



STAYING ON TRACK: FAMILY BUSINESSES

By **Patricia M. Angus**

Eureka!

Was 2015 the year family business was “discovered?”

Looking back some day, 2015 might be known as the year that family business was “discovered,” at least by a group far larger than those specializing in the field. In day-to-day advisory practices, professional conferences and even mass media, nearly audible gasps of “eureka” could be heard, as group after group recognized the importance and prevalence of family businesses. Let’s review why the concept of discovery is an especially apt way to describe this moment and what lies ahead.

A New Discovery?

The word “discovery” has multiple uses and meanings, and there’s a sense of awe to it. There’s the notion of finding something new that didn’t exist before; it can also refer to a revelation or recognition of a person, place or thing that already existed but wasn’t yet known to the discoverer. Columbus “discovered” the New World, but its land and people were there long before he arrived. It’s this latter connotation that so aptly describes family business in 2015. Family business is far from new, and just like the New World, it’s unimaginably vast. And, while those who’ve long been “in the know” might balk at this idea of “discovery,” 2015 was a year in which many more people came to recognize the reality of family business as a major force in the economy and society.

What Already Existed?

The traditional use of the term “family business,” referring to small “mom and pop” shops, has obscured the magnitude of family businesses, both individually and

collectively. Definitions of family business vary,¹ but the key criteria hinge on whether a family owns, controls or manages a business, with the intention of doing so across generations. Further, a newer term, “family enterprise,” broadens the concept to include families with multiple businesses and holdings, such as investments, real estate, trusts and philanthropic ventures. Family enterprises often include what was traditionally referred to as a “family business” but are broader in scope and complexity. Given the range of definitions for each term and that they’re used interchangeably, it’s virtually impossible to get statistics with a high degree of certainty. But, rough estimates will suffice: There are estimates that family businesses comprise up to 90 percent of the world’s businesses.² By some accounts, they employ the majority of the world’s employees and contribute more to the global gross domestic product than non-family businesses. Perhaps surprising to those outside the industry, many, if not most, large publicly traded companies are family businesses, including Walmart, Marriott and Ford. This reality existed before 2015 and will continue far into the future. The “land” and the “people” were already there.

Evidence of Recent Discovery

The 2015 “discovery” of family business is evident from multiple perspectives. Here are a few examples:

- **Increased media focus.** Not only are there more trade publications than ever dedicated to family business, but also mainstream media has shifted attention to it in a more focused way. The leading indicator of this trend was an article in *The Economist*, “Special Report on Family Companies” (April 18, 2015),³ which provided an overview of the complex landscape. In 2015, articles on businesses run by families focused on the “family-ness” behind businesses more than ever.



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- **Expanding academic focus.** The number of family business programs in undergraduate and graduate schools is rapidly expanding. Schools are now emphasizing these programs as an integral and important part of their offerings.⁴ Data compilation is growing, as evidenced by the University of St. Gallen's launch of its Global Family Business Index covering the 500 largest family firms around the world.⁵
- **Convergence of professional disciplines.** Traditionally the purview of a relatively small number of specialized consultants, family business has gained the attention of firms ranging from small and large financial services firms to multi-disciplinary consulting practices. Specialized focus on family enterprises is now common.

Factors Leading to Discovery

Moments of discovery generally occur when a number of factors converge, reach a threshold and go beyond. What led to the 2015 discovery?

- **Marketplace developments.** The long-term effects of the Great Recession are only just beginning to reveal themselves. One of the first effects has been a shift away from viewing large, independent companies as the key to financial success and security. Skepticism has risen, and there's newfound hope for entrepreneurial ventures that often create or grow out of family enterprises. Institutional firms are looking beyond traditional business lines and into the private wealth market and finding family businesses at the core.
- **Information age effects.** Simply typing "family business" into Google generates 752 million results.⁶ Discounting for the generic nature of the term and the likelihood of numerous miss-hits, there's a lot of attention being paid to this area by a variety of sources. Global information is now available at one's fingertips. It's no longer possible to ignore the impact of developments in other countries and in one's own as information goes viral, fast. Indeed, the 2015 news cycle started with a focus on the late 2014 "nut rage" incident, when Heather Cho, a Korean Air executive

and daughter of the chairman, forced a plane to return to the gate when she was served macadamia nuts in a bag rather than on a plate.⁷ This was just one of many family business stories that quickly made headlines and dominated the Internet over the year.

- **Demographic shifts.** The 1999 inter-generational wealth transfer study⁸ has received a great deal of attention over the years. Something that's followed

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less by the media, but shows up in the offices of lawyers and accountants every day, are the contemplated transfers or sales of family businesses in the United States and other countries. These transfers are complex and go far beyond legal and tax planning challenges.

- **Political trends.** In 2015, family dynasties dominated politics in North America in a way that put the spotlight on family businesses as a point of comparison. It was hard not to think about parallels between political and business families.

What Comes Next?


Columbus made several voyages to the New Land, but didn't stay for very long and ultimately returned home having left an impact on both sides of his journey. For family businesses, the discoverers might stay longer, and even if they do leave quickly, their impact will be felt for a long time.

- **Impact on families.** The "discovery" of family

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business had and will have a profound impact on family businesses and the families who own, control and manage them. Family business owners and their family members are now treated as celebrities. They're asked to reveal family secrets; their family feuds fill the pages of even the most reputable media outlets. This exposure will affect the businesses run by these families, self-identification of family members and their relationships with each other.

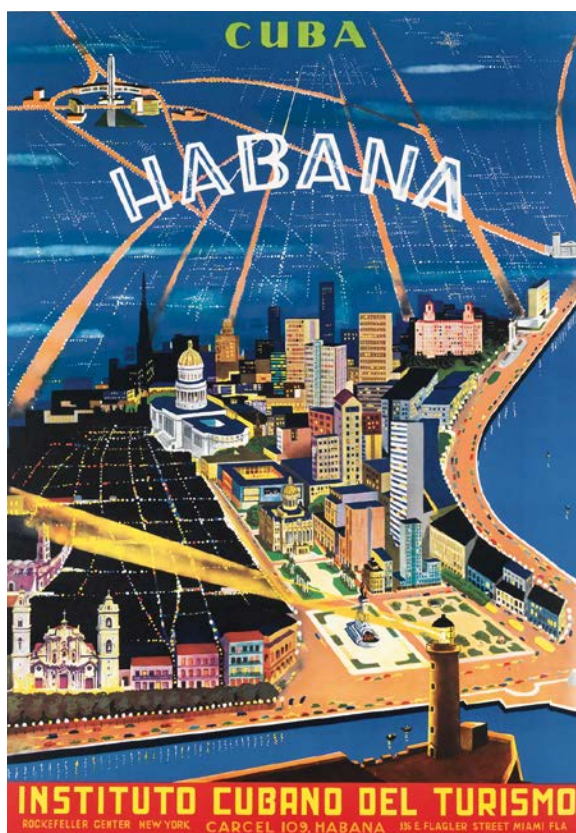
- **Marketing shift.** Not long ago, it was considered detrimental to describe your business as a family business, especially if it was a large one. This has changed quickly, and advertisers are jumping on the trend as quickly as possible to help clients re-brand their business image.
- **Impact on research.** We might be entering a golden age of academic focus on family business. Research projects around the world are spreading quickly, and it's become an attractive field for younger researchers. Researchers have access to data on publicly traded family businesses, and more private business families are willing to share their stories. Thanks to this trend, it would be impossible for us not to understand family business and family enterprise better in 2020 than we do today.
- **Societal implications.** Now that we know the scope of family business, we can no longer ignore its societal implications. Business is complicated; families are as complex as any human grouping can be. Given the magnitude of family business in culture, society and the economy, these are powerful forces that will impact everyone in one way or another. What goes on within families will impact the lives not just of members of the family who work in the business, but also of employees, customers and stakeholders of the business. The balance between these families and society will be one of the great challenges in years to come.

Discovery is an exciting moment. What lies ahead is often even more challenging and complicated. The 2015 "discovery" of family business is now behind us; what comes next is hard to predict, but there's no doubt that its impact will be immense. 

Endnotes

1. See www.ffi.org/?definitions.
2. "To Have and to Hold," *The Economist*, "Special Report on Family Companies,"

- April 18, 2015. See also www.ffi.org/?page=globaldatapoints.
3. "To Have and to Hold," *ibid*.
4. See, e.g., <http://www.wsj.com/articles/b-schools-take-on-the-family-business-1404327573>.
5. See <http://familybusinessindex.com/>.
6. By contrast, "family wealth" generates less than half as many, or approximately 256 million hits.
7. See www.washingtonpost.com/world/south-korean-airline-heiress-indicted-over-nut-rage-incident/2015/01/07/1639eeb5-c832-4b4e-a237-712c9d2a8317_story.html.
8. See <http://www.bc.edu/research/cwp/features/wealth.html>.



SPOT LIGHT

City Lights

"Cuba/Habana" (33 1/2 in. by 23 1/2 in.) by an unknown artist, sold for \$2,125 at Swann Auction Galleries' Rare & Important Travel Posters sale in New York on Nov. 19, 2015. A bird's-eye view of the Caribbean's second largest city, the map illustrates some of the go-to landmarks circa the 1950s. The poster is reminiscent of the tourism magnet that Cuba was pre-Castro.