

Characteristics of Successful Family Businesses: A Longitudinal Approach Using the National Family Business Study

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Abstract

Using data from the 1997 National Family Business Survey (NFBS) and follow-up data in 2000, this study explored characteristics of successful family businesses. In particular, this study investigated factors associated with business survival and business success in family owned businesses. In this study, business survival was defined as “business has been in operation for 3 years,” while business success was measured by a question - “from your point of view, how successful has your business been to date.”

The 2000 NFBS indicated that 553 businesses participated in both the 1997 and 2000 surveys. The descriptive statistics reported that of the total 553 family businesses, 421 businesses were still involved in the same business after 3 years, while 132 businesses were closed. The results of descriptive statistics also indicated that the characteristics of the successful family businesses were the businesses with male managers, younger managers, educated managers, and Caucasian managers. The successful family businesses were also characterized with fewer employees and non-home based.

The results of logistic regression analysis indicated that gender, age, and health status of the business managers were significant predictors that determined the probability of being in business operation for 3 years. For example, women-owned family business, those with older managers, and those with poor health were less likely to survive between 1997 and 2000. However, businesses with high management skills were more likely to survive for three years.

The results of OLS regression analysis suggested that age, health, management skills, non-home based, satisfaction with community support, business problem, and business cash flow problems were significantly related to the levels of perceived business success among the business managers who had survived for 3 years. That is, businesses with higher levels of management skills and higher levels of satisfaction with community support reported higher levels of perceived business success. However, although they had survived for 3 years, when the businesses had higher levels of business problem and cash flow problems, the family businesses reported lower levels of perceived business success in 2000.

One of the major problems with new or small family owned businesses is their high dissolution rates. The findings of this study can increase the knowledge of what characteristics determined successful family businesses. Special attention has to be directed towards significant factors such as gender, age, and health of business managers, management skills, and satisfaction with community support in predicting business continuation between 1997 and 2000 and business success in 2000. Since the contribution that family businesses make to the national economy is paramount, barriers that prevent business managers from succeeding their businesses must be identified and removed.

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