Actual and intended growth in family firms and non-family owned firms: Are they different?

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This article uses the first wave of Longitudinal Small Business Survey (SBS, 2015), and investigates the role of owner-management structure in affecting the growth behaviours of small- and medium-sized enterprises (SMEs) in the UK. Specifically, the study compares the growth propensities among family firms managed by the family member(s) only, family firms managed by externally sourced manager(s), and non-family-owned small firms. Based on the change-in-amount perspective (Penrose, 1951), growth is measured using three different indicators, including growth in employment size, growth in turnover, and growth in sales. The
methods of analysis included probit regression and ordered probit regression estimations. Results of data analysis shows significant relationships between family effects and small business growth. Specifically, family-owned firms managed by owner-members are more cautious in pursuit of business growth and expansions. The key findings are reported below:

1. Small family businesses run by owner-managers only are less likely than non-family-owned businesses to experience growth in turnover and employment size during the 12 months before, but also will be less likely to expect growth in turnover and employment size in the 12 months after.
2. Small family businesses with externally sourced managers in the daily control of business are no different from non-family-owned firms in terms of reporting actual and expected growth in turnover and workforce size.
3. Small family-owned firms are significantly less likely than non-family-owned organizations to anticipate sales growth in the three years after. However, this difference is not explained by management regime.
4. Small business owner-mangers’ beliefs and attitudes towards growth embrace family values and have a significant effect on the growth propensity of family-owned SMEs.

We therefore propose the following recommendations:

1. Current government policy towards the development and growth of SMEs are mainly directed towards enhancing financial capability. In risk-averse oriented family businesses where prudent growth behaviour is more prevalent, easing the access to finance may not necessarily promote business expansion.
2. The overly conservative growth behaviour of small family business might be attributed to under-diversification of owner-family’s wealth. In this case, using venture capital or utilising specific insurance/buffer mechanisms may significantly reduce the exposure to systematic business risk and encourage owner-managers to pursue entrepreneurial activities sensibly, expand their business regime and contribute to economic growth.