Revisiting the Study of Family Businesses: Methodological Challenges, Dilemmas, and Alternative Approaches

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Family businesses are vital but understudied economic and social units. Previous family business research is limited relative to its definitions, sampling, and resulting empirical evidence. This paper presents an alternative methodological approach to the study of family businesses with the potential for allowing multiperspective and detailed analyses of the nature and internal dynamics of both the family and the business and the interaction between the two.

Introduction

Family businesses are a vital yet understudied element of our economy and society. Family businesses are seen as an avenue to achieve economic security and as a method for individuals to earn monetary returns on their talents and initiative. Little, however, is known about such an important and basic economic and social unit. Family businesses make great contributions to the nation's gross domestic product (GDP) and total wages regardless of how broadly or narrowly they are defined (Glueck & Meson, 1980; Ibrahim & Ellis, 1994; Shanker & Astrachan, 1996; Ward, 1987). "Family business" is not synonymous with "small business"; some family businesses are large corporations, but the vast majority of family businesses are small operations with fewer than 20 employees (U.S. Small Business Administration, 1997).

Only a small proportion of new businesses last more than three to five years; often, particularly in troubled economic times, it is the family business that survives. It survives not necessarily because it is a "good business," but because of the family (Keough & Forbes, 1991). Yet the components that constitute or promote success or effectiveness in a family firm remain elusive, as does the interrelated nature of family and business activities within family firms. Of utmost importance is understanding the impact of the family on the business and vice versa (Heck, 1998).

Not only have family businesses been understudied and defined in a myriad of ways, but family business research has been riddled with methodological issues and problems (Wortman, 1994). Prominent among these issues have been definitional and sampling problems (Upton & Heck, 1997).

The purpose of this paper is twofold: The first is to review past family business research relative to its methodological quality and dilemmas, particularly regarding definitions and sampling frames, and to present potential solutions or alternative approaches to these dilemmas. The intent is to offer an alternative to the traditional approaches that have been used to study family businesses. The second purpose is to describe the research design and the methods used in a recent study as an example of the alternative approach. Emphasis is placed on detailing the decisions made throughout the research process and the comparison to previous research on family businesses.

Previous Sampling Methods to Find Family Businesses

The samples for studies on family business are derived in a variety of ways. For example, some researchers have used databases, such as those from Dun & Bradstreet or Survey Sampling, that represent a variety of industries (Astrachan & Kolenko, 1994; Gundy & Welsch, 1994). The MassMutual/Arthur Andersen surveys use business sampling frames with minimum annual revenues and ownership criteria (Arthur Andersen & MassMutual, 1997; MassMutual, 1993, 1994, 1995). Others have chosen specific professions to target. Daily and Thompson (1994) derived their sample from a list of members of the North American Heating and Air Conditioning Wholesalers Association. Daily and Dollinger (1992) used the Harris Indiana Industrial Directory. Others have used the clientele lists from professional service firms (Fiegener, Brown, Prince & File, 1994), lists from state chambers of commerce (Ambrose, 1983), newsletters and/or family business associations (Dumas, 1989; Goldberg & Wooldridge, 1993), or specialized (black) yellow pages for a study of African American family businesses (Dean, 1992).

University classes and special programs also have been used to generate pools of respondents (Birley, 1986; Covin, 1994; Davis & Tagiuri, 1989). With few exceptions (Astrachan & Kolenko, 1994; Daily & Thompson, 1994; Fiegener et al., 1994; Goldberg & Wooldridge, 1993), national samples are rarely used in research on family business. Often the response rates to surveys of family business are low (Daily & Dollinger, 1992; Daily & Thompson, 1994; Dean, 1992; Finney & Wambsjanss, 1990; Goldberg & Wooldridge, 1993). Studies have been conducted using small localized nonprobability samples that have limited the generalizability of the findings. Moreover, it is not unusual to see case studies and clinical data used in studies of family business (Astrachan, 1988; Barnes, 1988; Dyer, 1989; Friedman, 1991). Although the case study approaches have contributed to the intuitive understanding of the nature of family business, such approaches are limiting in terms of generalizability.

The majority of past studies of family businesses have used a sampling frame that has consisted of businesses rather than households. Besides the possible biases of these business listings, a business sampling frame presents at least three major methodological difficulties. First, it may be difficult to define, ascertain, and contact the appropriate "respondent" for such a business sampling (McCollom, 1992). Is the respondent the owner, the manager, or in some other position within the business? Second, if the respondent can be defined clearly, it is often complicated to call or route the questionnaire directly to this designated respondent within the business, which may affect the response rate (e.g., Arthur Andersen & MassMutual, 1997; MassMutual, 1993, 1994, 1995). Third, given a clearly defined respondent who can be located easily, there is still the difficulty of how to represent the nature of the family business via one individual. How does the researcher ask questions and of whom to ascertain the information about the internal dynamics of the family business? Most of the literature on previous family business research solicited responses from the owner/manager and/or sometimes a possible successor but rarely from family members, particularly if the family members were not involved in the business (as an exception, see Rosenblatt et al., 1985). Clearly, using a single respondent to represent both the business and the family may distort the reporting of what a family business is really like and how it operates and interacts with the owning family.

One study, "At-Home Income Generation: Impact on Management, Productivity and Stability in Rural and Urban Families," focused on home-based work rather than family business and used a household sampling frame to locate respondents (Heck, Owen, & Rowe, 1995; Stafford, Winter, Duncan, & Genalo, 1992). Selected analyses showed that the business and the family worlds were quite distinct even when the same person was both the business manager and the household manager (Heck, Winter, & Stafford, 1992).

screened (see Table 1), of which 14.7% of the telephone numbers were ineligible because they were either not in service or were not the telephone numbers of households. About 12.6% (11.8% plus 0.8%) that were assumed to be households were not screened because of refusal or language barrier. About 5.1% never answered or had answering machines. Nearly 80% of the telephone numbers that were screened yielded ineligible households for the main interviews, primarily because no one owned a family business. Thus, 1,387 households screened were identified as having a member who owned a family business. Of those 1,387 households, 271 were eliminated because they did not meet the requirements for length of time in business or hours worked per year. Thus, 1,116 family households were eligible for the two main interviews. After weighting for national representation, 12,255,000 households, or 12.4%, had one family business

Table 1. Sampling Frame for 1997 Family Business Research Study

Sampling Frame	*Frequency*	*Percent*
Number of households in population	98,754,000[a]	—
Survey sampling sample	14,115	—
Ineligibles	2,069	14.7
Not working numbers	1,700	82.2
Not households	369	17.8
Eligible households	12,046	85.3
Refusals	1,424	11.8
Language barrier[b]	102	.8
Maximum attempts/no screen[c]	610	5.1
Completed screen interviews[d]	9,910	82.3
Number of households	1,387	—
Weighted prevalence	12,255,000[e]	12.4
Eligible for main interviews	1,116	—
Weighted prevalence	9,859,000	10.0
Completed either business or household interview	794	71.1[f]
Completed business interview	708	63.4
Completed household interview	759	68.0
Completed both business and household interview	673	60.3
Business and household manager is same person	259	—
Business and household manager not same person	414	—

Note. The interviewing for this study was conducted by Iowa State University Statistical Laboratory, Ames, Iowa.

[a] Source: U.S. Bureau of the Census, March 1997, *Current Population Survey*. [b] Could not obtain an English-speaking household adult. [c] 95% of households were contacted with a minimum of 16 callbacks. [d] Response rate equals 9,910 completed screen interviews divided by 12,046 eligible households resulting in 82.3%. [e] The total number of households with one or more businesses of any kind were 18,028,000. [f] Response rate equals 794 who completed either a business or household interview divided by 1,116 eligibles for main interviews, resulting in 71.1%.

administered first was asked demographic information about each household member. By administering those questions in the first interview, basic demographic information about the household was always obtained.

Data Collection Procedures. Screening began in the summer of 1997 by trained interviewers hired and supervised by staff members of the Iowa State University Statistical Laboratory. Screening interviews were conducted in the late afternoon and early evening and on occasional weekends. When an eligible household was identified and the respondent to the screen was one of the individuals to be interviewed and was willing to respond to the full interview schedule at that time, the interviewer administered the appropriate schedule.

Data collection continued through the end of February 1998. At the completion of the interviewing, the 1997 national sample consisted of 794 family businesses (see Table 1). Of these 794 families, 86 households were unble to complete the business interview, resulting in 708 business interviews, and 35 were unable to complete the household interview, resulting in 759 household interviews. There were 673 households that completed both the business and household interviews; in 259 of those cases, the business manager and the household manager were the same person. The remaining 414 were households in which different family members assumed the roles of business manager and household manager. To make full use of the data, researchers may use different subsets of the data depending on the research question.

The Response Rates. Because of the two-stage process, a single response rate could not be calculated. Rather, a response rate was established for each of the two stages. The screen yielded an 82.3% response rate (see Table 1). Of the 1,116 households eligible for the study, 794 completed either a business interview or a household interview resulting in an overall response rate of 71.1%. The response rates varied for each type of interview completed: 63.4 % for the business manager interview, 68.0% for the household manager interview, and 60.3% for both interviews. These response rates compared favorably with previous family studies. For example, the response rate for the 1997 Arthur Andersen/ MassMutual Study was 10.3%. Earlier MassMutual studies (1993, 1994, & 1995) yielded lower response rates than the 1997 study. The response rates for this study were lower than those usually attained through the procedures used by the Iowa State University Statistical Laboratory. The reasons for the low response rate can be traced to research design and sampling decisions and to societal and technological changes between 1989 and 1998.

The Screen. Two problems resulted in low response rates on the screen. First, the explosion of telemarketing in the past nine years has made it difficult to convince the person who answers the telephone of the legitimacy of the study. As the project field director said, "The interviewers love administering the interviews but hate administering the screen. They only have 10 seconds to convince the respondent of their purpose." The prevalence of answering machines and caller-ID equipment also posed barriers to cold-call telephone interviewing. More than 10% of the working telephone numbers could not be screened.

Two Household Respondents Rather Than One. The decision to interview both the business manager and the household manager from each household, although a sound decision conceptually, contributed to the low response rate in two ways. First, any time two people must be interviewed to represent a single household, the target respondent for the second interview was often never at home, busy, or the call was inconvenient. After several attempts, the only alternative is to declare the case incomplete and move on. The number of instances in which a second interview could not be completed highlighted the importance of gathering the demographic information from the first person interviewed.

A second factor contributing to the low response rate was more difficult to assess. In a household in which one respondent was lukewarm about completing the interview and the other was definitely opposed, it was likely that with the 1995 Survey of Consumer Finances (SCF) that also surveyed a nationally representative sample of households in which business ownership and characteristics was identified along with household characteristics. The 1995 SCF was collected for the Federal Reserve Board by the National Opinion Research Center at the University of Chicago (Kennickell, Starr-McCluer, & Sunden, 1997). The SCF included only borrowers who owned a business of any kind, hence 1,153 households were used.

The weighted descriptive statistics for age, gender, ethnicity, household size, home ownership, census regions, and employees were remarkably similar in both these household-based data sets (see Table 2). Educational levels were substantially different, with family business owners having more advanced education beyond high school than all business owners in general within the SCF sample. Given that the financial characteristics for business owners in general were the same or higher, this educational difference may be a function of family support or motivations.

The household financial characteristics were also very similar, except that all business owners in the SCF sample had higher household incomes, saved less, and owned less-expensive homes than family business owners. However, business gross sales and business profits were substantially higher for SCF business owners compared with family business owners. Even though gross sales of the businesses were higher for all business owners in the SCF, these revenues appeared to be generated by fewer numbers of business owners making large revenues. The businesses of family business owners were valued lower than those of SCF business owners. Moreover, there appeared to be less commingling of funds between the business and the family for family business owners than SCF business owners.

The industry types showed that family businesses were less dominant in wholesale trade but much more prevalent in retail trade than SCF business owners. Also, family business appeared to have longevity over SCF businesses. (No family business was less than one year in the 1997 Family Business Study because of eligibility requirements.)

Clearly, the household-based samples of businesses has provided great insights and greater detail into the nature of businesses and families. Further, the alternative approach presented here via the "Family Businesses: Interaction in Work and Family Spheres" research study has shown important differences between family business owners and business owners in general. The lack of recognition of these important differences has shown the inherent limited nature of previous family business research.

Implications of Alternative Methodological Approach and Conclusions

In pursuit of understanding the nature of family businesses and their internal dynamics, an alternative methodological approach has been presented here along with some initial empirical evidence that such an approach has revealed new and different details about the family business. This approach should be seen as an important alternative to the traditional business sampling approach. Further, this alternative approach has allowed for greater attention to both the family and the business arenas as well as to the interaction between the two (Heck, 1998). The multiperspectives relative to the interview schedules employed, along with this alternative methodological approach, will allow a wealth of analyses and insights into what promotes success or effectiveness in family firms as well as an understanding of the impact of the family on the business and the business on the family and the internal operations of each.

(Table 2 continued)

Characteristics	*1997 National Family Business Survey*	*1995 Survey of Consumer Finances*
Business sales (gross sales)		
Less then $25,000	26.8	44.9
$25,000 to $49,999	10.4	11.1
$50,000 to 99,999	14.0	11.8
$100,000 to $249,999	17.0	12.4
$250,000 to $1,000,000	18.3	10.4
More than $1,000,000	13.5	9.5
Employees		
4 or less	73.0	71.9
5 to 9	12.9	14.1
10 to 19	8.0	4.9
20 to 99	4.9	6.5
100 or more	1.2	2.6
Standard Industrial Classifications		
Agriculture and mining	10.9	12.1
Construction	10.4	12.6
Manufacturing	5.5	5.4
Transportation	1.7	3.8
Wholesale trade	2.0	11.5
Retail trade	21.4	5.2
Finance, insurance, and real estate	6.7	8.6
Service	41.3	40.8
Age of the business		
Less than 1 year	0.0	25.8
1 to 4 years	24.5	20.7
5 to 9 years	22.3	20.7
10 to 19 years	26.4	17.2
20 years or more	26.8	15.6
Used personal collateral for business debt, %	8.9	25.3
Business owes the family money, %	3.9	19.8
Family owes the business money, %	2.1	2.2
Number of observations	708	1,153

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