



Family Meetings and Family Business Success

A review of the research by Brian Distelberg, May, 2008

The purpose of this article is to simply lay out the scientific research on family meetings. Much has been written about the importance of family meetings and the more formal version called family councils. But these ideas or theories are logic based and tied to research on other issues, such as communication and succession planning within family businesses. This is not to say that one can't gain insight or helpful suggestions from these existing theories. They can. Therefore it would be wise to look at a few of these sources.

For example, the early theorists (Ward and Aronoff, 1994; Gersick, Davis, McCollom-Hampton, and Lansberg, 1997) in the family business literature have long suggested that family meetings can have a beneficial effect on family involvement in the business and that they should be the starting point for all family business planning (Ward, 1987). Others have provided a lot of helpful tools and suggestions for constructing and maintaining the practice of family meetings. A helpful source to look at would be Aronoff and Ward (1992 or 2002). But the current state of actual research on family meetings is quite new and right now there are really only four studies that either focus on or include family meetings in a scholarly study. These four studies will be presented here.

First, the American Family Business Survey, which is one of the largest ongoing studies of family businesses in the U.S., asked respondents about family meetings in 1995. What they found was that 32% of family businesses within the U.S. hold formal family meetings. Of those that do have family meetings, 91.4% report discussing business issues, 52% discuss ownership related matters, and 49% identified other business related topics. Even though these findings are not earth shaking, they did provide some motivation to further explore the use of family meetings in family businesses.

While the 1995 American Family Business Survey found that 32% of family businesses have family meetings, in 1994 Astrachan and Korendo found that 51% of family businesses have regularly scheduled family meetings. These meetings were limited to family members employed by the business. So in the mid-nineties the prevalence of family meetings was anywhere from 1/3 to 1/2 of family businesses. Unique to Astrachan's and Korendo's study was that family businesses that had not only family meetings, but also a board of directors and a strategic plan, were more likely to have survived a number of generations of ownership. Interpreting this study

is somewhat difficult because the focus was not family meetings, but human resource management policies, so family meetings were not isolated. Therefore, one can only conclude that it is the combination of family meetings, boards of directors, and strategic plans that relate to family business success

Two studies have focused specifically on family meetings in family businesses, and provide the greatest insight into the effectiveness of family meetings. The first is by Habbershon and Astrachan (1997). The purpose of this study was to understand the actual benefit of family meetings through understanding “agreement” in family businesses. What the researchers found was that, overall, family meetings increased the level of agreement within the family members. In other words, they asked individuals within family businesses to rate how much they thought the family agreed on goals for community involvement, company performance, stakeholder benefits, and family goals. Businesses that had regular family meetings had higher levels of agreement within the family. Also interesting in this study was the finding that that the larger the business, and the older the business, the less agreement there was throughout the family. Conversely, the larger the number of family members employed in the business, the more agreement there was within the family on family goals.

A more recent study by Towers, Gudmundson, Schierstedt and Hartman (2007) provides us with the greatest amount of insight into the prevalence of family meetings within family businesses. These researchers found that 35% of family businesses use family meetings regularly. This supports the American Family Business Survey finding, and therefore, it is probably accurate to assume that just over a third of family businesses use family meetings.

According to this study (Tower et al., 2007), of family businesses that use family meetings, 95% include family members employed by the business, 6% include family members under 18 years of age, about half (53%) include family members who are not employed by the business, and 22% allow participation from “In-Laws”. Of those businesses that use family meetings, the most frequently discussed topics include: business roles and responsibilities of members in the business, succession, stock, ownership, and community involvement. This supports the findings from the American Family Business Survey. Below is a list of topics that these businesses address in family meetings:

- Business roles and responsibilities of members in the business,
- Succession,
- Stock,
- Ownership,
- Community involvement,
- Code of conduct for family and business relationships,
- Compensation policies for family members,
- voting stock control,
- Which family members can be employed,
- Dividend policy,
- Qualification of family to be managers,
- Methods of family conflict management.

There are two very important findings from this study that should be remembered.

1. Family meetings dramatically increase the family businesses planning ability (succession, estate planning, family mission, business mission etc.)
2. Having a family meeting is not anywhere near as important as who is invited to participate. (The researchers suggest that the more inclusive the better).

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