The most prevalent form of business around the world is the family business, defined as one where members of the same family own sufficient capital to give them significant influence over the business. In many countries, family businesses represent over two thirds of all businesses. Many of the oldest companies in the world are family businesses and evidence suggests that they may be better survivors than other types of companies: a considerable number are hundreds of years old, having survived world wars, revolutions, and pandemics. This review examines research on how longstanding family businesses ensure their continuity through generations. Family firms who look to the next generation of owners, and the generation after that, may have a long-term perspective and ‘stewardship’ mindset. Family businesses in the UK were more likely to survive through the 2008 recession; the relevance of board and ownership stability to improved ability to survive indicates that long-term orientation is important. Further research is called for to understand variations and test assumptions.

Background

Some believe that family businesses are all traditional ‘mom and pop’ type businesses, or they are all small firms; dramas and media portrayals might have us believe that family businesses are embroiled in conflict, or conversely havens of harmony. The reality is that family-owned businesses represent the majority of firms, in some countries over two thirds of all companies, and therefore they cover all types and sizes of enterprises, including some of the world’s largest companies like Mars, Tata and Walmart, as well as millions of owner-managed small firms. The Institute for Family Business Research Foundation estimates that family firms represent 77% of private sector employers in the UK (IFB Research Foundation, 2019), and one in five of the UK’s largest companies (IFB Research Foundation, 2020).
Notably, family businesses include some of the oldest firms in the world. It is not unusual for family businesses to be more than 100 years old, and many can trace their roots back over 500 years. Comparisons between family and non-family businesses suggest that family-owned businesses may survive better than other firms (Wilson, Wright and Scholes, 2013).

Increased survival of family businesses has been linked to a ‘stewardship’ approach, arising from a long-term perspective. Stewardship encompasses organisation-serving rather than self-serving behaviours, people acting with higher-order motives than their personal utility or financial gains (Davis, Schoorman, and Donaldson, 1997). Instead of assuming that managers will be ‘opportunistic, self-serving and guileful’ (Donaldson, 1990: 379), with a stewardship approach people willingly co-operate in a shared effort to do what is best for the organisation (Donaldson and Davis, 1991; Howorth and Robinson, 2021). Stewardship is based on relationships and focus on non-financial objectives; as families are all about relationships, rather than profit maximisation or individual gain, it is understandable that stewardship may prevail more in close-knit family businesses (Le Breton Miller et al., 2011). Family managers acting as stewards may seek to protect the assets of the family by doing what they believe is best for the family business, rather than chasing their own personal agendas (Donaldson and Davis, 1991).

Family businesses’ long-term perspective is often expressed as a desire to build a business fit for future generations and a sense of responsibility for the legacy built by previous generations. This is captured in the concept of long-term orientation, which Lumpkin and Brigham (2011) specify as having three elements – futurity, continuity, and perseverance. Futurity is about forward thinking, making plans and striving to achieve them rather than reacting to events as they happen. Futurity is important to family businesses who care how the business will be for future generations and explains why family owners are more likely to provide patient financial capital. Continuity is a commitment to the continuation and survival of the business. As businesses go through ups and downs, if continuity is important, they will emphasise purpose and guiding principles, as well as their enduring reputation. Continuity is more likely to be important for family businesses who are committed to continuing family ownership. Perseverance is about making efforts in the present day, especially in adversity, to yield benefits in the future (Brigham et al., 2014). Perseverance enables businesses to endure economic cycles, disasters, and the vagaries of business. Long-term orientation is a combination of these three elements.

In a context of increased questioning of short-termism and greater emphasis on the responsibilities of business - as well as the Covid-19 pandemic - it is appropriate to examine whether family businesses with a long-term orientation and/or stewardship approach can provide lessons or insights for all types of businesses in how to survive the current challenges.

Evidence

Many case studies highlight the world’s longest-lived family businesses. The oldest recorded family business in the world was founded in 718 AD (Hoshi Ryokan, Japan), and has survived 46 generations of the same family. The House of Mewar (India) has survived since 734 AD across 76 generations of the same family. The oldest family firm in the UK is R. J. Balson and Sons, founded in the reign of Henry VIII (1515). According
to BEIS data, over one third of small and medium UK family firms are in at least their second generation of ownership (IFB, 2019).

Theoretically, a higher chance of survival for family firms might be expected, because of family-oriented goals that emphasise family cohesion, reputation and commitment; increased social capital arising from stable ownership and longstanding relationships (Arregle, Hitt, Sirmon and Very, 2007); survivability capital stemming from familiness, including patient capital and support through hard times (Sirmon and Hitt, 2003); increased scrutiny and efficiency because they are spending the family’s money (Anderson and Reeb, 2003); and fewer agency costs as interests are aligned (Arthurs and Busenitz, 2003). However, aspects of family firms that might negatively impact survival could include family conflict, altruism, risk aversion, and low investment in innovation (Wilson et al., 2013).

Wilson, Wright and Scholes (2013) examined over 700,000 private companies from 2007 -2010, including the 2008 recession. They found that family businesses were more likely to survive than non-family businesses; their findings were robust across alternative definitions of family firms, based on almost the entire population of medium and large private companies in the UK. Evidence suggested that the better survival of family businesses was associated with characteristics of family firms’ boards of directors, including greater board stability, fewer resignations, increased older and more experienced directors, increased gender diversity and directors living near the company. These findings are supported by Kotlar et al (2019) who found that UK large family firms have more stable boards with older, more experienced directors, although limited gender diversity. Wilson et al. (2013: 1370) argue that ‘families can put together and maintain boards that give the firm a higher chance of survival.’

Long-term orientation

Andrew Wates, former Chair of Wates Group explained their long-term orientation as follows: ‘Families instinctively focus on intergenerational transition. Contemplating what shape of business you want to pass on comes quite naturally... There are practical aspects of long-termism around financial gearing, risk analysis, and people and team development that rise to the top of the agenda when you break away from chasing short-term results.’ (Ernst and Young, 2012: 28). Survey and case study data (Clinton et al. 2018) indicate that long-term orientation is associated with incorporating the values of the founder in the future direction of the company, considering the social responsibilities of the company, the continuation of tradition and legacy, and caring about other family members involved in the business. Long-term orientation is more likely in family businesses as they have more stable boards and long-serving CEOs: the average tenure of a family business CEO is over 20 years compared to 4-6 years in public companies.

Miller and Le Breton-Miller (2005) observed that family-controlled businesses who were ‘managing for the long run’ concentrate on honing their products and skills rather than chasing short-term profits. They examined 24 old and ‘great’ family-controlled businesses, identifying four priorities that were key to these businesses’ enduring success: Command (giving senior leaders considerable authority in decision-making); Continuity (adherence to a long-term mission); Community (developing a strong culture with concern for all employees), and Connection (long established relationships with stakeholders and suppliers). Commitment to long-term success was also important, especially if the business carried their family name. Family business owners took personal and collective pride in their company, an attitude that may not be as common in non-family firms, where managers’ interest might be more transient and opportunistic.

Family business owners’ commitments to the continuity of their businesses, and responsibility towards employees and other stakeholders, necessitate innovation and
adaptation to change. Family owners with a long-term perspective are more likely to be willing to provide the patient financial capital needed to support the ups and downs of innovation (Wilson et al., 2013). Mapping the progress of family businesses over generations shows cycles of innovation, periods of low and high innovation in various generations, not just, or indeed not always, the founding generation (Rose, 1986).

Commitment to the long-term future of the business does not always extend to more distant family owners. Later generations who are less involved in the business are more likely to focus on their own self-interest and financial return from dividends rather than the long-term strategic objectives of the company. Family businesses may ‘prune the family tree’ to reduce the number of shareholders to a concentrated and committed group (Lambrecht and Lievens, 2008). Commitment is engendered in the next generation by engaging them in the family business prior to them having a formal role, either through a structured education programme and/or an informal socialisation process (Hamilton, 2013).

A long-term orientation is not exclusive to family companies. The Wates Principles (2018), which were developed as guidance for the governance of any private company, emphasise long-term orientation, such as ‘A board should promote the long-term success of the company by identifying opportunities to create and preserve value.’ Note that the Wates Principles were heavily influenced by family business membership of the Committee.

**Stewardship**

Stephen Rubin, chair of Pentland Group, family owners of Berghaus, Speedo and other well-known brands emphasised ‘The presence of family values in a business setting, the commitment to stewardship through the generations and the balancing of long-term objectives against the requirement to generate short-term profit.’ (Rubin, 2009: 5), highlighting the close association between stewardship and a long-term perspective. The etymological roots of stewardship emphasise growth of assets, not just protection. A stewardship perspective that is true to these roots will therefore be entrepreneurial, as family members aim to expand the wealth, assets, and opportunities for the family. Family members with a strong stewardship motivation are likely to want to engage in their business to ensure its long-term viability and/or to protect the family’s wealth rather than pursuing their own individual interests (Discua Cruz, Howorth and Hamilton, 2013).

Stewardship arises from heightened commitment to the family business (Westhead and Howorth, 2007). Steier and Muethel (2014) contend that families are ‘high trust’ organisations, able to pursue their objectives without worrying whether others might undermine them. High trust is associated with psychological safety. Where psychological safety exists, people are more willing to share innovative ideas or take personal risks. If there is a strong sense of purpose or stewardship, family and other employees may ‘go the extra mile’ to ensure the success of their family business. Stewardship might extend beyond those with a financial or employment connection allowing family businesses to draw on the human capital and networks of family members who have no formal role in the firm (Hamilton, 2006). Closely-aligned stewardship motivations among family owners, managers, and employees increase trust within the business and can provide quicker decision making, less bureaucratic processes, and enable the family business to be more nimble in taking advantage of opportunities (Howorth and Robinson, 2021).

Davis, Allen and Hayes (2010) provide evidence that values commitment and trust are aligned with stewardship in family businesses. Stewardship has been linked to superior business performance in family businesses (Davis et al., 2010). Stewardship or pro-organisational behaviours can be encouraged through mechanisms such as collective responsibility, non-hierarchical relationships, and intrinsic rewards (Hernandez, 2012).
Family directors can provide a strong connection to family values, strengthening stewardship perspectives and ensuring that the family business preserves the strategic objectives of the family owners, as well as shielding the business from any dysfunctional family effects. However, a predominance of family directors could potentially lead to over-emphasis on family priorities - to the detriment of the business - and family issues could spill over into the boardroom. Some family businesses operate a family council to improve stewardship of the family’s enterprises by engaging and educating more distant or next generation family members, clarifying roles, and addressing family issues outside of the business (Eckrich and McClure, 2012).

**Context**

Historians remind us that outcomes are usually due to sequences of contingent events (Colli et al., 2013) and we should avoid excessive simplification and recognise variety. Multi-causality and contextualisation are important in understanding the longevity of family businesses and variation in structures, strategies, and outcomes. Legal and regulatory frameworks, institutions, and even the climate can influence the opportunities, strategies, and future direction of a business (Roscoe et al., 2013). Wars, natural disasters, changes in legislation, society or technology, and many other externalities, could be interdependent or concurrent. However, commitment to continuity of the business drives family businesses’ efforts to remain in business during difficult times. For example, William Grant and Sons, one of the world’s leading whisky distillers, has survived through prohibition, which devastated their export business, and World War II, when their key ingredient, barley, was only available for food production and coal was in short supply. Their responses were to increase production ready for the end of prohibition and move to using peat instead of coal, giving their whisky a distinct flavour, providing them with a competitive edge (Howorth and Robinson, 2021). Commitment to continuity of the family business and long-term orientation were key.

**Summary and evidence gaps**

There is a general assumption and some evidence that family businesses survive longer than non-family businesses, and that their survival is linked to family businesses’ increased likelihood of having a long-term perspective (Colli et al., 2013; Corbetta and Salvato, 2012). Longevity is a balancing act between continuity and change. When a global shock, such as a pandemic, war or depression occurs, family businesses with strong values and a long-term perspective retain a commitment to continuity of the business, which determines what they continue and what they let go or change.

Stewardship, which is associated with a long-term perspective, has face validity for many family businesses. The global Family Business Network and in the UK, the Institute for Family Business, promote a business model based on stewardship. The International Board of the Family Business Network state their position thus: ‘the responsible use of capital is a powerful force for good and with corporate stewardship comes corporate advantage. Businesses that achieve great things deliver greater financial results, but these issues we face are more pressing than immediate financial return.’ (FBN-I, 2018: 2).

However, not all family businesses adopt a stewardship approach. They may not have shared values, collective commitment, harmonious relationships or the assets and reserves to focus on the long-term in the face of short-term shocks. Further research is needed to fully understand variations in stewardship, long-term perspectives and survival.
Stewardship is usually associated with a long-term approach and there is a danger that the two are subsumed, but they are not the same. There is little understanding of whether businesses can adopt an organisation-serving (stewardship) approach in the short term or whether a long-term perspective is a requirement for stewardship. Chrisman (2019) argues that stewardship is under-theorised. Stewardship assumes people who are organisation- not self-serving. However, in practice, people have a multitude of motivations that are not always consistent and therefore further research should aim to understand and test the assumptions of stewardship theory (Chrisman, 2019).

It is striking that studies which have compared family and non-family firms, attempting to assess if one group performs better than the other, lack consistency in their findings (Howorth and Robinson, 2021). For example, Anderson and Reeb (2003) found that family-owned firms perform better than non-family firms, Villalonga and Amit (2006) suggest that only family-owned, family-managed firms perform better than non-family firms, Bloom and Van Reenen (2007) found the reverse, whereas Westhead and Cowling (1997) found no overall difference in the performance of family and non-family firms. The inconsistency in findings is due to variations in their definition, identification or sampling of family firms.

Family business practitioners and policy makers need straightforward guidance and likely do not have the resources to dig deep into academic sampling methods and compare studies. Studies should follow Wilson et al’s (2013) example and test their findings across a variety of definitions to provide robust and clear findings. Large numbers of case studies provide examples of stewardship and/or longevity but there are very few quantitative studies that provide generalizable findings. There are even fewer quantitative studies that examine these issues longitudinally (Wilson et al., 2013, being a notable exception). Researchers who undertake longitudinal, comparative studies will be more able to provide robust and reliable findings that businesses can learn from to improve their longevity and ensure that their ‘responsible use of capital is a powerful force for good’ (FBN-I, 2018).

Sources


About the Author

**Professor Carole Howorth** is Chair of Sustainable and Ethical Entrepreneurship at the University of York. She has many years’ experience of researching, advising and managing family businesses. She founded England’s first Centre for Family Business, at Lancaster University, chaired the Global STEP Family Enterprise Project and has been Academic Advisor to the Institute for Family Business since 2011.

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