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## BEST KEPT SECRETS

1 Until as recently as the mid 1980's, all businesses in this country, regardless of whether it was The Ford Motor Company or Mama Flora's Homemade Pies, were lumped together into the same "business entity" pot. Oh yes, there were differentiations based on the usual organizational metrics of industry, size and sales, but no distinction was made between a business that was family-owned and one that was not. Business was just business back then; some of those businesses were small and local, and others were enormous and multinational, and most fell somewhere in between. They spanned every conceivable industry and even spawned some that hadn't been imagined back in the dark ages, 20 years ago. But the point remained that no matter how the industry or the government or the individual defined business, the term "family-owned" was not one of the descriptors they used.

That is particularly amazing in light of current research which indicates that between 80-90% of all businesses in the US are family-owned, but I am getting ahead of myself. In 1985 there was no research in this field; in fact, there wasn't even a field. There are various explanations for this oversight; perhaps it was because family businesses are ubiquitous. They are found in every culture in the world and have existed since commerce first began; and like all the things that are right under our noses, they blend into the fabric of the world and go on about their business, unnoticed.

A more scholarly explanation for the oversight involves the academic difficulty in defining the criteria of family-ownership. Is a family business defined by the percentage of stock owned by family members? Or, does it depend on the amount of strategic control or influence that the family wields over the business? Or, is multi-generational family involvement required in the day-to-day operations and primary management responsibilities of the business for it to qualify as "family-owned?" Or is it all, or portions of all, of the above?

The most likely reason that family business was able to slip below the diagnostic radar for so long is probably because most family businesses are privately owned. Private ownership provides a shield from prying eyes; information about privately owned companies is not readily available to outsiders, thus depriving researchers of the facts and figures that are needed to do their work.

Regardless of the explanation, once the researchers finally began to investigate the idea of family-ownership as a defining organizational trait, they must have realized that they had hit pay dirt! According to an article published by Joseph Astrachan and Melissa Carey Shanker in the Spring 1996 issue of Family Business magazine, between 90-98% of all businesses in the U.S. were estimated at that time to be family-owned and those businesses generated 40-60% of the gross domestic product and were responsible for over 50% of all new job creation<sup>1</sup>.

<sup>1</sup> Those numbers have since been revised. Current figures show that family-owned businesses account for between 80-90% of all businesses in the US, as well as 62% of total US employment, 78% of all new job creation, and more than 64% of our GDP. Source: www.FFI.org

2 Those compelling numbers not only established the family-owned business as a force to be reckoned with, but also put forward the idea that a family business is a very different entity from its non-family-owned counterpart. That difference, quite logically, comes from the family aspect, which not only consolidates the ownership within one, or sometimes several families, and also introduces the subtle, but ever so powerful, influence of family-based values and concerns into the business arena. This means that in addition to the normal economic and competitive challenges that all businesses face, a family-owned business must contend the complex relationship dynamics that arise from the family's ownership and employment in the business.

The triumvirate of family ownership, employment and values combines to create a workplace that is much more intimate and self-contained than the environment found in organizations that are not family-owned. Hardly a surprising idea when you consider the likelihood in a family business of working along side the same people who changed your diapers or reporting to the very person who wantonly smashed your favorite toy in the sandbox twenty years ago. It is this added layer of interaction between family and business that gave rise in the 1980's to an entirely new field of academic study focused on the unique challenges that face family-owned businesses.

Today, a scant two decades later, there are over 100 college and university-based programs, as well as numerous independent courses and forums scattered around the country, which specialize in family business issues. The scope and cost of these programs vary considerably, but their objectives are similar: to provide information about and education to family businesses about the specific concerns and issues that face both the family and the business that they own. The importance of this research and the resulting data cannot be overstated, especially in light of current statistics that indicates only slightly more than 30% of all family-owned businesses are able to successfully transition into second generation ownership and management. The factors and causes that are responsible for these discouraging statistics have been identified and well documented by the researchers. Subsequent investigation has also quantified the "best practices" of family businesses that have beaten the odds. But, in spite of this positive news, I am concerned.

The primary thing that concerns me is that many family businesses are not taking advantage of the resources and the information that are now available. The reason, I believe, is twofold; the first comes from that historical desire for privacy that characterizes so many family-owned companies. Conflicts and issues that arise are resolved privately, regardless of whether they are business based or originate within the family dynamic. "Circling the wagons" is the traditional solution of choice in times of trouble...it's a family matter—no need to air our dirty laundry in public. This attitude, unfortunately, excludes the option of accessing outside help, support or information.

3 The second reason that so many family-owned businesses fail to take advantage of the resources available to them has to do with identification. Many family businesses chose to identify themselves solely by the industry that they are a part of. They skip over the family business descriptor altogether and restrict their significance to the particular product or service that they provide. There are lots of plausible explanations for this lapse, but in the end it boils down to “use it or lose it”; when the phrase “family business” is neglected over time, it fades out of our public dialogue and awareness, leaving only the industry-based identifier. The result is a kind of mental blind spot that renders the term “family-owned” as not applicable. It’s the same thing as being in a bookstore and walking right through the section on bird house design because it simply doesn’t apply to you.

This non-association with the idea of being a family-owned business effectively makes the courses, articles, books, consultants and seminars on the subject virtually invisible. And that is the problem; the resources are there, but they are not being used, either because of the perceived need for privacy or because of the disassociation from the term family-ownership. So the wheel is either being constantly re-invented or simply ignored in favor of “the way we’ve always done things around here.” This is a sad and unnecessary state of affairs, especially in light of the current research which confirms that so many of the challenges that plague family-owned businesses are both predictable and resolvable.

It is that information in particular – that the complex and often troubling situations that arise in family-owned businesses are commonplace – which can provide both a sense of comfort and perspective. Perspective is uniquely important in the context of family business because there is so little opportunity for it. The jumble of family-with-business/business-with-family is autonomous and there is very little space to step back and really see all of the relevant data in the situation. The result is that patterns of behavior become so seductively entrenched that change often seems impossible, sometimes even unimaginable.

The American journalist Sydney J. Harris once commented that “The whole purpose of education is to turn mirrors into windows.” Unquestionably, the meteoric rise of the study of family business has created a window where only a mirror existed before. It is a window that allows us to look not only inside at “what is” but also to look outside at “what could be.” But true value of all of the research and information produced in the last twenty years is that it elucidates the best path to follow to get from one to the other.