



TenStep Supplemental Paper

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Family Owned Business

The most common form of business around the world is the family-owned enterprise. In many countries, this type of business generates more than half of the Gross National Product.

Distinguishing features of a Family Owned Enterprise are:

1. Employee support in family enterprises is usually stronger than in other forms of businesses.
2. Most family-owned enterprises have a strong community orientation.
3. For the younger generation in such enterprises, there are many learning opportunities when they are making their way into the business.
4. Family enterprises have a strong orientation for customer service, through which they generate customer loyalty.
5. Family firms are resilient because of the high degree of trust, security and sacrifice that exists within the family.

Members of such enterprises have a very thin division between their personal lives and their business lives. Crucial business decisions can suffer if there are interpersonal issues and family problems. Very often, transition of the business from one generation to the next causes complications.

The changing business environment has led to doubts about how some of these enterprises will survive. Communication is the key to survival. Members of the family have to discuss issues in the open in a proactive manner before problems arise. Many family enterprises fail because they have not adapted management practices and organizational principles, such as human resource management and marketing, in their day-to-day operations. In such establishments, there often is a stifling of professionals within the organization and regimented control over independent thought and action.

As a business model, entrepreneurs who wish to start a medium or small-scale business favor the family enterprise. The family can raise the resources and also share the profits within. This enterprise, if it works, offers security of employment for future generations to come.