

Challenges for Family Businesses in Marketing and the Legal Environment

This paper examines marketing and management functions in small family businesses as they relate to the political environment. That environment is discussed and results are reported regarding respondents' perceptions of marketing strategy and state and federal regulatory problems.

Sara U. Douglas, University of Illinois¹
Elizabeth Scannell, University of Vermont²

Introduction and Methods

Much of the family business literature focuses on tax policy and estate planning; while useful, such a focus ignores numerous other areas in which legislation also is taking place. We looked primarily into literature on policy that affects small business. Measured by employee numbers, our sample was one of small businesses, with zero to four full-time employees. Legal compliance in general and specific areas such as product quality, labeling, civil rights, and health and safety issues have long been concerns for small businesses. Policy offers continual challenges to small business owners and managers simply because it changes, as does court interpretation of legal meanings.

Data were gathered in 1997 in a national telephone interview of business managers. Qualifications specified for identification as a family business included length of time in business, as well as hours and involvement, but did not include number of employees. Response rate was 63% yielding a total of 708 owners and managers of family businesses who provided data. These respondents had a mean age of 46 years; 73% were male; and 67% had more than a high school education. Most (39%) had businesses that provided a service; 20% were in wholesale or retail trade, 16% in agriculture and mining, 11% in construction, and 8% in finance, insurance, and real estate, and 7% in manufacturing and transportation.

Findings and Conclusions

Significant differences were found among respondents in perceptions of legal problems based on size of business (with those who employed fewer full-time employees perceiving fewer serious problems with both state and federal law than those who employed larger numbers) and size of business (with those whose gross annual income was lower having more problems with federal law than those with higher income). Additional significant factors were legal ownership and industry classification. Managers of businesses that were corporations had more problems with both state and federal laws than did managers of businesses under other types of ownership structure. Regarding industry classification, those in construction reported serious problems with state and local laws, while those in manufacturing and transportation had more serious problems with federal law. For marketing strategy development, results showed differences based on gender and ownership type. Males and owners of sub-chapter S corporations reported more serious problems with marketing than females and other types of owners. Moreover, those who rated their businesses lower in success and those unsatisfied with community support also reported more serious problems with marketing.

Thus we found indeed that some family business managers have problems with policy. When these problems are recognized, help can be sought. Of more concern are those who perceive fewer problems or no problems at all. Are they actually experiencing fewer problems because their businesses are less complex and more easily managed, or does their response indicate something else — perhaps either lack of legal knowledge or devotion of attention to more pressing business matters? Of concern also are those managers who recognize they are exempt from some policies because of their small size; some may be uncertain about which ones, or assume their size exempts them from all or most law, state and federal. It is important also to recognize that all businesses, no matter what size, can be sued under common law and thus may have to contend with liability under state tort laws.

Endnotes

¹ Associate Professor, Department of Agricultural and Consumer Economics.

² Extension Associate Professor, Department of Community Development and Applied Economics.