GROWTH ASPIRATIONS AND FEAR OF FAILURE AMONG FAMILY AND NON-FAMILY BUSINESS OWNER/MANAGERS (SUMMARY)

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SUMMARY

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Principal topic

We draw on resource-based theory, agency theory and stewardship theory, to hypothesise that family business owner/managers differ in the resources they access to fund growth, commitment to their business and in growth aspiration and test them in a large UK sample.

Method

From a Global Entrepreneurship Monitor sample of the adult population, collected in the UK during 2005 and 2006, we selected owner/managers of businesses that had at least two owners, two employees, sales of over £1000 and who worked for at least one hour a week in the business. This provided a sub-sample of around 600 individuals. 65% of these were owner/managers of family businesses.

We conducted univariate chi-square and eta analysis, CHAID analysis and finally binary logistic regression on a wide range of possible demographic, attitudinal and business-related predictor variables for the family/non-family business owner/manager dichotomy.

Results and Implications

Family and non-family business owner/managers could not be distinguished on growth aspirations. However, we identified those variables that together predict 80% of family firms and 67% of non-family firms in the sample with a good model fit. Consistent with theory, the family firms in our sample were significantly more likely to raise capital from family and friends and from banks and less likely to raise it from individuals who are not family or friends.

We found that owner/managers that work either considerably less or considerably more than the norm are more likely to be family members. An interaction of hours worked with household income suggested that the relationship between hours worked and income was different for family and non-family business owner/managers. These results point to both agency benefits and agency costs of family businesses. Agency benefits include lower agency costs due to the alignment of principal-agent goals and lower due to high trust and shared values among family members. This may explain the over-worked/underpaid finding. In contrast, higher agency costs relate to opportunism, shirking, and adverse selection because of altruism (i.e., family members fail to monitor each other) reflected by the low hours of other family business owner/managers.

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