Educational Needs of Family Businesses: Perceptions of University Directors

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Universities have developed family business centers during the past two decades as they and others realized the importance and complexity of family businesses. However, there has been no comprehensive investigation of the unique educational needs of family businesses. The purpose of this study is to explore this subject and to suggest particular areas in family business education that require attention. The study measures the perceptions of university-based family business program directors about educational issues relevant to family businesses. It also provides important insights and information about the current state of family business education.

Introduction

Family businesses are important to the economy and vital to those owning, investing, or working in them. Family businesses currently account for over 80% of the United States' business organizations, produce over half of the gross national product, and employ over 50% of the domestic workforce. At least one in every 10 households in the United States has significant ownership in a family business. In addition, family businesses bring a unique quality to the business community in their attempt to combine family and business systems (Jaffe, 1990). This adds greater risks but also greater opportunities for rewards, both financial and personal. The family business combines all the complexity of business operations with all the intricacy of individual, personal relationships to create an extremely complex context for business and family dynamics.

Purpose

Given the importance of family business not only to the U.S. economy but its culture as well, the need arises to determine what can be done to further their success. Just as the public sector significantly invests in education, training, and development, so should family business. But what are the key issues that warrant such an investment? Surprisingly, there is little research on what constitutes quality education for family businesses (Kaplan, George, & Rimler, 2000; Upton 1995). As a result, this paper takes a first step at assessing the educational and training needs of family businesses from one of the key providers: directors of university-based family business centers.

This research begins with an assessment from the perspective of family business directors, given the nature of their relationship with family businesses and the significant evolution of family business centers over the last 20 years. First and foremost, directors work closely with family businesses in a setting that is significantly less commercial and often more relationship based (vs. transaction based) compared with other educational providers. Because of this unique relationship, these professionals develop a rich perspective on family business systems.

Second, the growth in terms of size and contributions of university-based family business centers is significant. Family business programs have increased in number to 45 centers throughout the United States since their inception at Wharton in 1979 (www.ffi.org). Not only do these centers have long-term relationships with family businesses, but they also constitute an emerging profession, as evidenced by two organizations. Initiated in 1988, the Family Firm Institute (FFI) holds an annual educators conference that is geared primarily toward university family business center directors. The second organization, the United States Association of Small Business and Entrepreneurs (USASBE), was formed in 1994 and is made up primarily of people affiliated with family business centers, including directors. Not only do family business directors represent a broad, national exposure to the educational needs of family business, but as this field continues to grow, these individuals' impact will only increase.

Family Business Defined. To assess the educational and training needs of family business, one must first understand what constitutes a family business and the system under which family businesses operate. Scholars offer numerous definitions of *family business*. Wortman Jr. (1995) states that there are at least 20 definitions used to define family business and that researchers define it as needed to fit their requirements. In general, *family business* is most commonly defined as when more than one member of a family exerts considerable control or influence over a business (Ward & Aornoff, 1995).

As family business research has evolved, so too has acknowledgement of the existence of degrees of family involvement in a business. Specifically, the definition originally developed by Heck and Trent (1999) creates four levels of family business by using multiple criteria:

- 50% or greater ownership in a business
- 50% or greater ownership *plus* a family member manager
- 50% or greater ownership *plus* a family member manager *plus* two or more family members in the business
- 50% or greater ownership *plus* a family member manager *plus* two or more family members in the business *plus* second generation or higher or intent to keep business in the family

This definition not only captures the concept that the overlap between the family and business can vary in terms of degree, it also captures a characteristic that distinguishes family businesses from other businesses: often family businesses are far more likely to look at the future of the business in terms of its relationship to the family.

As previously stated, what makes family businesses unique is that they operate within both a business and a family subsystem. To make this situation even more complex, Davis and Tagiuru (1982) offer a model that includes a third subsystem, ownership, which merges with the other two subsystems in any family business context. Thus, to understand the dynamics of any family business system, they state, each of the subsystems—ownership, family, and business—must be considered. Adopting a systems approach to studying family businesses means that at greater levels of complexity, new properties emerge, which are called "emergent properties" (Capra, 1996).

In their model, Davis and Tagiuru (1982) reinforce this idea by stating that the overlap of these three subsystems results in several unique inherent traits or emergent properties of family business that include simultaneous roles, shared identity, emotional involvement, privacy, mutual awareness, and a lifelong common history. In a family business, some of these traits are new, emerging only at a high level of complexity (e.g., simultaneous roles) and some of the existing traits become more complex (e.g., privacy). In addition, from a systems approach, each of the family business subsystems is not independent, but interdependent (Capra, 1996). So even if focusing mainly on the business, one still must be aware of how the family and ownership affect it. Likewise, when developing educational programming for family businesses, one must take into account the subsystems of family, business, and ownership and how these three subsystems interrelate.

Literature Review

A review of the literature indicates that there is little research assessing the educational and training needs for family businesses from a systems perspective. Many researchers take the perspective of only one subsystem to prescribe what attributes a family business should learn and or possess to be successful. For example, Hunt (1998) studied five successful family firms and developed several "best practices," focusing mainly on the business subsystem and how the family ought to serve it. These include a focus on the business rather than family needs, reinvestment in the business, and caution when dealing with the family.

Similarly, Ward's (1997) list of best practices of family firms clearly emphasizes the business subsystem. His list includes stimulating new thinking and strategic insights; attracting and retaining top nonfamily members; creating a flexible, innovative organization; creating and conserving capital; preparing successors for leadership; and exploiting the unique advantages of family ownership. Greater weight is given to the business subsystem with the traits of shared values, simultaneous roles, and emotional involvement being less explicit or nonexistent.

At the other end of the continuum, Walsh (1994) focuses mainly on the family subsystem, with little or no attention on the business or ownership subsystem. Her work synthesizes past research into an integrative framework that identifies key traits of a successful or healthy family functioning in a business. These consist of three areas, including organizational patterns, communication processes, and multigenerational lifecycle patterns and belief systems.

Past research has also considered the subsystem of ownership when examining what traits make a family business prosper. Williams (1992) calls for a broader definition of *ownership* that goes beyond a strictly legal sense to include the best use of a property, not just for owners but also for all involved or affected by the business. He states that successful ownership (and, thus, a successful family business) depends on the traits of effective communication, role modeling, and educating heirs about managing the business and the family's wealth. Williams, however, developed this list of effective traits without considering the other family business subsystems and their interdependence with the ownership subsystem.

In one of the only empirical studies to assess family business programs in terms of content, delivery, and performance, Kaplan, George, and Rimler (2000) find that family businesses' perceived usefulness of help with family issues, help with business issues, access to experts, and opportunity to share experiences with other family businesses were the best predictors of program effectiveness. They state that, "an effective program must be a family program and a business program at the same time" (p. 1). Although their study does not directly identify or evaluate perceived successful family business traits, it points to the interdependence of at least two of the three subsystems within a family business system.

Healthy Family Business Traits. To measure effectively perceptions of educational and training needs for family businesses from a systems approach, Bork. Jaffe, Dashew, Land, and Heisler's (1996) list of 10 healthy family business traits was used. Described as one of the "pioneering family business scholars and consultants" (Nelton, 1999), Bork refines this list over his many years of conducting research and consulting. Taking into account each of the subsystems in a family business, Bork (1996) develops this list as a means of assessing the current state of family businesses and the elements necessary for continued success.

Bork's list is most appropriate for this study for three primary reasons. First, it provides a list with 10 traits, thus making it more comprehensive than other lists. Second, Bork considers all three subsystems of a family business in the development of these traits. Third, and most important, is that these traits capture the concept of emergent properties. In fact, several traits are the same as those Davis and Tagiuru (1982) originally listed as emergent properties in any family business system.

Whereas past research may have addressed the relationship between two or three subsystems, Bork describes those traits that truly emerge at the more complex level of the family business system:

- ***Shared Values***. The extent to which consensus or agreement is present concerning the core values of the family and the business. "Values-driven families who control business enterprises build on their families' core values and relationship strengths to nurture future generations of leaders" (Narva, 2001).
- ***Shared Power***. The extent to which all stakeholders feel they have a part in decision making. An important sign as the family and the business grow and mature is an increase in the number of people who share in the power of their respective systems.
- ***Traditions***. The extent to which ritual and history are observed. Traditions are the way that elements of a culture (i.e., the roles, rules, and responsibilities), a family, and its business are passed on to the next generations.
- ***Willingness to Learn and Grow***. The extent to which change and improvement are sought. Addressing complex issues, especially of a personal or emotional nature, is difficult, especially before they are at a crisis level. Motivating people to address the important but less urgent issues is key to creating value in a family business.
- ***Activities for the Maintenance of Relationships***. The extent to which teamwork and trust are continually being developed and maintained. If such relationships are not proactively maintained, then unnecessary conflict and disciplinary action are likely. Learning interpersonal skills, cultivating trust, and scheduling downtime are all aspects of this trait.
- ***Genuine Caring***. The extent to which personal relationships and friendships are present. The existence of this trait means that a person is valued in part due to his or her inherent worth as a person. Beyond this, there are appropriate rewards and consequences for behaviors.
- ***Assistance and Support***. The extent to which bonding and the intention to help are present. Members of a family business system look to one another to pitch in—to assist others, to be available to listen and contribute when needed.
- ***Mutual Respect***. The extent to which roles and participation are valued. In a healthy system, people accept others' differences in style, perspective, and experiences.
- ***Healthy Interpersonal Boundaries***. The extent to which personal moods and styles do not dominate behavior and dialogue. When family members feel empowered to confront inappropriate personal moods or styles, they draw boundaries. This is a sign of empowerment based on people feeling that they have a sense of control, predictability, and safety in their relationships.
- ***Privacy***. The extent to which private space is available. Without private space, people lose trust, feel violated, and moderate their loyalty.

Method

Instrument. Respondents completed a questionnaire focusing on the 10 traits or traits of a healthy family business defined by Bork (1996). The questionnaire asked respondents to evaluate these issues on two complementary scales: (a) how much of the trait is currently present in family businesses and (b) how important the trait is to the success and continuity of family businesses. Individuals responded to each item on a five-point scale, ranging from a low score of 1 for a minimum amount to a high score of 5 for the maximum amount.

These two scales allow for the comparison of the difference between how much of the trait is believed to be present in family businesses and how important it is for family businesses and the analysis of the relative importance of each of the 10 characteristics. Although all of these traits signify a healthy family business, the higher the trait's importance is rated, the more important it is for family businesses to possess this trait. Together, these measures provide valuable insights into and information about the current state of family business educational programming as perceived by this informed and interested group.

Sample. The questionnaire was mailed to 45 directors of family business centers located in colleges and universities within the United States. The directors were identified through FFI membership and represented the entire group so listed. Thirty-five questionnaires were returned, representing a response rate of 77.7%. This high level of response provides evidence of interest in the study.

Analysis and Results

The data were analyzed to explore two major questions: (a) How do directors rate the importance of each of the 10 healthy family business traits and are there any significant differences between each of these importance ratings? and (b) Do discrepancies exist between directors' belief ratings of the degree to which family businesses possess each of the 10 healthy traits and how important each trait is to the success and continuity of the family businesses? An ANOVA and paired T-tests of the data were used to answer these research questions.

First, descriptive statistics were calculated on the importance ratings and belief ratings for each of the 10 family business traits. Based on the mean importance ratings, the order of importance for each of the 10 traits from highest to lowest is as follows: mutual respect and willingness to learn and grow (tied), shared values and activities for the maintenance of relationships (tied), genuine caring, assistance and support, shared power, privacy, healthy interpersonal boundaries, and traditions (see Table 1).

An ANOVA was performed to assess whether any of the mean importance ratings were significantly different from each other. This analysis indicated that the mean importance ratings were not equal to each other ($F = 12.498$, $p < .000$). Multiple comparisons for each of the mean were performed using Fisher's LSD. The top four importance ratings—willingness to learn and grow, mutual respect, shared values, and activities to maintain relationships—were seen as significantly different from the other six traits. The next highest importance ratings—genuine caring, assistance and support, shared power, and privacy—tended to be perceived as similar in degree of importance. Healthy interpersonal boundaries was seen as similar in importance to

Table 1: Directors' Perceived Importance of Family Business Qualities

	Mean Score	*SD*
Willingness to learn and grow	4.66	0.54
Mutual respect	4.66	0.48
Shared values	4.63	0.60
Activities to maintain relationships	4.63	0.55
Genuine caring	4.17	0.79
Assistance and support	4.11	0.63
Shared power	3.86	0.88
Privacy	3.85	0.76
Healthy interpersonal boundaries	3.80	0.93
Traditions	3.53	0.90

Table 2: Absolute Differences Between Mean Importance Ratings for Each of the Family Business Qualities

	4.	8.	1.	5.	6.	7.	2.	10.	9.	3.
4. Willingness to learn and grow	——									
8. Mutual respect	0.00	——								
1. Shared values	0.03	0.03	——							
5. Activities to maintain relationships	0.03	0.03	0.00	——						
6. Genuine caring	0.49c	0.49c	0.46c	0.46c	——					
7. Assistance and support	0.54b	0.54b	0.51b	0.51b	0.06	——				
2. Shared power	0.80a	0.80a	0.77a	0.77a	0.31	0.26	——			
10. Privacy	0.81a	0.81a	0.78a	0.78a	0.32	0.27	0.01	——		
9. Healthy interpersonal boundaries	0.86a	0.86a	0.83a	0.83a	0.37b	0.31	0.06	0.05	——	
3. Traditions	1.13a	1.13a	1.10a	1.10a	0.64a	0.58a	0.33	0.32	0.27	——

a. $p < .001$
b. $p < .005$
c. $p < .01$
d. $p < .05$

shared power and privacy. The lowest rated importance trait—traditions—was perceived to be similar to privacy and healthy boundaries (see Table 2).

Second, paired T-tests were computed to assess whether any significant differences existed between director's belief ratings and importance ratings of the 10 traits of a healthy family business. The results of this analysis revealed that only one of the 10 comparisons was not significant. Specifically, there is no significant difference between how much directors believe family businesses are presently honoring traditions and the level of importance attributed to this trait for the success and continuity of family businesses. Thus, out of the 10 healthy family business traits, honoring traditions is the only one that directors feel is at a satisfactory level when comparing its current level and importance (see Table 3).

Unfortunately, honoring traditions was perceived to be the least important of the 10 traits in terms of contributing to the health of a family business. According to directors, the other nine traits are not at satisfactory levels when comparing the belief ratings of the traits' presence to their level of importance to a family business' continued success.

Table 3: Differences Between Presence and Importance of Family Business Qualities

	Present	*Importance*	*Paired T-test*
Shared values	3.29	4.63	-9.48*
Shared power	2.49	3.86	-7.66*
Traditions	3.57	3.53	0.14
Willingness to learn and grow	3.00	4.66	-10.83*
Activities to maintain relationship	3.03	4.63	-10.74*
Genuine caring	3.60	4.17	-3.26*
Assistance and support	3.34	4.11	-5.01*
Mutual respect	3.17	4.66	-10.30*
Healthy interpersonal boundaries	2.63	3.80	-5.18*
Privacy	2.88	3.85	-4.92*

*p < .00

Conclusion

Family businesses are a vital component of the economic health and development of the United States. When they are healthy, family businesses can create new jobs, foster innovation, and provide long-term stability to the economy. When they are not healthy, all three subsystems (the family, ownership, and business) suffer in terms of relationships, growth, employment, and efficiency. Yet, relatively little is being done at the university level to study, support, and improve this vital institution. This work is an attempt to explore issues and a methodology that might provide some direction for family business education and further research.

Although the results of this survey indicate the view from only one segment of providers of family business education—directors of university-based programs—it demonstrates the application of a set of evaluative criteria and useful methodology. This approach also adds to the literature by utilizing traits that capture a systems approach, including the crucial concept of emergent properties. The family, the business, and the ownership structure are not merely a joint venture but make up three subsystems that combine to form a new and more complex system. Thus, rather than emphasize one subsystem, this is an assessment of the entire family business system.

The results of this study provide a starting point to assess which healthy family business issues are most important and warrant greater educational attention. In addition, this line of research can help individual family businesses to prioritize their selection of educational opportunities toward their goal of maintaining success and relationships.

Willingness to Learn and Grow. The results indicate that directors of university-based programs view as fundamental among these traits the family's willingness to learn and grow. This finding suggests a trait that all stakeholders should address in developing effective educational programs. Critical here is any resource or people that can help motivate family businesses by giving them a vision of both the benefits and the route to being proactive. This may first start with a roadmap or overview of the typical issues most family businesses face— second is persuading the families that investing time and energy in preparation is far healthier, more productive, and more effective than reacting to a foreseeable, yet neglected, issue.

One example of this is the exercise of asking the family what it would do if the leader of the family and the business met his or her demise in an accident this weekend. What would happen on Monday? This is, in fact, an issue that eventually (at least in some form) every family and business will face. Through such exercises, the family can begin to learn and experience the benefits of such planning vs. the costs, suffering, and ineffectiveness of not doing so.

Activities for the Maintenance of Relationships. Another trait perceived to have a high level of importance in achieving a healthy family business is engaging in activities that maintain relationships. Directors perceive not only the need for, but also the importance of, families creating safe harbors to allow such activities to occur. If everyone is aware of and committed to a set of shared values, then greater trust and teamwork can be improved. If the roles and rules that build on the values and traditions are discussed in a safe environment, then people feel a greater sense of predictability. Safe harbors can be developed in a number of ways, including retreats. Often, retreats can help families reconnect on the personal, family level where the focus is more on the relationship and less about productivity. They can motivate people to create more of this space in their daily lives. Even in business, relationships need time and attention, especially when they overlap with familiar relationships. In fact, Jaffe and Lane (2000) argue that truly "transformative learning" occurs best when relationships are appropriately developed and maintained.

Mutual Respect. The third trait perceived to be highest in importance is mutual respect. Typically, mutual respect on a personal level is more important in a family setting, whereas the respect for capabilities, skills, credentials, and experience is more prevalent in a business setting. Both are important. It is hard to dedicate oneself to others if the others are not held in high esteem. Thus, people helping families can assess if the individuals' values align with the system in which they operate. If so, there is a need to help the individuals develop as well as give them ongoing feedback (Foster, 2001).

Shared Values. The last trait perceived by directors to be high in importance in a healthy family business is shared values. Shared values highlights a source of great synergy for family businesses. This is due to the key role the trait plays in effectively integrating the three family business subsystems. Warren Bennis, a noted expert on leadership, argues that the greatest weakness of U.S. business is short-term planning and leadership (1999). Especially for privately owned family businesses where the CEO serves 24 years on average, vs. less than three in publicly owned companies (Jaffe, 1990), a longer term, values-based leadership is a strength inherent in the family business system.

Any method that helps family businesses clarify their values is vital to their success. There is a need, especially with the greater inherent complexity, to make the shared values in a family business explicit. It is important for the members to discuss what the family business stands for and what it does not. As Richard Narva (2001) states, "Values-driven companies controlled by families relying on their *shared* core values and their relationship skills can and often do compete successfully all over the world" (p. 30).

In addition to assessing the perceived degree of importance of specific traits in determining a healthy family business, the results of this study indicate that directors believe that nine of the 10 traits are significantly lacking in family businesses today. In fact, the greatest discrepancy exists in the traits believed to be most important in healthy family businesses. From the family business director's perspective, this finding signifies a critical need for education and training in these areas. This finding also warrants further study into why directors perceive there to be such a discrepancy. Possible reasons to pursue include a lack of education and training programs for family businesses, a lack of attendance and/or participation by family business in such programs, and/or inadequate coverage/methods of teaching these important traits in existing education and training programs.

On a broader level, more research needs to analyze the perception, concerns, and insights of other key groups in this effort. Family business members should be surveyed, including capturing such key demographics as age, gender, and positions in each subsystem. Similarly, family business consultants need to give their input. Eventually, university students enrolled in family business programs and faculty involved in developing and teaching family business curriculum should be part of this effort. The greater the breadth and depth of this record, the better education and training providers should be able to improve the service to this vital institution of family business.

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