

A Global Overview

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6 - Cultural Forces in Large Family Firm Persistence

from Part Two - Exogenous Factors

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Abstract

Across cultures, family businesses are subject to high hazard rates. Fewer than 3 percent of all family businesses are estimated to survive beyond the fourth generation (Vallejo 2008). Assuming that each generation of ownership lasts an average of twenty years, a survival rate of 3 percent of the organizations over a century is perhaps not worse than that of non-family businesses. However, a priori, one might expect family businesses to have a significantly lower hazard rate than non-family businesses. This longevity may be expected because of the distinctive advantages of family business, including stewardship values toward the stakeholders, emphasis on continuity through the family dimension/line and change through intergenerational succession and business and non-family dimensions, and a committed and enduring vision of the founders and the families to leave a legacy for their successors (Gallo 1991; Vallejo 2008). Ward's pioneering study underlined three factors as highly correlated with family firm longevity: frequent family meetings, reflecting open communication; strategic planning, and an active board of directors, reflecting participatory decision making (Ward 1987). Ward concluded that a well-functioning family with strong values is the greatest resource for a family business. Factors such as family meetings that facilitate open communication help the ownership tap the potential power of the family to drive its business. Thus, business can be used as an opportunity for the family to grow, develop its potential, and manifest its values and dreams in society. The future of the business as well as the family involvement and succession can be planned in an orderly and constructive way. Successive studies confirmed these factors (e.g., Fahed-Sreih and Djoundourian 2006). Some identified additional important factors, such as a written succession plan and the preparation of successors (Lank 2001), as well as upkeep of knowledge and its transmission across generations (Chirico 2007).