The Prevalence of Businesses Owned and Operated by Families

The purpose of this paper is to delineate the operational definitions used to study households with a family firm and provide preliminary findings on the prevalence from the national study entitled, "Family Businesses: Interactions of Work and Family Spheres."

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Operational Definitions

Even if family businesses sustain our economy and society, their universality often goes unnoticed (Cox, 1997). The prevalence of family owned and managed businesses in the US is important for three reasons. First, estimates claim that family firms make up from 90-98% of US businesses (Shanker, & Astrachan, 1996), yet precise numbers are not available. Secondly, these same studies assert that family businesses employ over 50% of the labor force possibly influencing almost 50 million American households (U.S. Bureau of Census, 1997). Thirdly, the enormous economic contribution these businesses add to the gross domestic product (GDP) can not be overlooked.

Uniformly definitions of what makes up a family firm have focused on the owner and manager. This study defined a family broadly to include households with more than one member related to each other by blood, marriage, or adoption, and partners living together. To evaluate the interaction of the family with the business, active management and business ownership were required. The two intensity measures, years in business and hours per year, were included to allow for the differentiation of family businesses. To qualify as a family business, the owner-manager had to have been in business for at least a year, had to have worked at least 6 hours per week year round for a minimum of 312 hours a year in the business, had to be involved in its day-to-day management, and had to reside with another family member.

Sampling Frame and Results

Households made up the sampling frame so that agricultural, minority and home-based businesses would be represented. In addition, the household is the logical place to examine the relationships between the family and the business. The results reported here came from the screen questionnaire used to identify business owners and managers. A national probability sample of 14,115 listed telephone numbers was drawn based on pilot test prevalence of 12.8% (Heck & Scannell, 1997). About 15% were ineligible yielding a response rate of 82%. Although 18.2% of households had someone who owned or managed a business, only 10% of the households were eligible for the study. These percents suggest that SBA figures may underestimate the number of businesses in our economy especially micro and home-based businesses. Nearly 2 million households owned 2 or more businesses.

References

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Endnotes

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