As such, this examination is a precursor to a large scale survey of Australian businesses which intends to go beyond estimating the numbers of Australian firms that can be considered family businesses and will more critically explore why being a family business matters. In the next section of the paper we explore the problem of definition in some more detail and this is followed by a detailed examination of the relationships between the family and business systems. The final section of the paper summarises the areas where 'familiness' matters, and we conclude with a brief discussion of the survey process and timetable.

WHY DEFINING FAMILY BUSINESS IS IMPORTANT

Research in the area of family business has drawn significant attention in recent times indicating the growing recognition of the importance of family-controlled business in economic activity (Fletcher 2002; Connolly and Jay 1996). Today, the dominant role played by family businesses during the early phases of industrial revolution has reduced to some extent, but still they contribute between 45-70% of GDP and employment in many countries around the world. Most recently the Australian family and private business survey conducted by Smyrnious and Walker (2003) for Boyd Partners Ltd estimated the wealth of Australian family businesses at around A$3.6 trillion (Smyrnious & Walker, 2003: 10).[2]

Family businesses come in many shapes and sizes (Mackie, 2001) and belong to any sector of the economy (Poutziouris & Chittenden, 1996). The overwhelming majority are small or medium-sized businesses (Neubaur & Lank, 1998) but there are also many huge, multinational family-controlled businesses. This variation in size is evident in the literature where terms such as family-controlled public corporations (Gomez-Mejia, Larraza-Kintana & Makri, 2003), family unquoted companies (Westhead & Cowling, 1997), family enterprises, family-controlled enterprises, small family business (Riordan & Riordan, 1993), family firms, and home-based business are often used to refer to family business.

In stark contrast with their economic significance, family business has been largely ignored as a topic for academic research until the last two decades (Bird, Welsh, Astrachan & Pistrui, 2002; Neubaur & Lank, 1998). Although the practitioner community has taken a strong interest in family business (accountants and lawyers in particular), their interest is in addressing or solving the 'problems' of family business (succession, governance, capital gains tax issues etc) and there is an underlying assumption that family business is a handicap (Mackie, 2001).

However, the role and significance of family business is not reflected in management research today. This issue is addressed in a recent article by Dyer (2003) where the concentration is on family as the missing variable in organisational research. He argues that the inclusion of the family variable would lead to the development of 'better' explanations of organisational phenomenon, as 'familiness' influences individual, group and organisational behaviour. He uses the examples of research on governance and career development to show that if family had been considered as a variable, then different conclusions may have been drawn. Of the five pieces of advice Dyer providers to researchers the first is that any definition of 'family' and 'family firm' should "include both subjective and objective dimensions…to allow for the variability in the meanings that respondents attach to these terms". He also advises researchers that they should collect enough information from respondents "to

[2] A family business in this study is one which respondents categorised as being a family business (Smyrnios & Walker, 2003: 11).

potentially use multiple definitions and determine varying degrees of 'familiness'" (Dyer, 2003: 7)✪. Doing so, Dyer argues, will lead to the development of more robust, generalisable and useful theories of individual, group and organisational behaviour.

It is possible to infer that if Dyer's advice is followed then research should also being to counter the problem that there is no generally accepted theory of family business. This should address Wortmann's (1994) concern that there is a lack of a 'unifying conceptual framework' for the study of family business, although this is not necessarily a concern shared by other researchers, who argue that attempting a unified paradigm for the field of family business is untenable because of the specific nature of the institution of family in relation to the objectives and challenges facing business (Fletcher, 2002). The result is that most family business studies have focused on a narrow range of specific areas such as succession, culture, conflict, organisational structure, and gender issues (Bird, Welsch, Astrachan & Pistrui, 2002; Dyer, 1986; 1989; Kahn & Henderson, 1992; Lansberg, 1988; Lymann, 1988): although Bird et al (2002: 346) do conclude that this research is "increasing in sophistication". The main challenge of family business research, therefore, seems to be its inability to provide an intellectually rigorous independent domain (Bird, Welsh, Astrachan & Pistrui, 2002; Lansberg, Perrow & Rogolsky. 1988).

Many researchers agree that it is hard to use 'family business' as merely a generic term, and tend to develop working definitions according to the requirements of their own area of study (Smyrnios, Tanewski and Romano, 1998). However Westhead and Cowling's (1998) exercise, using 7 different definitions of family business to determine how different definitions may affect research findings, is instructive. Their definitions ranged from (1) 'The company is perceived by the CEO, MD or chairman to be a family business' to (7) 'More than 50% of ordinary voting shares are owned by members of the largest single family group related by blood or marriage, the company is perceived by the CEO, MD or chairman to be a family business, 51% or more of the management team are drawn from the largest family group who own the company, and the company is owned by 2nd generation or more family members'. The numbers of family firms in their sample of 427 firms fell from 78.5% when using the least restrictive definition (1), to 15% when the most restrictive (7) was used.

As Dyer (2003) has suggested the researcher must therefore use a definition of family business which accommodates multiple conceptions of family business. There have been a range of attempts to define 'what is a family business' (Binder Hamlin 1994; Birley 1994; Chua, Chrisman and Sharma 1999; Cromie, Stephenson & Montieth 1995; Gasson, Crow, Errington, Hutson, Marsden & Winter 1988; Goffee 1996; Handler 1989). The most notable is the work of Chua, Chrisman and Sharma (1999). They review 250 papers on family business and take an approach that acknowledges family involvement in the business as a necessary criterion for whether a business is defined as a family or non-family business, but argue that this is not a sufficient condition for a definition. They draw on Lansberg (1983) to contend that the reason for studying family business is the belief that "the family component shapes the business in a way that the family members of executives in non-family firms do not and cannot" (Chua et al, 1999: 4)✪. In other words the 'familiness' in business is unique and distinguishes family businesses from non-family businesses. To that end they propose a theoretical definition that revolves around the issue of behaviour and that family businesses behave differently to non-family businesses. While they suggest this might be seen as tautological, they argue that only through behaviour can we see differences between family and non-family firms, as ownership,

✪ This symbol indicates that the page number refers to the Gale full text version not the page number in the journal.
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management or governance by a family is not sufficient for a firm to be defined as a family firm. Chua et al's (1999: 7)✪ definition of family business is, therefore,

> the family business is a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family or a small number of families in a manner that is potentially sustainable across generations of the family or families.

Chua et al (1999) assessed their definition against 21 other definitions in the family business literature and found it to accommodate them all. Certainly it accommodates the situation at the beginning of the paper where senior managers considered their firm to be a family firm despite not employing any family members. This is the case as Chua et al (2003: 7)✪ make the point that what is required is "power on the part of the holders of the vision [or a notion of a better future for the family] to put it into practice". Therefore, although a firm may not employ family members or indeed be managed by family members, the purpose of owning and/or operating the business is for a better future for the respondent's family. Similarly Chua et al (1999) argue that their definition accommodates the other situation, where there are family members within the firm but the firm is not considered a 'family business', as family involvement is a necessary but not sufficient criterion – the family may not be the dominant coalition to shape and pursue the vision and/or they may not intend or behave in a manner that ensures the business is sustainable across generations.[3]

Their recommendation is that researchers should first determine the vision of the dominant coalition within a firm and then use this as the basis for categorising whether a firm is a family firm or not. However an empirical test of the components of family involvement (ownership, management, succession and governance) as predictors of intentions, on a sample of 453 Canadian family firms, showed that while these "are useful means for initial sample selection [they] are insufficient for a precise delineation between family and non-family firms" (Chua et al, 1999: 13)✪. They conclude that researchers should not only include questions about vision but also include questions about intentions and behaviour. This is necessary, they argue, given that their test shows that family involvement does not indicate that a firm will behave in a manner consistent with notions of 'family business'.

WHY DOES 'FAMILINESS' MATTER OR HOW DOES 'FAMILINESS' MANIFEST ITSELF IN TERMS OF BEHAVIOUR?

In the society the term 'family' refers to a group of people bound together by blood relations and marriage ties (Munice & Sapsford, 1997). It implies immediate family members which comprise parents and children, but because of the importance of cultural and traditional value systems that would strengthen family bonds it is possible to include the traditional nuclear form of family, extended families, kinship groups, clans and single-parent families (Munice & Sapsford, 1997; Riordan & Riordan, 1993). In a recent article Stewart (2003) argues that studies of kinship – about which he maintains little is known in the business and management field – can provide rich insight for family business researchers. In particular this is so in understanding access to resources, strategic strong ties and extensive weak ties and the mobilisation of family members. This is important as the notion of

[3] This suggests that even a second, third, or whatever generation firm may not be classified as a family business if there is no longer an intention for the business to be sustainable across generations – as was the case with the second generation family business owned and sold by the parents of one of the authors. This reiterates the necessity of examining vision (and intention and behaviour) rather than simply concentrating on components of family involvement.

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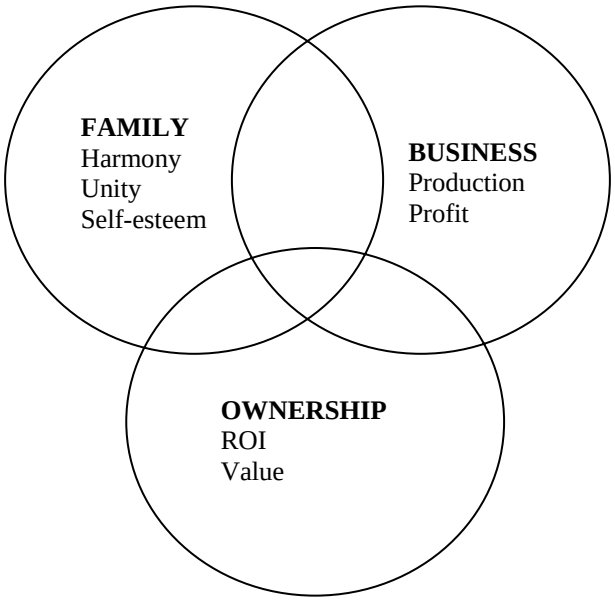
family business suggests that the family ties have been directed in such a way that now it has organised itself to work together and thrive in business, overcoming market and environmental challenges to be sustainable. The distinctiveness of family business, therefore, arises not because of the type of business, its size, operations or organisational structure, but because 'familiness' requires the careful management and negotiation of "a complex set of social and emotional relationships involving family and non-family members" (Fletcher, 2002: 4).

Family businesses represent strong interdependency between three domains; ownership, business and family (Davis & Taguiri 1996). Each three has not only different, but inherently divergent needs, rules, and interests (Davis & Taguiri, 1996). The priorities of ownership are based mainly on a specific set of priorities: rules of investing, not producing; on minimising, not maximising, risk. Success for owners is measured in terms of returns of investment and the protection of ownership interests. It may also be measured in terms of an owner's priorities on a particular business. If the owner's priorities are not met, the most likely result would be a withdrawal of invested capital and reinvestment elsewhere.

As economic entities, businesses are mainly interested in increasing productivity and thereby profits. They often take risks in order to achieve their objectives, and hence the needs of individuals are always subordinate to business goals and objectives. The future of the business depends on its performance in relation to capitalising market opportunities and ability to survive overcoming various business challenges in the market. It follows that continued service of the owners and employees is conditional and is based on their performance, achievements and contribution to the business. As a social entity, success in the family is measured in terms of harmony, unity and the development of individuals with strong and positive self-esteem. For a family business, the fulfilment of the interests of the dominant coalition of family members is the key determinant of the decisions made within the businesses. Hence, the decisions made within family businesses essentially reflect the influence of the relationships between the three domains – business, family and ownership - and therefore, decisions are often more subjective and complex: subjective because the decisions are related to family affiliations and values; and complex because of the need to accommodate objectives of the family and the firm, which are often conflicting.

Figure 1: The Three Circles 'Model'



Source: Adopted from Gersick, Davis, Hamton and Lansberg (1997) and Davis and Taguiri (1996).

The dynamics of family business are represented in Figure 1, which is underpinned by systems theory thinking.[4] Litz (1995) points out that family business incorporates three broad issues: The extent of ownership and or management, the degree of family involvement, and the availability of family members for generational transfer. The interactions and interdependence of family, business and ownership that are demonstrated in Figure 1 show the degree of relationship between first two issues Litz (1995) points to. For instance, the start of a business signifies a strong commitment of the family representing high degree of interdependence and overlap of three domains in Figure 1. Because of the changes in socio-economic conditions the extent and effects of this overlap fluctuate over time. For instance, at any time family needs may override business priorities or vice versa. Alternatively, ownership concerns may take priority over business growth. The inclusion of more family members to the business or the process of generational transfer of ownership may change this equilibrium, but never go away until the business ceases to exist as a family venture. Such fluctuations are often conditioned by family traditions and cultural values. Business dynamics, therefore, suggest the shifting and repositioning of the three domains according to family priorities.

The nature of the relationship between the family and the business is the most important determinant that shapes the future of the family business.[5] The ability to maintain family links throughout is paramount here. As dynamic socio-economic units, both business and family face continuous changes. Both family and non-family businesses experience success and failure, but changing internal relationships such as marriage, divorce, death and various disputes within the family directly influence the future of the family firm. The future of the family firm mainly depends on the capability of the owners in facing business challenges successfully while preserving family ties. However, not only failure, but also success may create problems for family business. For instance, at some stage of the growth and expansion, some family business may turn to a new management and ownership structure that would considerably deteriorate family control. Research shows that owners are often reluctant to allow the business to grow if this means a loss of personal control (Daily & Dollinger, 1991). Moreover, the problems of succession would create considerable difficulties for smooth functioning of a successful business that would likely lead to the demise of the firm.

Research on family businesses, therefore, needs to recognise the specific relationship between family and business, which distinguishes itself from non-family business. For any business, activities such as start, continuation and change require management, administration and legal decisions. However, in the case of family business, they are conditioned by a number of factors that are unique to family values and affiliations. In particular, strong cultural attachments, which are influenced by the values and attitudes commonly shared by family members, often conflict with business demands that are purely based on rational economic demands. Thus, the major challenge would be the accommodating external factors (management, employment relations, financial control, research and development) and family issues at the same time (Davis & Stern, 1980; Beckhard & Dyer, 1983). It seems that the attempts to accommodate these external factors takes different forms according to regional, cultural, religious and ethnic values and affiliations, which in turn influence the decisions of the family business in question. For instance, loyalty to the family is a very strong source of motivation and performance in Chinese family business. Family members are likely to stay with the family even when

[4] Chua et al (2003: 339) state that while this figure – the three-circle model – is a useful representation of the complexities of family firms, it lacks a dependent variable and therefore "cannot be relied upon to examine the efficacy of family business decisions, actions, organisational structure, strategies, exploitation of resources and so forth since such efficacy can only be evaluated in terms of achieving the goals and objectives set by the family for the firm".

[5] Birley's (2001) 'family in' and 'family out' groupings suggest that there can be greater and lesser overlap between the relevant circles.

better prospects arise elsewhere, contributing to continuity in business management (Whyte, 1996). When the influence of cultural and ethnic attachments in determining the family obligations and values is significant, their influence on the activities and success of family businesses cannot be underestimated (Li, Lam & Fu, 2000).

The nature of family control provides further insights into the distinctiveness of family business as against non-family business. It is argued that in contrast to professionally managed businesses, which often prefer the reactor strategy, family businesses are more inclined to pursue defender strategy in their operations (Daily & Dollinger, 1993; Wade, 1987). Risk aversion rather than risk taking seems to be the most likely approach pursued by family businesses in their operations and determining future plans. The main intention of family business is to sustain family control. For instance, founder-owners who expand their business rapidly, often contract out work in order to avoid the problems they associate with the development of complex management structures (Goffee, 1996). Family values and control seem to be one of the important determinant of the growth and development of family firms. The founder often dominates the extent to which the business can or will expand. Growth and expansion result in complexity of work, which carry major implications for decision- making processes. If the expansion means a loss or weakening of personal and/or family control, it is unlikely that the family will allow the business to grow beyond a certain level. In such instances, the most probable outcome would be to maintain status quo rather than pursuing risk-taking strategies (Wade, 1987). Family business, therefore, are often characterised as less entrepreneurial, professional and more risk-averse.

Family business rely less on the use of formal internal control systems (Daily & Dollinger 1991; Harper & Churchill, 1987), probably due to the desire of the family to maintain personal control. In terms of design and control family business are characterised as informal organisations (Cromie et al, 1995; Goffee, 1996). In contrast to non-family enterprises, which place particular emphasis on performance in response to market conditions, family businesses often attempt to maintain an effective balance between family values and business objectives. While non-family businesses treat employers as resources to be utilised for business ends, family businesses often treat them as family members rather than employees. Long-term commitment, a sense of loyalty and dedication to the family tradition contribute to the success of family business (Ram & Holliday, 1993). However, family businesses may also suffer from disadvantages such as lack of professionalism, promotion practices based on relationships rather than performance, informal channels of communication and family feuding (Poutziouris, 2002). Goffee (1996) maintains that family custodial owners have little ambition for growth or change and their conventional practices tend to persist regardless of operating efficiency.

Family businesses are more likely to desire continued independent ownership by not selling or floating on the stock exchange. The main intention appears to be to pass the business on within the family (Binder Hamlyn, 1994). The entrepreneur starts up a business with the intention that some day his or her children or family members will take over the reins of it and expand the business further capitalising market opportunities. The growth of the enterprise requires effective and continuous involvement and commitment of the family members. However, one of the main challenges faced by growth is how to delegate business responsibilities. During the first generation, many family businesses have been successful in exploiting market opportunities, but the problems of delegation appear to have restricted the prospects of strengthening market opportunities. Expansion requires changes in the business ownership and management, which creates a dilemma for family business: that is how to preserve family 'intention' and develop the business'? Delegation of business responsibilities often creates disagreements within family members. In most cases, business proprietors are not always good delegates-even within their own families (Levington, 1971). For instance, some family members may have good management skills, but are not interested in remain in the business and leave searching for better opportunities. Even if they prefer to stay, other family members would not allow them to play a key role in the business.

Keeping the business within the family control is likely constrained by family rivalries, limited management skills, and hence largely contributes to the demise of many businesses (Lansberg, 1988). Members of the family cannot diversify their portfolios against the specific risks afforded by the commercial operations of the family business. Relying on family workers as employees often prevents employing entrepreneurial talent from outside the family. Relying on family employees may be detrimental to the growth of the business if able family members are expected to give up further education to work in the business (Casson, 1999). There is clear evidence among family business that growth will be forgone in favour of maintaining self-sufficiency and retaining management control (Westhead & Cowling, 1997).

Table 1 provides a comparison of family, business and ownership in relation to objectives, relationships, rules and authority, and evaluation principles that provide more insights into the specific areas of interest. Separating these three domains and looking at each one separately makes the differences and tensions among them more obvious. It is important to understand and recognise the differences because managing them well is essential to the survival and success of family business. While there is tremendous diversity in how families and business function, some commonly accepted principles and assumptions combine both.

Table 1: Family Business Relationships

Area of interest	Family	Business management	Ownership
Measure of success	Harmony, upholding family traditions	Production, increasing profits	Return on investment, Protection of ownership interests
Rules and authority	Informal, based on family position mainly based on seniority	Formal, based on organisational hierarchy	May be formal or informal
Rewards	Based on family needs	Based on productivity and performance	Based either in what's taken or what's left over
Locus of importance	Individual aspirations conditioned by family values	Business goals	Profitability
Rules of acceptance	Depend on family affiliations	Depend on contribution	Either deserved or earned

The main characteristics of the interactions that can be derived from three domains presented in Figure 1 and Table 1 also reveal that family business represents a unique form of business. The uniqueness arises because of the characteristics of family obligations, values and reservations that influence the firm's structure, strategy and success. For instance, informality and flexibility in relation to work relations and performance evaluations in family business allows family members to stay in the business irrespective of their contribution to the enterprise. It does not mean, however, that family members place their private interests before their commitment to the business, but emphasises that their commitment to it is largely conditioned by family ties. The nature of these bonds may transform overtime due to the changes within the family and would decide the future of the business. As such this serves to reinforce Chua et al's (1999) recommendation that researchers must address issues of vision, intention and behaviour as well as components of family involvement in any study of family business.

CONCLUSION: EXPLORING 'FAMILINESS' IN A LARGE SCALE SURVEY OF FAMILY BUSINESS

In the past Monash University's AXA Australia Family Business Research Unit, which is now known as the Family and Small Business Research Unit, has conducted large scale surveys of Australian family business. The results of these surveys were written up as: *The Australian Family and Private Business Survey 1997* and *The 1999 Australian Family Business Lifestyle Audit*. The definition of family business used in the 1997 study was:

> A business is a family business if any one of the following four criteria are true:
> 1) more than 50% ownership is held by a single family
> 2) more than 50% of the ownership is held by more than one family
> 3) a single family group is effectively controlling the business
> 4) the majority of senior management is drawn from the same family (Smyrnios, Romano & Tanewski, 1997: p. 2).

In the 1999 survey a family business was defined as "those firms in which proprietors viewed their business as a family firm" (Smyrnios & Romano, 1999: p. 2). Both studies included questions about vision or intention however this information was used to determine family business characteristics rather than to categorise the business as a family business. Both studies were valuable for determining the extent of the Australian family business sector and the characteristics of Australian family businesses.

In the forthcoming FSBRU survey Chua et al's (1999) definition of a family business will be used and therefore questions will address not only the ownership, management, governance and longevity characteristics but will also address the vision, its development, continuity, relationship to functional policies and impact on performance. The survey will be sent by mail late October 2003 to a random sample of no less than 5000 (family and non-family) businesses drawn from both the FSBRU's database and a national business register. Univariate and multi variate analysis will be used to examine the similarities and differences between family and non-family firms as part of the process of continuing to unlock the issue of 'why 'familiness' matters'?

Recent research to utilise the Chua et al (1999) definition includes the study by Craig and Lindsay (2002) that sought to examine the interaction between the entrepreneurship and family business fields. Their case study of O'Reilly's Rainforest Guesthouse, in Queensland, showed how the use of an board of directors with members drawn from outside the family could help to enable a "good 'fit' between family and the driving forces that underlie the entrepreneurial process" (Craig & Lindsay, 2002: 427). They concluded that their study extended the notion of family firms being different to non-family firms.

The study by Westhead, Cowling and Howorth (2001) to explore the differences between ownership and management issues in a matched pair analysis of independent unquoted family and non-family companies in the UK also take note of this definition to ensure their research is inclusive of all those firms that not only are owned and managed by families but those firms whose owners and/or managers think they are a family business. Their study "highlighted that the interests of the dominant family can lead to a tendency to draw upon the emotional kinship group for managerial talent and strategic direction" (Westhead et al, 2001: 380). However their study also found similarities between the behaviour of both family and non-family firms. Some of their findings included: tenure of CEOs of both types of firms before they were appointed was similar; share ownership in both groups was closely held, although directors of family firms owned significantly more shares than directors of non-family firms; CEOs had been in place for similar lengths of time, except where the CEO came from the kinship group owning the family business; in both groups the majority of directors did not hold

multiple directorships and few directors of both groups had potential conflicts of interest with their management roles (Westhead et al, 2001: 381-2).

In essence the importance of using a definition of family business that is inclusive, which is based on not only ownership and management characteristics but also behaviour, is the ability to develop a more nuanced appreciation of the similarities and differences between family and non-family firms, and in particular firm performance. Such an understanding is critical if 'family business' is to move beyond being a chaotic concept and become more than simply a category for descriptive purposes.

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