

## FAMILY BUSINESSES: A GLOBAL PRESENCE

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**ABSTRACT:** Today numerous businesses worldwide are owned or controlled by families. In spite of their enormous variety (e.g. micro enterprises, small businesses, corporations) these businesses share a common characteristic: all are connected to a family. As one of the oldest historical form of commercial organization family businesses create wealth, and highly contribute to economic growth and employment all over the world. Therefore, family businesses have become a highly debated topic in the business literature. The aims of our paper are to define the concept of family business and to highlight its expansion at a global level. Our research is based on a literature review. Our paper shows that the global expansion of family businesses has been the result of various factors (e.g. economic, managerial).

**KEYWORDS:** family business, business, family, ownership, company

### 1. INTRODUCTION

Today numerous businesses worldwide are owned or controlled by families. In spite of their enormous variety (e.g. micro enterprises, small businesses, corporations) these businesses share a common characteristic: all are connected to a family. As one of the oldest historical form of commercial organization family businesses create wealth, and highly contribute to economic growth and employment all over the world. In this respect, they are “widely seen as the backbone of the economy” [21], a major component of an economy [14].

Many family businesses have proved to do “extremely well in the modern reality, and often even better than their non-family peers” [13]. This explains their huge geographical diffusion, especially in America, Europe and Asia. Family businesses represent the majority of companies and account for more than a half of the total employment throughout the world [15; 16; 10].

Therefore, family businesses have become a highly debated topic in the business literature. Over the past two decades significant researches related to family businesses have been carried out [23]. The aims of our paper are to define the concept of family business and to highlight its expansion at a global level. Our research is based on a literature review.

### 2. DEFINING FAMILY BUSINESS

Since the end of the 1990s there has been a growing body of family business literature. Consequently, the field of family businesses has gained prominence among scholars and researchers. In spite of the fact that there is not a single and a clear definition of the concept of family business there is a general agreement on three key components: the family, the business, and the ownership [6]. A family business is defined as:

- a business in which the family has to control more than 50 % of the voting rights in the case of privately held business, or a business in which the family has to control at least 32 % of the voting rights in the case of a publicly listed business [8].
- “one in which family members dominate the ownership and management of a firm, and perceive their business as a “family business”” [14].
- “a business where: 1. The majority of votes are held by the person who established or acquired the firm (or their spouses, parents, child, or child’s direct heirs); 2. At least

one representative of the family is involved in the management or administration of the firm; 3. In the case of a listed company, the persons who established or acquired the firm (or their families) possess 25% of the right to vote through their share capital and there is at least one family member on the board of the company.” [20].

- “a company where the voting majority is in the hands of the controlling family; including the founder(s) who intend to pass the business to their descendants” [12]
- a firm in which:
  - “1) The majority of decision-making rights is in the possession of the natural person(s) who established the firm, or in the possession of the natural person(s) who has/have acquired the share capital of the firm, or in the possession of their spouses, parents, child or children’s direct heirs.
  - 2) The majority of decision-making rights are indirect or direct.
  - 3) At least one representative of the family or kin is formally involved in the governance of the firm.
  - 4) Listed companies meet the definition of family enterprise if the person who established or acquired the firm (share capital) or their families or descendants possess 25 per cent of the decision-making rights mandated by their share capital.” [6]
- a firm “where a family owns enough of the equity to be able o exert control over strategy and is involved in top management positions” [18].
- a firm in which:
  - “1. Ownership control (15 percent or higher) by two or more members of a family or a partnership of families....
  2. Strategic influence by family members on the management of the firm, whether by being active in management, by serving as advisors or board members, or by being active shareholders.
  3. Concern for family relationships.
  4. The dream (or possibility) of continuity across generations.” [19]

The above mentioned definitions show that the concept of family business have different meanings for different people. They allow us to identify three of the main characteristics of family businesses. First, the presence of the family is decisive within a family business [3] as it is placed at the centre of the business [15]. Second, the family owns a significant share of the voting rights. Third, family members are directly or indirectly involved in the management of the business.

### 3. FAMILY BUSINESSES IN THE WORLD

As the most prevalent form of business in the world family business has proved to play a significant role in economic growth and social development [1; 7]. Many family businesses are multigenerational enterprises that have demonstrated their secular longevity and economic prosperity (Table 1). Taking into account that the majority of new ventures fail within 20 years of inception, a family business that has been in business for such a long period of time is impressive [2].

**Table 1.** The top oldest 10 family business in the world

Rank	Company	Sector	Revenue (US\$b)	Founding year
1.	Takenaka Corporation (Japan)	Real estate and construction	9.7	1610
2.	Merck K GaA (Germany)	Life sciences	14.2	1668
3.	Wendel SA (France)	Diversified industrial products	8.5	1704
4.	Wadia Group of Companies (India)	Diversified industrial products	2.8	1736

5.	Franz Haniel & Cie. Gmbh (Germany)	Diversified industrial products	4.8	1756
6.	Molson Coors Brewing Co. (USA)	Consumer products	4.2	1786
7.	Jeronimo Martins SGPS SA (Portugal)	Retail and wholesale	15.7	1792
8.	Thomson Reuters Corp. (USA)	Media and entertainment	12.7	1799
9.	Schroders plc (UK)	Asset management	2.8	1804
10.	Dleteren SA (Belgium)	Automotive	7.3	1805

Source: [8]

There is a broad consensus that family businesses constitute a central pillar of the global economy, accounting for more than 80% of companies worldwide [9; 19]. Famous and wealthy families, such as the Walton family or the Porsche-Piëch family, own some of the largest companies in the world (Table 2). There are several key factors that explain the expansion of family businesses at a global level as follows:

- A focus on the firm's long-term sustainability [15], the succession process [4], and the interrelationship between family, business and ownership [22].
- An active transfer of knowledge from predecessor to successor [11].
- An emphasis on preserving the ownership and maintaining the strong governance [5].
- An intense accent on a family business culture based on a value system that encompasses trust, honesty, confidence, respect, stewardship, responsibility or continuity [17].

**Table 2.** The top 20 family business by revenue

Rank	Company	Sector	Revenue (US\$b)	Founding year
1.	Wal-Mart (USA)	Retail and wholesale	476.3	1962
2.	Volkswagen AG (Germany)	Automotive	261.6	1937
3.	Berkshire Hathaway, Inc.(USA)	Asset management	182.2	1955
4.	EXOR Spa (Italy)	Asset management	151.1	1927
5.	Ford Motor Company (USA)	Automotive	146.9	1903
6.	Cargill, Inc. (USA)	Retail and wholesale	136.7	1865
7.	Koch Industries Inc. (USA)	Diversified industrial products	115.0	1940
8.	Bayerische Motoren Werke AG (Germany)	Automotive	101.0	1916
9.	Schwarz Group (Germany)	Retail and wholesale	89.4	1930
10.	Groupe Auchan (France)	Asset management	85.5	1961
11.	Arcelor Mittal (Luxembourg)	Diversified industrial products	79.4	1989
12.	LOUIS DREYFUS HOLDING B.V. (Netherlands)	Asset management	74.3	1851
13.	Reliance Industries Limited (India)	Oil and gas	72.0	1966
14.	PEUGEOT SA (France)	Automotive	71.8	1810
15.	Comcast Corp. (USA)	Media and entertainment	64.7	1963
16.	CASINO GUICHARD-PERRACHON (France)	Retail and wholesale	64.6	1898
17.	America Movil SA de CV (Mexico)	Telecommunications	61.6	2000
18.	Itau Unibanco Banco Multiplo SA (Brazil)	Banking and capital markets	57.0	2008
19.	The Long & Foster Companies, Inc. (USA)	Real estate and construction	56.0	1968
20.	Roche Holding AG (Switzerland)	Life sciences	50.5	1896

Source: [8, p. 186]

#### 4. CONCLUSIONS

Family businesses represent an old and traditional way of running a business. A large share of companies, especially small and medium-sized enterprises, is owned by families. They are

active in all economic sectors, highly contribute to the economic well-being and provide the majority of jobs in diverse domains.

The last decades have witnessed the multiplication of family businesses all over the world. Our paper shows that the global expansion of family businesses has been the result of various factors (e.g. economic, managerial). Further research may identify other relevant factors related to this expansion.

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