

# Small Business Management <sup>19e</sup>

LAUNCHING AND GROWING ENTREPRENEURIAL VENTURES

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## CHAPTER

# 5

## The Family Business

# Networking

“Networking for People who Hate Networking” -  
Film

Write: Take-aways

# What Is a Family Business?

## Family Business

- An organization in which either the individuals who established or acquired the firm, or their descendants, significantly influence the strategic decisions and life course of the firm.

## Types of Family Businesses

- Owner-managed business
- Sibling partnership
- Cousin consortium

## Examples of small businesses

- Laundromats, restaurants, etc.

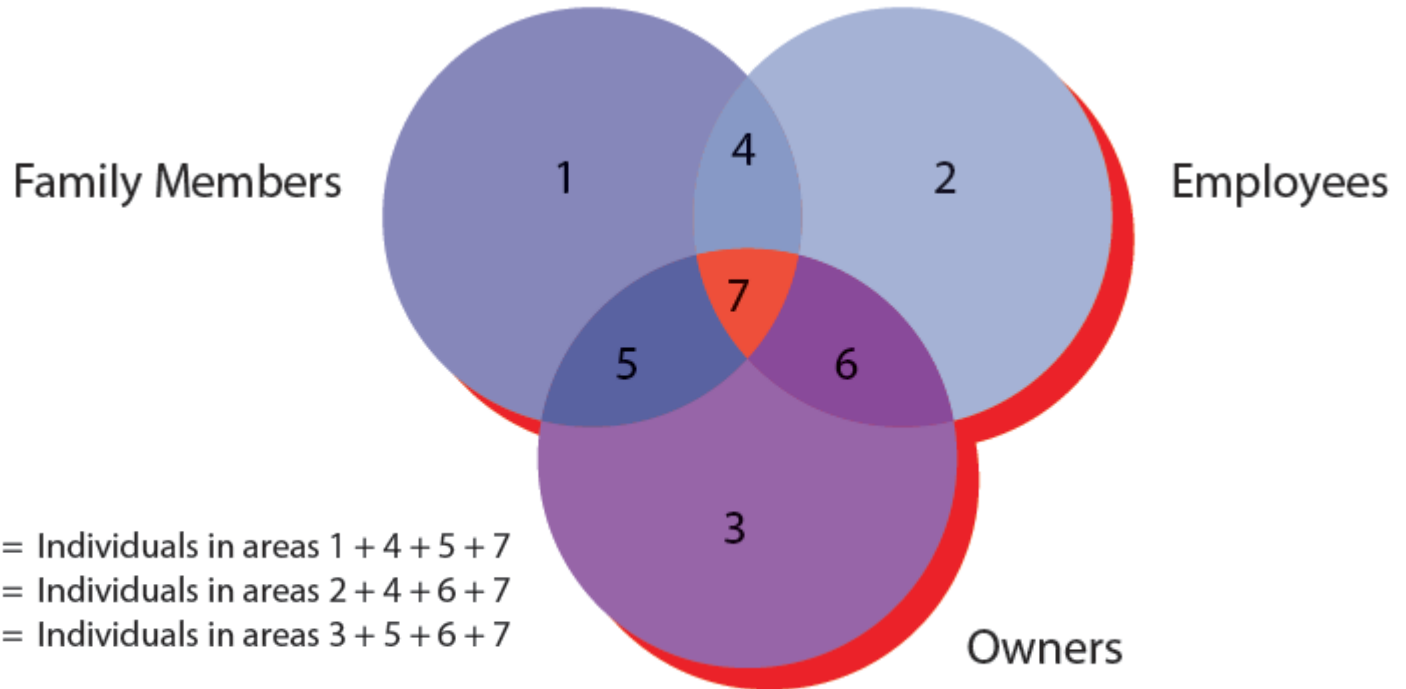
## Examples of large businesses



# World's oldest Family Businesses

**How old is the OLDEST family business?  
From what country?**

## The Three-Circle Model of Family Firms



Legend:

1. Family members (not involved in business)
2. Nonfamily employees
3. Nonfamily owners (not involved in operations of the business)
4. A family member employee (not an owner)
5. A family member owner (not involved in operations of the business)
6. An employee owner (not a member of the family)
7. A family member owner and employee

# Family and Business Overlap

- Family Concerns
  - Care and nurturing of family members
  - Employment and advancement in the firm
  - Loyalty to the family
- Business Concerns
  - Production and distribution of goods and/or services
  - Need for professional management
  - Effective and efficient operation of the firm



Which issues are most important from each section? Can they co-exist?

# Advantages of a Family Business

## Family Business Advantages

Family business culture and values

Knowledge  
**Next Slide**

A stable culture

Reliability and pride

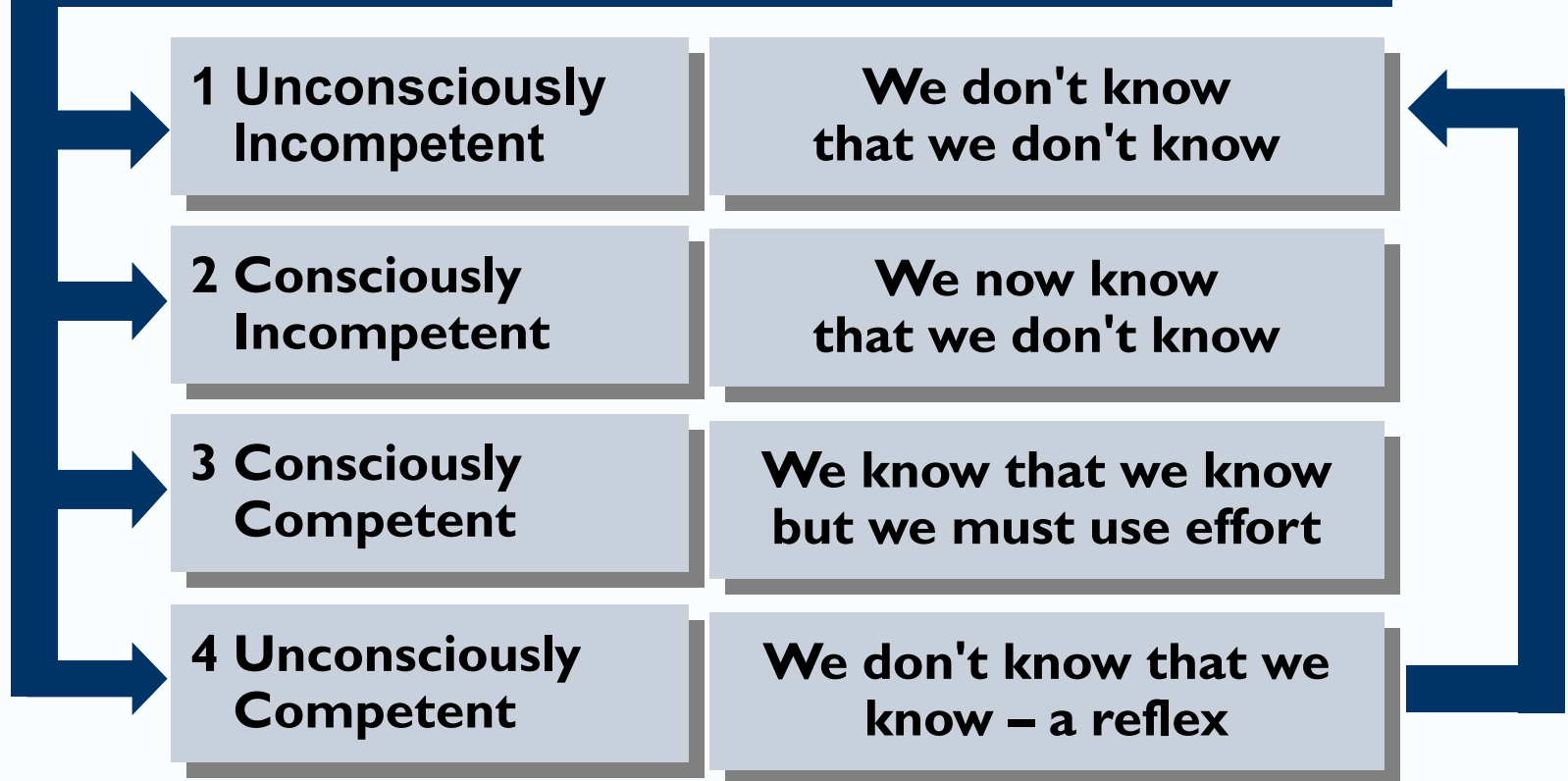
Commitment

Long-range thinking

Speedy decisions

# Grandma's Knowledge – Good vs. Bad

## Stages of Learning



Difficult to re-train seasoned employees at Stage 4 (they're Stage 1, but they don't know it)



# The Commitment of Family Members

**Socioemotional wealth** – Nonfinancial factors impact commitment of family members

Five dimensions (FIBER):

1. **F**amily control.
2. **I**dentification with the firm.
3. **B**inding social ties.
4. **E**motional attachment.
5. **R**enewal of family bonds through dynastic succession.

Leads to Obligation-Based Commitment - Example

# Governance in the Family Firm

## Family Retreats

- A gathering of family members, usually away from the firm, to discuss family business matters.
- Use of an outside facilitator may be necessary.

## Guidelines

- Be clear about the purpose of the retreat.
- Set small, attainable goals.
- Use an agenda and stick to it.
- Give everyone a chance to participate.
- Know the difference between consensus and agreement.
- Develop company “Talent Pool”

# Conditions Favoring Successful Leadership Succession in a Family Firm

- A sound, profitable business
- Stable, healthy family relationships
- Advance planning for leadership succession
- Positive family leadership and a team-oriented management structure
- Presentation of career opportunities without pressure
- Open communication on family business issues

**Discuss Pros and Cons of a Family Business**

# Costco vs. Amazon

Interesting FILM about two different business models ...

As a small business owner, what are some pros and cons of the Costco approach? Is it relevant for all types of businesses?

# Handout - Entrepreneur Interview Project

- Review the steps for project completion
- Access files for project completion:  
<http://instruction2.mtsac.edu/rjagodka/CourPage.htm>
  - **Entrepreneur Interview Instructions (txt)**  
save file and use this to write/edit project
  - **Project On-Line Input Form**  
Username: ralph  
Password: interview
- **Work on/ edit your content**
- Complete project by copy/paste into on-line form