Under the Microscope: A Profile of the Family Business in Ireland

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ABSTRACT

A review of the entrepreneurship and small business literature indicates that little to no research has examined family businesses in Ireland in terms of their structure and composition, the management of the family business, and the training conducted by family businesses. The purpose of this paper is to examine these dynamics through the findings of primary research, thereby providing a profile of family businesses in Ireland. First, the paper aims to examine the demographics of the family business members and to understand the composition and structure of the family business. Second, the paper aims to understand how the family business is managed, and third, how training is carried out within the family business. The research methodology adopted for this study was that of a postal questionnaire. The questionnaire-based survey was applied to a sample of 500 family businesses in Ireland and a total of 121 valid responses were received, which resulted in a valid response rate of 24.2 per cent. The findings of the study identifies that family businesses are a source of employment for family members and typically the owner/manager is heavily involved in the day-to-day operations of the business. The most prevalent form of ownership is that of a husband and wife team. Results indicate that when the family business is small, the

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management team is comprised of family members only. However, as the business grows the presence of the family on the management team is reduced considerably. Finally, training in family businesses occurs on an informal, ad-hoc basis.

***Key Words*: Family Business; Family Business Structure; Management Team; Training in Family Businesses.

INTRODUCTION

With the exception of the ever fewer socialist economies, family businesses are the predominant form of enterprise throughout the world (Lank, 1994). Very few studies on family business have been conducted in Ireland – even though there are approximately 200,000 Irish family businesses and it is estimated that between 40 per cent and 50 per cent of the private sector workforce are employed in family-owned businesses (Hickie, 1995; Smiddy, 2002). The Small Firms Association (2000) stated that the majority of small and medium-sized enterprises (SMEs) in Ireland are comprised of family businesses. Brendan Butler, Director of the Small Firms Association, stated that:

> The reality is that the vast majority of small businesses, especially those employing 10 people or less, are family owned, so the family venture is a huge part of the economic fabric of the country. (Butler, 1995: 29)

However, a review of the literature indicates that little to no research has examined family businesses in Ireland in terms of their structure and composition, the management of the family business, and the training conducted by family businesses in Ireland.

The field of family business is a rather young academic field of inquiry, uniting a diverse group of people such as family therapists, psychologists, family business owners, family business members, consultants, solicitors, accountants, academics and researchers. Academics, consultants, professionals and practitioners struggled to define these terms even before the field of study emerged in the 1980s. One indication that a research paradigm's development is still nascent is if it lacks agreement on the basic definitions

(Lakatos, 1970). The field of entrepreneurship went through much debate regarding the definition of ‘entrepreneur’ and ‘entrepreneurship’ although little agreement was reached. A sort of academic pragmatism now exists with each researcher specifically stating his or her own definition (Katz et al., 1993). Unfortunately this makes any kind of constructive and comparative effort practically impossible. The developments in the family business arena are similarly frustrating. This is evidenced by the numerous definitions outlined in Table 1.

The definitional problem is compounded by a lack of consensus about what constitutes a family: whether it should include only parents and children, or all blood relations and in-laws. The difficulty with the definition of a family business is compounded with the finding that a family business relationship changes according to the structure and size of the business (Birley, 2000). The husband–wife business is largely different from a large family company considering the participation of family members in ownership and day-to-day management. Gersick et al. (1997) proposed a three-dimensional view of the family business taking account of the position of a company in terms of family, ownership and business life cycles. Birley (2000) maintained that without family involvement in both the ownership and the management of the business, one does not have a family business.

Handler (1989) identified four dimensions used by writers in the family business literature to define the family firm: (1) degree of ownership and management by family members, (2) interdependent sub-systems, (3) generational transfer and (4) multiple conditions. She observed that although there is no consensus as to what uniquely defines a family business, there seems to be a general agreement that the dimensions to be considered are the first three. Some authors use only one of the aforementioned dimensions to define a family business although their writings do recognise the importance of the others. If all of these dimensions are important in defining the family business, then a definition must incorporate them all to be widely acceptable. Handler’s (1989) attempt provides a conceptual clarification of the dimensions involved in defining the family business. Therefore, in order to understand what a family business is, one should look at each of the four components within the definition.

Table 1: Definitions of Family Business

Author (Year)	Definition
Alcorn (1982: 230)	'A profit-making concern that is either a proprietorship, a partnership, or a corporation…. If part of the stock is publicly owned, the family must also operate the business'
Barnes and Hershon (1976: 106)	'[A business in which] controlling ownership is rested in the hands of an individual or of the members of a single family'
Beckhard and Dyer (1983: 6)	'A business in which the subsystems include (1) the business as an entity, (2) the family as an entity, (3) the founder as an entity, and (4) such linking organisations as the board of directors'
Birdthistle (2003: 76)	'A proprietorship, partnership, corporation or any form of business association, which is classified as an SME and where the majority ownership is held by the family and family members are employed in the family business and/or the family is represented on the Board of Directors'
Handler (1989: 262)	'An organisation whose major operating decisions and plans for leadership succession are influenced by family members serving in management or on the board'
Klein (2000: 158)	'A family business is a company that is influenced by one or more families in a substantial way. A family is defined as a group of people who are descendants of one couple and their in-laws as well as the couple itself'
Lansberg et al. (1988: 2)	'Any business in which members of a family have legal control over ownership'
Litz (1995: 72)	'A business can be defined as a family business when its ownership and management are concentrated within a family unit'
Morris et al. (1997: 343)	'A firm is considered a family business when its ownership and/or management are concentrated within a family'

Based on the numerous definitions of family business posed in Table 1, there appears to be total agreement that a business owned and managed by a family is a family business. For the purpose of this study, the family business is defined as:

> A proprietorship, partnership, corporation or any form of business association, which is classified as an SME and where the majority ownership is held by the family and family members are employed in the family business and/or the family is represented on the Board of Directors. (Birdthistle, 2003: 76)

Based on the presentation of Handler's four dimensions, some dimensions are treated as variables for the definition of the unit of analysis presented in this paper, most notably ownership, structure and family size. Therefore the unit of analysis for this study is a business that is classified as an SME and where the family holds the majority ownership of the business, the business is a source of employment for family members and the Board of Directors is composed of at least one family member.

THE IMPORTANCE OF THE FAMILY SME

According to the European Commission, an SME can be classified as an enterprise that has fewer than 250 employees and has either an annual turnover not exceeding €50 million or an annual balance sheet not exceeding €43 million. The 'small enterprise' is defined as an enterprise that has fewer than fifty employees and has either an annual turnover not exceeding €10 million or an annual balance sheet total not exceeding €10 million. Micro-enterprises are defined as enterprises that have fewer than ten employees, and have either an annual turnover not exceeding €2 million or an annual balance sheet total not exceeding €2 million (European Commission, 2002: 5). The Observatory of European SMEs report by the European Commission in 2003 identified that there are 20.5 million enterprises in the European Union and they provide employment for 122 million people. Some 93 per cent of these are micro (0–9 employees), 6 per cent are small (10–49 employees), less than 1 per cent are medium-sized (50–249 employees) and only 0.2 per cent are large enterprises (250+). Furthermore, two-thirds of all jobs in Europe are in SMEs with total employment roughly equal between micro-enterprises and small and medium-sized enterprises (European Commission, 2003a).

According to Riehle (2003), Chairman and President of the European Group of Owner-Managed and Family Enterprises (GEEF), there are some 17 million owner-managed and/or family enterprises in the fields of manufacturing, commerce and services in Europe. Riehle (2003) found that European family businesses employ more than 100 million people (almost 80 per cent of employment in Europe), which are further broken down based on enterprise size: 30 per cent are employed in micro-enterprises, 25 per cent are employed in small enterprises, 15 per cent are employed in medium-sized enterprises, and 30 per cent are employed in large enterprises. Riehle further stated that the future wealth of the European economy depends to a large degree on this entrepreneurial sector and, in the future, society will need significant contributions from owner-managed and family businesses in social and economic developments (Riehle, 2003). Family businesses form the fundamentals of the European economy and the dynamism of the economy depends largely on the performance of family businesses in the future. Given the appropriate fiscal and social conditions owner-managed and family firms could provide an even greater contribution to the Irish and European enterprise economy.

As already stated above, of the 20.5 million enterprises in Europe, approximately 17 million are owner-managed and/or family enterprises. Through the analysis of reports and literature, it was found that no official figures exist stating exactly how many family businesses there are in Ireland and what proportion are SMEs. Based on the findings above by Riehle (2003) and the European Commission (2003a), one can infer that since the majority of enterprises in Ireland are SMEs and some 70 per cent of European SMEs are family businesses, the likelihood is that the majority of Irish SMEs are owner-managed and family SMEs. Additionally, according to Hickie (1995) family businesses in Ireland employ approximately 40–50 per cent of the private sector workforce. These approximations indicate that family businesses are important contributors to the Irish and European economies. Furthermore, there are indications that family SMEs preponderate over non-family SMEs. Therefore, even though SMEs are composed of family and non-family businesses, this study adopted the unit of analysis as family SMEs due to their estimated dominance in the Irish SME structure.

FAMILY BUSINESS HISTORY IN IRELAND

Family businesses in Ireland make very important contributions to Gross National Product (GNP) and to employment (Butler, 1995; Hickie, 1995; Smiddy, 2002). The economic value provided by family businesses is enhanced by their tendency toward long-term strategies rather than a need for quarterly results, and their aversion to debt and inclination to reinvest dividends (Gallo and Estap, 1994). A family business is therefore by its very nature more inclined than other types of companies to re-invest in itself, and to support and perpetuate wealth in future generations. While family businesses have reasonably poor survival statistics, they are unlikely to get up and go on the whim of head office from another country. Furthermore, the words ‘firm’ and ‘company’ mean, to most people, large, publicly owned concerns. In contrast, what automatically springs to mind when one talks of a family business is a corner shop or a small factory (Smyth and Leach, 1993). This distinction is not valid and the following examples of the oldest family businesses in Ireland support the fact that family businesses have a long history in Ireland. Avoca Handweavers is Ireland’s oldest surviving family business and has been in existence since 1723. The oldest existing family-owned pub in Ireland is Mansworth Pub in Cobh, which was established in 1890 (Cork Chamber of Commerce, 2005). The Cork-based car dealers Johnson and Perrott can trace its origins back to 1810, though its owners, the Whitaker family, did not purchase the business until the 1860s. Thomas Crosbie Holdings, the Cork-based media and publishing company, dates back to 1841. However, the Crosbie family did not become shareholders of the business until the 1870s. The Musgrave Group was established in 1876 and the business is currently run by the descendents of the group’s founders (Kehoe, 2005). G&T Crampton

(Holdings) was established in Dublin in 1879 by George Crampton; his nephew, T.A. Crampton, joined the business twenty-six years later and added the 'T' to the firm's name. Thomas McDonagh & Sons is a well-known Galway family business. The old merchant firm first started trading to customers travelling to Galway from the islands and Connemara at a shop on Merchant Road in 1845. The McMahon Group, a Limerick-headquartered timber importer and builders' provider, began business in 1830 (Kehoe, 2005). These are just some of the many thousands of old family businesses in Ireland, and they help give some sense of the length of history involved.

THEORETICAL PERSPECTIVES OF FAMILY BUSINESS

Davis and Tagiuri (1982) suggested that family businesses have several unique inherent bivalent attributes derived directly from the overlap of family, ownership and management status. These attributes include such notions as simultaneous roles, shared identity, a lifelong common history, emotional involvement and ambivalence, the private language of relatives, mutual awareness and privacy, and the meaning of the family company. Because of these bivalent attributes, family businesses behave differently by caring more about providing jobs for people, treating workers fairly and socialising family members into the business. The following discussion examines the theoretical nature of family businesses based on: (1) ownership and control, (2) management and (3) training.

Ownership and Control of Family Businesses

The separation of ownership and management is often said to be a fundamental characteristic of the modern capitalist corporation. This separation problem, first described by Berle and Means (1932), leaves managers of such a firm in effective control of the firm's operations. Researchers on this issue believe that this may impair the firm's performance, as managers might pursue their own interests to the detriment of shareholders' interest. The nature and extent of this conflict, also known as the principal–agent or agency problem, depends on the extent to which shareholders (principals) can control managers' performance (agents) and on the differing objectives and incentives of managers and shareholders. Consequently, the economic performance of the firm is expected to differ depending on the presence and extent of the separation of ownership from control. Furthermore, Gomez-Mejia et al. (2001: 82) stated that in a family firm a relational contract between the firm and a family member (an agent) 'involves a common bond and a set of mutual expectations that are more likely to be based on emotions and sentiments than a non-family relational contract'. Therefore, in a family firm, the family bonds engender agency contracts that are prone to depart from economic rationality. In contrast, in situations where ownership is dispersed and diluted, the manager–shareholder divergence in interests may be greater. Authors that supported this line of reasoning argued that owner-controlled family businesses are more likely to outperform management-controlled non-family businesses (Daily and Dollinger, 1992). This is because owners of family firms are more likely to maximise firm value, enabling them to personally realise any financial and economic gains. In contrast, professional managers of non-family businesses may not pursue profit maximisation and growth-orientated strategies because they prefer to maximise their own benefits (e.g. realise financial gains for themselves directly) by pursuing other activities such as the maximisation of short-run sales revenues. That being said, not everybody shared this perspective of an inherent conflict of interest between managers and owners in non-family businesses because they believed that managers are effectively constrained from taking actions that are not in the best interests of shareholders, via several disciplining mechanisms (Chrisman et al., 2003; Daily and Dollinger, 1992; Gomez-Mejia et al., 2001).

Another key characteristic of family businesses is that family members are generally represented in senior management and new recruitment (Levering and Moskowitz, 1993). Although this might be a potential benefit for the family business in terms of lower recruitment and human resources costs, the reality is that for many family businesses this is potentially damaging as these managers may not always possess the appropriate skills nor be the best possible candidates for the position (Levering and Moskowitz, 1993). In short, a characteristic of family firms is that they are not solely profit maximisers, but that they also pursue other important objectives such as maintaining or enhancing the lifestyle of the owners, and providing employment for family members in the management team (Westhead and Cowling, 1997). As a result, in some family businesses there is a potential conflict between financial and non-financial objectives. The pursuit of such non-financial objectives (family issues) may potentially impede the performance of the company.

Management of Family Businesses

One of the most marked differences between family and non-family businesses concerns the management of people. Leach (1991) argued that senior managers in family businesses are often torn between the demands of family values and business principles. Business maxims demand that organisations should only employ competent performers but jobs in family businesses may be found for family members regardless of their ability. Family businesses often pursue a unique set of management strategies and adopt different management styles that facilitate the development of more efficient approaches to business management and problem-solving, such as flat management, customer service, leaner structures, quicker decision processes and the commitment of qualified personnel. Arguments in support of this view generally fall under one of the following two broad categories: (1) commitment, loyalty and trust of managers and customers, and (2) centralisation of the decision process. This is said to allow family businesses to achieve natural performance efficiencies that many publicly quoted companies struggle to implement through painful restructuring and reorganisation (Donckels and Aerts, 1998).

Commitment and loyalty of managers and customers highlights the relationship dynamics within family businesses. The unique family-oriented atmosphere in the working environment may inspire greater employee loyalty, motivation and trust (Davis and Tagiuri, 1982; Ward, 1988). This trust is also shared by clients and other external stakeholders who regard family management as reliable and honest (Allouche and Amman, 1999; Ward and Aronoff, 1991). Indeed, the reputation of family businesses and their relationships with suppliers, customers and other external stakeholders may be stronger and more value-orientated than in non-family businesses (Lyman, 1991). Overall, family firms are said to exhibit a greater commitment to their mission, possess a greater capacity for self-analysis and suffer less from managerial politics (Moscetello, 1990). In combination, these factors are conducive to fostering a level of commitment and loyalty among managers and customers alike that is unmatched by non-family businesses.

The centralisation of the decision process is another example of the special nature of strategy and management style of family businesses. Evidence shows that the locus of decision-making is centralised in family firms while it may be centralised or decentralised in non-family businesses, depending on the complexity of the work (Dyer, 1986; Goffee and Scase, 1991; Leach, 1991; Mintzberg, 1979). This tendency to centralise is supported by Leach (1991) when he argued that family members are not disposed to seeking the advice of outsiders. With decisional control resting largely in the hands of top family members, the family business benefits from lower decision-making costs and enhanced flexibility (Davis and Tagiuri, 1982; Goffee and Scase, 1991; Hall, 1988; Poza et al., 1997). In addition, decisions are taken through efficient, informal channels. Family businesses thus benefit from a less cumbersome organisational structure with lower monitoring and control costs (Daily and Dollinger, 1992). Finally, centralised decision-making is said to be even more efficient through the use of 'family language', which enables more effective communication and greater privacy (Davis and Tagiuri, 1982). The inherent privacy of centralised family decision-making can give family businesses another strategic advantage because their competitors do not have access to information about their operations or financial condition (Johnson, 1990).

Differences also arise in the design and control of organisations. The assignment of tasks, the grouping of work activities, the flow of work and information, and the standardisation and control of work processes are informally organised in family businesses (Whisler, 1988). However, informality does not imply acquiescence by owners. Goffee and Scase (1991) highlighted that owners take advantage of ambiguity in small businesses, and that they influence their managers and employees indirectly. In contrast, professionally managed businesses are required to justify their actions to shareholders and consequently they initiate numerous formal reporting procedures to monitor events closely.

Learning and Training for Family SMEs

In a society with continuing economic and social changes, spurred on by the globalisation process and technological developments, learning and training plays an increasingly important role in business success. In fact, a society based on continuous learning is necessary to meet new challenges. Companies, and family SMEs particularly, are increasingly dependent upon the skills and commitment of each individual employee to achieve success. It is possible to identify a number of reasons that explain family SMEs' increasing attention to developing the knowledge of their employees, thereby improving the skills and aptitudes serving the businesses' productive purposes and ultimately their competitiveness (European Commission, 2003a).

Firstly, new technologies (especially information and communications technology (ICT)) are introducing new competence and organisational requirements into the workplace. The success of technological and organisational innovations within an enterprise depends significantly on the ability, skills and intellectual capacity of individuals at all levels to absorb change and interpret the rapidly changing environment. The European Commission (2003a) identified that the old 'Tayloristic' success formulas characterised by the division of labour between 'thinkers' and 'doers' are not applicable in the current knowledge-intensive economic environment. Secondly, in some countries, family SMEs seem to be particularly affected by the inability of the formal education system to match the enterprises' 'current needs'. This in turn, implies an added need for family SMEs to engage themselves in learning and training activities. Thirdly, the increasing internationalisation of markets and the subsequent competitive pressures faced by family SMEs, as well as the changing legal requirements they permanently have to deal with, are resulting in added competence and training needs. It is therefore not surprising that family and non-family SMEs face important difficulties in recruiting and/or retaining competent staff. The European Network for SME Research (ENSR) Enterprise Survey conducted in 2002 identified that the lack of skilled labour was the main constraint on business performance of European SMEs in the previous two years and 20 per cent of SMEs are affected by this problem (European Commission, 2003b). Finally, another important reason is related to the ageing process of the European workforce. Ageing entrepreneurs may cause an important part of the enterprises' key competencies to be lost, and this loss may have negative consequences on competitiveness, productivity and efficiency. Therefore, the preservation and development of competencies are critical issues for the long-term success of these enterprises.

With such a large contribution being made by family SMEs to the Irish economy, one could deduce that learning and development activities within these companies would be prominent, structured and strategic in their approach, and reflect the diversity of the markets in which they operate and the customers that they serve. Chaston et al. (1999) refuted this deduction as they suggested that SMEs in general do not have lifelong learning cultures that support learning and development activities. They added that many SMEs do not accept any real need for learning programmes that are designed to achieve ongoing and sustained upgrading of organisational competencies across all areas of management practices. They further identified that SMEs often prefer unscheduled training rather than scheduled training.

To conclude on the theoretical nature of family businesses, it has been highlighted that family businesses tend to have relationship contracts which form the basis of the ownership and control of family businesses. These relationships stem from the fact that members of the family business have similarities based on blood which are derived from the fact that family members in the business are linked through mutual expectations. The management of a family business differs from that of a non-family business due to the fact that managers tend to choose family members over non-family members. The structure of a family business is designed so that it is less bureaucratic, has customers at its forefront, and is committed and loyal to its employees and customers. Finally, pertaining to the management of family businesses, the theoretical nature of family businesses has identified that decision-making rests primarily with family members. This section has also highlighted the fact that family businesses in Ireland face problems when it comes to sourcing training programmes as there appears to be few training programmes designed specifically for family businesses. Furthermore, training programmes for family businesses have to be designed based on their specific needs such as frequency, content and cost.

FINDINGS ON TRAINING INITIATIVES IN IRELAND

The Irish government established an organisation called the Expert Group on Future Skills Needs to assist in the development of national strategies to tackle the issue of skills needs, manpower needs estimation, and education and training for businesses (Expert Group, 2000). In their report they identified that the location of the SME adds to the cost and time pressures associated with training and makes it more difficult to access the full range of training that would be available. Many companies have difficulties finding time for their employees to do enough training. Senior managers reported that rapid change has created learning needs that they do not have time to address (Expert Group, 2000).

The Expert Group also found that the cost of training constrains less profitable companies and those firms that do not have a good understanding of how to profit from training. Additionally, some owner/managers believe that as the trainee and society, rather than the company, capture particular training benefits, the company should avoid incurring costs associated with these benefits. The Expert Group (2000) further found that the training that is useful to the SME was either excessively difficult or costly to access, and that some types of training are not even available within Ireland. Finally, the report found that some companies have difficulties in finding the training that they need and in being assured in advance that the training they are buying is relevant and of good quality. They concluded by stating that in some companies the volume and quality of training is undermined by an ad-hoc approach.

The Small Firms Association (SFA) in Ireland, in association with Skillsnet – the Irish body that facilitates industry-led training – funded a major research project on training and development in the SME sector in Ireland (Skillsnet, 2003). The objective of the project was to encourage SMEs to engage in discussion about training and to actively encourage small companies to undertake more training of their employees. The findings of the research identified that a very high proportion of Irish SMEs devoted insufficient attention and resources to the training and skills enhancement of their employees.

Forbairt, through the Forbairt ADAPT project in 1999, conducted research on SME training so as to develop an understanding of how small businesses learn to use the Internet and endeavoured to develop training tools for acquiring the skills necessary to do so (Forbairt ADAPT, 1999). The findings of the Forbairt ADAPT project were that managers and most staff in small companies are multi-skilled, have little if any 'spare time', and have limited back-up information for technology support. The Forbairt ADAPT project also found that the typical SME, or particularly the micro-enterprise, can rarely afford to invest in formal off-site group training sessions. Forbairt identified that SMEs need training that takes the minimum amount of time away from the workplace, delivers only the required skills, responds to individual objectives and needs, can be changed at short notice and is inexpensive. Forbairt proposed that Internet training would be the most efficient medium to use for SMEs as a training tool. The reason for this approach is that it can be accessed at any time and can be tailored to their individual/company needs, thereby offering a customised approach to learning (Forbairt ADAPT, 1999). The findings of the Forbairt report concur with the report written by the Expert Group (2000), whereby both the Forbairt ADAPT (1999) project and the Expert Group (2000) found that SMEs believe that the type of training they need is expensive, time is difficult to devote to the training available and sometimes the training is not even relevant to them.

SAMPLE AND METHODOLOGY

One of the principal difficulties in undertaking a study of this nature is that no comprehensive list of independent family businesses in Ireland is currently available. To overcome this problem a pragmatic approach was taken in the construction of a sampling frame for this study. Primary data from a stratified random sample of independent unquoted businesses were collected. Sampling quotas by industrial categories (e.g. forestry and fishing, etc.) and by regions (the island of Ireland) were used as the sampling frame. *Business Plus* (1999), Dun and Bradstreet (2002), and Kompass (2002) provided the database for this stratified random sample of unquoted companies engaged in manufacturing, selling or the provision of services, of which 1000 companies were identified as potential family businesses. Organisations that were either public limited companies or subsidiaries of larger groups were removed from the sampling frame. Also removed from the sample frame were companies where the directors' names were all different from each other, which implied that they were not family businesses. After a detailed stratification of the list, 500 companies that were considered family businesses were randomly drawn from the stratified list of companies that remained.

The quantitative research methodology adopted for this research was that of a mail survey of family businesses in Ireland. This study relied upon a single key informant per family business for obtaining self-reported data. In most cases, the respondent was a family member who held the position of Managing Director or in some cases was a member of the Board of Directors. A mail survey approach was chosen for this research as it allows the researcher to conduct a national study at a reasonable cost. A mail survey is less time consuming than those administered by an interviewer. Interviewer bias is eliminated through a mail survey as questionnaires can be returned anonymously (Kotler et al., 1996). However, there are disadvantages of using a mail survey. Firstly, mail surveys are inflexible as questionnaires have to be short and easy for respondents to complete and no probing questions can be asked. Furthermore, the possibility of a low response rate is more prevalent with mail surveys than with other survey methods. In order to overcome the disadvantage of the inflexibility of this survey method, detailed instructions on completing the questionnaire were given. Dibb et al. (2001) identified that researchers can boost response rates in mail surveys by offering respondents some incentive to return the questionnaire. Incentives and follow-ups have consistently been found to increase response rates. The incentive offered by this survey method was the participation in a competition for a weekend away for the winner.

In this study, validity is assessed based on the validity of measurement using content validity as the basis of this measurement (Dooley, 1995). Validity is concerned with the quality of the theoretical propositions and hypotheses, as related to their empirical testing. Content validity is a subjective assessment of the appropriateness of measurement items as judged by knowledgeable reviewers (Bryman and Bell, 2003). The present study followed the guidelines provided by Bohrnstedt (1983) for enhancing content validity. First, extant literature was searched to determine how other authors have used the concept. Based on this review, the concepts, or constructs, were defined. Second, the domain of the concept was stratified into its major facets and several previously used measurement items were researched and adopted to reflect, whenever possible, the meanings of the different facets. Third, the measurement items were pre-tested with persons similar to those persons to whom the questionnaires were targeted.

To control for response bias, the structured questionnaire was addressed to a named respondent in each of the 500 randomly selected companies. In total 121 valid responses were received, resulting in a response rate of 24.2 per cent. Alpar and Spitzer (1989) reviewed over fifty reports in all volumes of *Frontiers of Entrepreneurship Research* from 1981 to 1988 by researchers who sampled actual entrepreneurs in a mail survey. They found that studies in which no additional contacts with entrepreneurs occurred and in which no addresses were obtained from a commercially available database achieved response rates of 8.0 per cent to 26.5 per cent. Thus the response rate of 24.2 per cent can be considered acceptable for this sampling procedure and data source of addresses.

RESEARCH FINDINGS

Of the 121 respondents, 77 per cent were the owner/manager of the family business and the remaining 23 per cent were either related to the owner or were in directorship positions. Thus all the respondents adhered to the ownership element of the definition of a family business presented for this paper. The number of people employed in the family business is identified in Table 2.

Table 2 identifies that 31 per cent of respondents are from a micro family business (less than ten employees), 47 per cent from a small family business (more than ten but less than fifty employees) and 22 per cent from a medium-sized (more than fifty but less

Table 2: Size of Family Business by Employee Numbers

Number of Employees	Frequency	Percentage (%)
Less than 10 employees	38	31
More than 10 and less than 50 employees	57	47
More than 50 and less than 250 employees	26	22
Total	121	100

Table 3: Highest Educational Award Achieved by the Respondents

Highest Educational Award	Frequency	Percentage (%)
Primary level	2	2
Secondary level	60	49
Vocational or technical training	14	12
Undergraduate degree	34	28
Postgraduate qualification	6	5
Executive development	1	1
Other	3	2
Total	121	100

than 250 employees) family business. This highlights the fact that family businesses can be of varying sizes and are also important contributors to the Irish economy in terms of employment. All respondents adhered to the ‘size’ element of the definition posed for this study, since they are all classified as an SME. Respondents were asked to identify the legal structure of the family business and 89 per cent identified that the family business was a private limited company. Sole traders accounted for 8 per cent of respondents and 3 per cent were partnerships. Respondents were also questioned as to their highest educational qualifications and Table 3 illustrates the results.

Table 3 identifies that 49 per cent of the respondents had a secondary level education as their highest award. The next highest educational award was that of an undergraduate degree (28 per cent) followed by vocational or technical training (12 per cent). These results indicate that the majority of family businesses are either established or operated by individuals who have learned about business from running or working within the family business.

Structure of the Family Business

Respondents were asked to indicate in which year they started or joined the family business. Additionally, they were questioned as to what generation is running the business and Table 4 illustrates the cross-tabulated results. Table 4 identifies that the majority of respondents' businesses are being run by the first and second generation of

Table 4: Generation Running the Family Business and Year the Respondent Started or Joined the Family Business

Generation	1940 – 1950	1950 – 1960	1960 – 1970	1970 – 1980	1980 – 1990	1990 – 2000	2000 –	Non-response	Total
1st		3	5	16	15	7	1	1	48
2nd		1	6	9	10	9		2	37
3rd		2	4	3		4		1	14
4th	2		1	2	1				6
5th			1			1			2
6th				1			1		2
1st and 2nd				2	1	2	1		6
5th and 6th			1						1
7th			1						1
10th		1							1
Other						1			1
No answer								2	2
Total	2	7	19	33	27	24	3	6	121

the family and were established in the 1970s, 1980s and 1990s. What is interesting to note from the findings is that there are multiple generations running family businesses in Ireland as seven respondents indicated that either the first and second generation or the fifth and sixth generation were running the family business. Additionally, family businesses appear to be part of the very fabric of today's Irish economic society since two respondents indicated that they joined a family business that is currently being run by either the seventh or tenth generation of family. These findings, along with the presentation of the historical legacy of family businesses in Ireland, suggest that family businesses have a long history in terms of their existence in the Irish economy.

Next the respondents were asked to identify in what business sector their business operated. The Standard Industrial Classifications (SIC) Index identifies agreed and acceptable classifications of businesses and these classifications were used within the questionnaire. The respondents were asked to choose from one or a combination of the following categories: manufacturing, construction, services, transportation, retail trade, wholesale trade, agriculture and forestry, finance and investment, and other. The majority of respondents (72 per cent) are to be found in the following business sectors: manufacturing (17 per cent), construction (18 per cent), services (15 per cent), retail trade (11 per cent) and wholesale trade (11 per cent). The remainder are a combination of the above business sectors mentioned. This indicates that family businesses can be found in all industry sectors in Ireland.

Composition of the Family Business

Family businesses in Ireland are closely held organisations in which multiple generations and/or a number of family members serve as employees or are dependent upon the business for financial support. This is true for the respondents of this study since 95 per cent of respondents have family members working in the family business and in the remaining 5 per cent the family were shareholders.

Table 5 identifies the number of family members employed in the family business cross-tabulated by firm size. The results of Table 5 indicate that in the majority of cases, the family business is a source of employment for family members. The findings of Table 5 sup-

Table 5: How Many Family Members Work in the Business by Firm Size?

Number of family employees	Number of employees			Total
	<10	10–50	50+	
0 family employees	1	4	1	6
1 family employee	5	9	2	16
2 family employees	13	13	8	34
3 family employees	11	13	4	28
4 family employees	6	11	8	25
5 family employees	1	3	3	7
6 family employees	1	3		4
7 family employees		1		1
Total	38	57	26	121

ports the findings of Westhead and Cowling (1997), who state that typically family businesses provide employment for family members.

A review of the notable theorists have identified that family businesses differ from non-family businesses in numerous ways and one being the issue of ownership (Daily and Dollinger, 1993; Dyer, 1986; Goffee and Scase, 1991; Leach, 1991; Mintzberg, 1979; Whisler, 1988). In a non-family business, typically the owners of the business are not related by blood and ownership is spread across numerous owners. However, in a family business, ownership is typically vested in the family or in a single owner and this is true in the case of the respondents of this study as illustrated by Table 6.

The most prevalent form of ownership amongst the respondents was that of a married couple, indicating the importance of copreneurs (husband and wife teams). Multifamily (18 per cent) – a combination of family members such as parents and siblings – and a single owner (18 per cent) were the next most common forms of business ownership. The business ownership that does not seem to be popular is that of mothers and daughters, thus indicating a trend in the

Table 6: Composition of Business Ownership

	Frequency	Percentage (%)
One owner	23	18
Married couple	46	37
Brothers and sisters	13	11
Cousins	2	2
Multi-family	23	18
Father, mother and son	1	1
Father and son	3	3
Mother and son	1	1
Brothers	4	4
Married couple and brother	1	1
Father and daughter	1	1
Husband and wife and a minority shareholder	1	1
Other	2	2
Total	121	100

Irish landscape of few female owners. To further investigate the composition of the ownership of the family business, respondents were surveyed as to how many family and non-family shareholders are in the business. The conclusion that can be derived from Table 6 is that family members are the predominant shareholders of the respondents' business.

Management of the Family Business

With regard to the day-to-day management issues of the respondents' family business, 86 per cent agreed that the owner/manager is heavily involved in the day-to-day operations of the business. Concerning the operations of the management team within the family business, 78 per cent agreed that every member of the top management team has a well-defined job. With regard to the structure of the family business, 73 per cent agreed that their family business has a well-defined hierarchy and structure. Respondents were questioned as to how many people make up the management team and how many are family members and Table 7 illustrates the results.

Table 7 identifies that for family businesses with a small management team (up to five members) the family is actively a part of that management team. However, as the management team grows, which corresponds with the growth of the business, the family presence on the management team tends to become diluted. For example, in the

Table 7: The Composition of the Management Team

Number of people on the management team	How many family members form part of the management team?						
	0	1	2	3	4	5	Total
0	3						3
1		5	1				6
2		5	28	1	1		35
3	2	3	8	10		1	24
4		2	7	2	5		16
5	1	4	4	1	3		13
6		4	6	2		1	13
7			1				1
8		1		1	1		3
10			2		1		3
11			1				1
12			1	1			2
60					1		1
Total	6	24	59	18	12	2	121

instance where sixty people make up the management team there are only five family members that are part of that team.

Furthermore, the findings of Table 7 echo the findings of Levering and Moskowitz (1993), who stated that family members are generally represented in senior management and new recruitment, thus leading to a potentially damaging situation for the family business as these managers may not always possess the appropriate skills. Respondents were questioned as to whether non-family, non-executive independent advisers sit on the board of directors. The findings indicate that for the majority of respondents (72 per cent), the board of directors are composed of only family members, which as a result may represent more the family interest than the interest of the business. Respondents were questioned as to whether management sought outside/professional advice when making important decisions and Table 8 illustrates the results.

Table 8 identifies that the majority of respondents agreed (31.4 per cent) or strongly agreed (31.4 per cent) that management seeks outside/professional advice when making important decisions. Therefore the findings of this survey contradict the findings of Leach (1991) who stated that family businesses are not disposed to seeking the advice of outsiders. However, Table 8 does identify that some family businesses (20.5 per cent) do not seek outside/professional advice and this could be an indication of the fear of infringing on the 'privacy' of the family businesses, amongst other reasons.

Table 8: Management Seeks Outside/Professional Advice

	Frequency	Percentage (%)
Strongly disagree	14	11.6
Disagree	12	9.9
Neutral	15	12.4
Agree	38	31.4
Strongly agree	38	31.4
Non-response	4	3.3
Total	121	100

Remuneration can be a contentious issue in any business. In a non-family business, market conditions and employee performance typically determine an employee's salary. However, according to Donckels and Fröhlich (1991), family employees are sometimes paid below or above market rate because they are family. As a result of being family they may be expected to work for a token salary or inflated salaries may be paid to withdraw excess cash from the business. The findings of this study identified that 54 per cent of respondents benchmark the salaries of all employed in the family business. However, 21 per cent of respondents do not benchmark family members' salaries and thus one would question the method they use for remunerating family members.

Management Entry Requirements in the Family Business

Respondents were asked what the minimum entry requirement was for a management position in the family business and Table 9 indicates the response. As previously stated, Leach (1991) identified that senior managers in family businesses are often torn between the demands of family values and business principles. Business maxims demand that organisations should only employ competent performers but jobs in family businesses may be found for family members regardless of their ability and Table 9 supports this claim.

Table 9: Minimum Entry Requirement for a Management Position

Minimum Entry requirement	Frequency	Percentage (%)
No minimum level of education	37	31
Secondary level education required	50	41
Tertiary level education required	13	11
Other professional education required	5	4
Secondary level education and professional qualifications	5	4
Non-response	11	9
Total	121	100

Table 9 indicates that the respondents' family business prefers to take the grassroots approach and nurture the family members into the family business. This is evidenced through the combined majority of no minimum entry requirement and a secondary level education as the minimum entry requirement required for a management position in the family business. Respondents were questioned if family members are only employed if their skills and experience fit a particular opening in the business. The majority of respondents strongly agreed (35.5 per cent) or agreed (19 per cent) that family members are employed only if their skills and experience fit a particular opening in the family business. However, the findings indicate that 17.4 per cent of respondents do employ family members even if their skills and experience do not fit a particular opening in the family business. It appears that some family businesses in Ireland may adopt a nepotistic practice in their business. Nepotism refers to career advancement of family members on the basis of relationship.

Succession Planning in the Family Business

The final section pertaining to the management of the family business examined whether the family has planned for the succession of the family business. The respondents were questioned if the current owner/manager is likely to be succeeded by a family member and if the succession issue is clearly defined and has been agreed by the management of the business. Finally, respondents were asked if all family members have approved the succession plan. Table 10 illustrates the collective results to these questions.

The findings of this study identifies that the majority of respondents are of the opinion that a family member will succeed the current owner/manager, thus perpetuating the family in the business. The results further indicate agreement that succession plans have been discussed and agreed by the management board and the family. However, the results also indicate a significant proportion of the respondents have not discussed nor agreed to a succession plan. This is a worrying fact since if 'one fails to plan, one plans to fail'. This means that should something unsuspected happen to the current owner/manager, some family businesses in Ireland will be left leaderless and this often results in a power struggle within the family business.

Table 10: Succession and the Family Business

	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)
The current owner is likely to be succeeded by a family member	36	21	26	6	11
Succession plans are discussed within the family	29	24	31	8	8
The succession issue is clearly defined and has been agreed by the management board	21	21	35	11	12
Succession plans are approved by all family members	23	13	35	13	16

Training Initiatives in the Family Business

Owing to their size, family SMEs often encounter greater difficulties in organising outside training and in many cases the training provided is very often unsuited to the business. The times and places for the courses are too inflexible; they require the staff to be away from work for long periods of time, while the content is too theoretical and too formal. Altogether this means that if alternatives do not exist, even the training courses or programmes available will not be used by SMEs (Goss and Jones, 1999; European Commission, 2002). Entrepreneurs in smaller enterprises have more difficulties than those in larger ones in finding time and money for the development of these skills, which are so important for the competitiveness of their enterprises (European Association of Craft, Small and Medium Sized Enterprises, 2001). The European Commission (2002) further supports this finding of the European Association of Craft, Small and Medium-Sized Enterprises because they found that the main reasons for not carrying out formal training activities is related to lack of time considerations. Other important reasons found were insufficient financial resources, lack of planning and lack of relevant training courses. The report observed that the typical SME is driven by short-term business pressures and is looking for quick and easy solutions that frequently cannot be provided. The following investigates if the findings of Goss and Jones (1999), the European Commission (2002) and the European Association of Craft, Small and Medium-Sized Enterprises (2001) apply to family SMEs in Ireland.

Table 11 indicates that the majority of respondents disagreed (19 per cent) or strongly disagreed (18 per cent) that members of the management team regularly attend formal training programmes. This is a worrying finding since if the people who are running the family business do not attend formal training programmes, one would question whether they are up to date with happenings in the external environment. Table 11 indicates that more emphasis is

Table 11: Training Initiatives in the Family Business

	Strongly Agree (%)	Agree (%)	Neutral (%)	Disagree (%)	Strongly Disagree (%)
Members of the management team regularly attend formal training programmes	9	19	35	19	18
Training of family business members is an important element of our business	35	16	25	12	12
Training of non-family employees is an important element of our business	36	29	24	8	3

placed on the training of non-family employees and family business members.

Furthermore, the anecdotal responses from the questionnaire identifies that more emphasis is placed on informal training rather than a formal training strategy. Examples of the anecdotal responses are as follows:

> Training does not really happen in the company, it is done on a needs basis and at the moment it hasn't been necessary. Furthermore, a lot is learnt from trial and error. I tend to learn on the job and my experience in the business has taught me a lot.

> Most of the tasks are learnt on the job; therefore training does not formally occur, rather it is informally conducted by employees learning on the job. Also, any formal training costs the earth, which small businesses rarely can afford.

> Training has to be conducted off-site, primarily abroad, as training for our business is not offered in Ireland.

These anecdotal responses support claims proposed by the European Commission (2003a), which stated that the formal education system is unable to match the needs of current enterprises, and the claims of Forbairt ADAPT (1999), the Expert Group (2000) and Skillsnet (2003), who all found that training courses are generally not accessible for small businesses, are costly and not specific to the needs of the small business.

The findings of this section indicate that some form of training is conducted within the family businesses surveyed. However, what appears to be prevalent is an informal training strategy rather than a formal strategy. The reasoning behind this was that formal training is not necessarily suited to their business since the family SME already has experienced individuals within the business and they can act as mentors to employees, thus using an informal training approach rather than a formal strategy. The expense of formal training also prohibits it from occurring within the family business. This finding supports the claim of Chaston et al. (1999), who stated that SMEs prefer unscheduled training rather than scheduled training.

CONCLUSIONS

The absence of research on family businesses in Ireland is quite alarming even though research on this unit of analysis has shown considerable international expansion over the past number of years. Other research on SMEs and new business start-ups has expanded rapidly in Ireland in parallel with the increasing recognition of the importance of SMEs and small business start-ups in modern economies. However, research on family businesses in Ireland has shown no comparable expansion over this period. This paper therefore is unique since it is the first paper conducted on profiling the family business in Ireland. This paper has outlined the structure and composition, and the management of the family business, and training conducted by family businesses in Ireland. The findings identify that family businesses in Ireland are established as private limited companies, with a well-defined hierarchy and structure. The most typical form of family business is that of a husband and wife team. This finding has managerial implications for family businesses due to the fact that divorce is now present in Ireland. Husband and wife teams need to consider the implications divorce may have on their business and necessary plans need to be devised for this possibility. Based on this finding, it is recommended that more research needs to be conducted on the implications of divorce on family businesses since a husband and wife team operate the majority of family businesses and divorce could be an issue for them sometime in the future.

The family predominantly owns family businesses, with few family businesses having non-family shareholders. Boards in family businesses are more frequently composed of family members and thus may be more representative of the family interest than that of the business. The study further shows the importance that family businesses place on the role of the family in the business by maintaining ownership within the family and/or providing a source of employment for family members and/or decision-making authority being held by family members. However, some family businesses in Ireland do practice nepotism by employing family members even if their skills and experience do not fit the necessary requirements. The implications for management are that by practicing nepotism they may be open to legal action by unsuccessful candidates. It is therefore important for family businesses to pass the responsibility of interviewing candidates for positions within the family business to a recruitment specialist.

Further conclusions that can be derived from analysing the personal background of the respondent and the business are that owner/managers of family businesses in Ireland are well-educated, family businesses are dominant in all sectors of industry, family members as employees are prominent in family businesses, the majority ownership is vested in family members, and that family businesses can be classified as micro, small and/or medium-sized enterprises. Training the members of the management team in the family SME appears not to be an important issue for family businesses in Ireland and this is a concern. It is important that training providers make training available for family SMEs that is timely, cost-effective and flexible.

The overall conclusion that can be derived from this study is that maintaining family SMEs is paramount to the Irish economy, since they are providers of employment and have a long existence in the fabric of Ireland's economic society. Therefore, by presenting the profile of the family business in Ireland through analysing their composition and structure, their management approaches and their training initiatives, this paper leads to the development of a better understanding and awareness of this unique business entity in Ireland.

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