JOURNAL OF SMALL BUSINESS STRATEGY

DO FAMILY MEETINGS REALLY MATTER? THEIR RELATIONSHIP TO PLANNING AND PERFORMANCE OUTCOMES IN SMALL FAMILY BUSINESSES

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ABSTRACT

This empirical research focused on examining the relationship between family meetings and the characteristics of those family meetings (who participated and issues discussed), planning processes (succession planning, estate planning, family mission and business mission) and performance measures (revenues and number of generations survived). Small family businesses in a midwestern state were surveyed with 241 useable responses. Significant differences were found in the planning processes between businesses that held family meetings and those that did not. No differences were found for the performance measures. Significant relationships between family meetings and both planning processes and performance measures were found when comparing family businesses based on who participated in the family meetings – just holding meetings does not matter, but inclusiveness of those meetings does matter.

Family meetings are "...periodic gatherings (that) bring the family together to share goals and decisions, discuss common problems, learn about the business, and preserve family identity, values and traditions" (Aronoff & Ward, 1992, p.3). In the 1992 monograph entitled Family Meetings: How to Build a Stronger Family and a Stronger Business, the authors stated that family gatherings can help build both a stronger family and a stronger business, and that the researcher believed, "...family meetings are one of the two most important steps a business owner can take to ensure the continuity of the family business (p.3)."

In an earlier publication, Ward (1987) also identified three principles that appeared to guide such companies. The three principles were a commitment to the future, the existence of a system of extensive communication, and conscientious planning. The family meeting was viewed as the key vehicle for implementing these principles.

Since the late 1980's, numerous books and articles regarding how to manage family businesses have discussed the significance of family meetings (or their more formal form, the family council) in creating healthy, successful family businesses. Educational programs on how to build family businesses virtually always mention family meetings as a key to success. In fact, family business forums and centers offer specific programs on how to establish successful family meetings.

While there is logic to claiming that family meetings are a key to family business success, there has been little empirical research that demonstrates the value of family meetings or that identifies under what conditions they are valuable.

Only one of the three most comprehensive empirical data gathering surveys (Arthur Anderson & Co., 1995, Arthur Anderson/Mass Mutual, 1997; Mass Mutual Financial Group/Raymond Institute, 2003) in the series entitled the "American Family Business Survey" included questions regarding family meetings. That 1995 study found 32% of family businesses held formal family meetings. Of those that held such meetings, 91.4% reported discussing business, 52% ownership, and 49% non-business topics. Those were the limited findings. Outcomes related to having a family meeting, or those related to the issues discussed in family meetings, were not examined in the study.

A more limited study by Astrachan and Korendo (1994) found 51% of the family businesses surveyed held regularly-scheduled family meetings limited to family members in the business. Further, the research found that those firms with governance practices that included strategic plans, boards of directors, and family meetings were "...correlated with business longevity over multiple generations" (p.119), and to a lesser degree, with firm revenues. Family meetings were not broken out as a separate item in the correlations, so it is not possible to determine if any one of these practices, or some combination, are related to longevity.

In a more focused study on the way family meetings impact family business, Habbershon and Astrachan (1997) built a model to show how family meetings develop family unity through the creation of perceived shared beliefs. These beliefs relate to goals that may be an important stimulant of collective family activity, which is focused on actions to achieve those goals. The study focused on the theoretical model and on the ability of instruments to measure perceived agreement, and not on empirical measurements of relating family meetings to outcomes.

Empirical studies prior to 1997 did not demonstrate a relationship between family meetings and family business success. Since 1997, empirical research relating to family meetings doesn't appear to exist. Despite the lack of empirical findings, advisors continue to discuss the merits of family meetings. Thus, in moving family business research forward, there appears to be a significant need for empirical research focused on the relationship between family meetings and outcome measures. The results of this research can then be used to provide a firmer foundation for advocating that families engage in such meetings, and depending on how the research is structured, possibly provide advice on how to structure these meetings.

METHOD

This research project is intended to help fill the family meetings research gap described above. Two performance and four planning outcomes were identified for consideration in the study. The two performance outcomes were level of revenues and number of generations of the family managing the business. Both were measurable and obtainable, and are generally considered to be measures of success in family businesses over time. The research also included gathering information relating to who participates in the meetings and topics discussed in the meetings.

Recognizing the importance of planning to the successful completion of engaging in directed activities to accomplish goals (Blumentritt, 2006), completed key family business planning documents were also looked at as possible positive outcomes related to family meetings. The specific planning outcomes examined are the existence of business mission statements, succession plans, estate plans, and family mission statements.

In structuring the study, the focus was on the following three questions:

1. Are family meetings related to specific performance and planning activities?
2. Are characteristics of family meetings (i.e., who participates and issues discussed) related to performance and planning activities?
3. Can family meetings be grouped in a meaningful way based on who participates in meetings and if so, do these groups differ in their performance and planning activities?

The first question focuses on the fundamental issue underlying the project, which is identifying the relationship between family meetings and specific outcomes. Questions 2 and 3 are intended to assist family businesses in structuring family meetings to increase their impact. The inclusion of information regarding who participates in meetings and what items are typically discussed are intended to examine possible mitigating variables.

Sample

A database of family businesses in a Midwestern state was developed over a ten year period by combining a mailing list of businesses receiving a family business magazine with known family businesses. Of the 926 businesses sent a survey, 244 returned a completed survey. Respondents were asked if the business was a family business, and if not, they were dropped from the sample. Only three such businesses were identified; thus reducing the sample to 241 for a response rate of 26%.

The first set of questions was comprised of general characteristics of the business that could be viewed as outcome measures, including the generation currently in control of the business and revenues of the business. The second set focused on planning, with questions asking if the organization had a mission statement, if the family had a mission statement, if there was a succession plan, and if there was an estate plan. Table 1 summarizes the descriptive statistics for these variables. As is shown in the table, the mean generation in control was the second, with revenues between five and twenty-four million dollars. Most businesses responding had estate plans (66%), and business missions (61%), but fewer businesses had succession plans (33%) or family mission statements (12%).

Governance of the family business was assessed by asking if it held family meetings, who participated in those meetings, and what issues were discussed. Table 2 summarizes the descriptive statistics for these variables. Of the family businesses, 35% held family meetings. As the table shows, 95% of those that held family meetings included family members employed in the business, and only 6% included family members under 18. The final variable is the number of topics discussed in the family meeting for each family that held formal family meetings. Items most frequently discussed were business roles and responsibilities of members in the business, succession, stock ownership, and community involvement.

Table 1 - Descriptive Statistics for Planning and Performance Variables

Variable Definition	Mean	Std. Deviation	Valid N
Performance variables			
Generation controlling the business[1]	2.15	0.907	222
Revenue[2]	3.50	1.759	219
Planning variables[3]			
Have a written estate plan	0.66	0.474	216
Have a formal business mission statement	0.61	0.489	222
Have a written succession plan	0.33	0.472	217
Have written family mission statement	0.12	0.325	218
Hold formal family meetings	0.35	0.477	223

[1] Coded 1= first, 2=second, etc

[2] Coded 1=$0-$999,999, 2=$1Mil - $4Mil, 3=$5Mil - $9Mil, 4=$10Mil - $24Mil, 5=$25Mil - $49Mil, 6=$50Mil – $99Mil, 7=$100Mil - $199Mil, 8 = $200Mil or more

[3] Coded 1 = yes, and 0 = no

Table 2 – Descriptive Statistics for Family Meeting Variables

Variable Definition[1]	Mean	Std. Deviation	Valid N
Who participates in family meetings[2]			
Family members employed in business	0.95	0.223	77
Adult family members not employed in bus	0.53	0.502	77
In-laws	0.22	0.417	77
Family members under 18	0.06	0.248	77
Others	0.08	0.270	77
What is discussed at family meetings			
Business roles and responsibilities of family	0.72	0.454	74
Succession	0.64	0.485	74
Stock ownership	0.61	0.492	74
Community involvement	0.54	0.502	74
Code of conduct family/business relationship	0.49	0.503	74
Compensation policies for family members	0.46	0.502	74
Voting stock control	0.35	0.481	74
Which family members can be employed	0.34	0.476	74
Dividend policy	0.32	0.471	74
Qualifications of family to be managers	0.31	0.466	74
Methods of family conflict management	0.24	0.432	74
Other discussion topics	0.10	0.296	73
Number of discussion topics chosen	5.11	2.662	74

[1] For all questions except "Number of discussion topics chosen" a 1 = yes, and 0 = no.

[2] Data for following variables are only from businesses that reported holding family meetings.

Data Analyses

The analyses were conducted in three steps. First, a multivariate analysis of variance (MANOVA) was used to determine if just holding family meetings was related to the existence of planning (succession plan, estate plan, family mission, business mission) and/or performance outcomes (revenue and number of generations the organization has survived). Second, to determine if it was possible to group family businesses in a meaningful way based on who was allowed to participate in family meetings, a cluster analysis was performed. If the clustering process resulted in identifiable groups, the final step was to determine if these groups differed on issues discussed, existence of an active planning process and performance measures. This was done by performing a second MANOVA.

RESULTS

In order to determine whether holding family meetings was related to a planning process and performance measures, two multivariate analyses of variance were conducted comparing family businesses that held family meetings with those that did not. Results from the analysis using the four planning variables indicated that the overall multivariate F was significant [$F(4,214) = 167.87$, $p < .001$]. The univariate F ratios for existence of a family mission [$F(1,217) = 9.74$, $p < .003$] and existence of a succession plan [$F(1,217)=6.07$, $p < .02$] were significant. The other two variables had F ratios with a probability of $p < .06$. Not surprisingly, family businesses that held formal family meetings were more likely to have a family mission statement (21% versus 7%) and more likely to have a succession plan (44% versus 28%) than those that did not. For the other two variables, the pattern was the same, but less pronounced. Results for the performance measures indicated no significant differences between family businesses that held family meetings and those that did not.

Correlations were calculated between number of discussion topics and the planning and performance variables. Results showed that there were no significant relationships between comprehensiveness of family meetings (number of different discussion topics in family meetings) and these variables.

To determine if there were types of family meetings based on who participated in them, a cluster analysis was performed using just those organizations that held family meetings ($n = 77$). Results of this analysis indicated a three group solution. Table 3 presents a summary of the three groups that held family meetings. A MANOVA was performed to determine which of the family meeting participant variables differentiated among the three groups of businesses that held family meetings. The results indicated that three variables differentiated between the groups, with children participating generating a significant F ratio ($F(2,74) = 5.91$, $p < .005$). The other two differentiating variables (those not employed in the business and in-laws) did not produce an F ratio because the within-group-variance was zero. Table 3 presents the percentage of businesses in the group that allowed each type of family or work relationship to participate in a family meeting. The first group is labeled *Inclusive* (virtually everyone is at the meeting with only children and "other" having less than 50% of the businesses allowing participation), the second group is labeled *Blood* (blood relatives 18 years and older participated), and the third group is labeled *Employed/Blood* (only blood relatives employed in the business participated). In effect, the *Inclusive* group is most inclusive and the *Employed/Blood* group the least inclusive.

The three groups of family businesses that held family meetings were then compared based on the kinds of issues discussed. A MANOVA was performed using the three types of family meeting participants as the

Table 3 - Percentage of Family Member Type Who Participates in Family Meetings in Each Group

Type of Family Member	*Inclusive* Group	*Blood* Group	*Employed/Blood* Group
Employed	100%	87%	97%
Not employed	100%	100%	00%
Under 18	24%	00%	03%
In-laws	100%	00%	00%
Other	18%	04%	06%

the independent variable and issues discussed at these meetings as the dependent variable. The multivariate F ratio was not significant. The only univariate ratio that was significant was for stock ownership (F(2, 70)=3.97, $p < .03$). Of the family businesses in the *Inclusive* group 87% discussed stock ownership in comparison to 61% of those in the *Blood* group and 47% of those in the *Employed/Blood* group.

Two other MANOVAs were conducted using the three groups of family meeting types, plus the group that held no family meetings as the independent variable and planning activities as dependent variables in one analysis and performance outcomes as dependent variables in the other. The multivariate F ratio for planning was significant (F(12,609)=2.95, $p < .001$) as were the univariate effects for three of the four planning variables [estate plan (F(3,204) = 3.74, $p < .02$), family mission (F(3,204) = 3.66, $p < .02$) and business mission (F(3,204) = 3.28, $p < .03$)].

Table 4 shows that the *Inclusive* group had the lowest percentage (i.e., 50%) of family businesses with an estate plan. This group, in contrast, had the highest percentage with a business mission, and the *Blood* group had the highest percentage with a family mission statement.

Table 4 - Prevalence of Planning Process Elements, Revenue and Family Generation Leading the Business by Family Meeting Group

Group	Planning Process Elements	Revenue[1] and Generations[2]
No Family Meetings n=151	60% estate plan 7% family mission 55% business mission	2.21 Generation 3.39 Revenue
Inclusive n=17	50% estate plan 19% family mission 94% business mission	2.47 Generation 4.88 Revenue
Blood n=24	86% estate plan 27% family mission 68% business mission	1.76 Generation 3.19 Revenue
Employed/Blood n=36	79% estate plan 18% family mission 59% business mission	1.99 Generation 3.51 Revenue

[1] Coded 1= first, 2=second, etc

[2] Coded 1=\$0-\$999,999, 2=\$1Mil - \$4Mil, 3=\$5Mil - \$9Mil, 4=\$10Mil - \$24Mil, 5=\$25Mil - \$49Mil, 6=\$50Mil – \$99Mil, 7=\$100Mil - \$199Mil, 8 = \$200Mil or more

The MANOVA on performance measures resulted in a significant multivariate F ratio (6, 428) = 3.004, $p < .01$) with a univariate F ratio for revenue [$F(3,214) = 4.05$, $p < .01$] being significant, but for generation in control not quite reaching the .05 level [$F(3,214) = 2.60$, $p < .06$]. Given the exploratory nature of this study, the results for generation in control are included with the caveat that they did not reach the preset significance level. Overall, the results indicated that *Inclusive* companies were in later generations of ownership (M=2.47) and had more revenue with the *No Meeting* companies being in the second latest generation, but third in revenue. While there were no significant effects when just comparing family businesses that had family meetings with those that did not, there were significant effects when comparing family businesses based on who participated in family meetings. Family meetings matter, but how they matter depends on who is allowed to participate in the meetings.

DISCUSSION

As the results of this study show, the analysis was unable to find significant differences for outcome variables between family businesses that utilized family meetings and those that did not utilize family meetings. In addition, no relationship was found between the comprehensiveness of the discussions in the family meetings and any of the outcome variables in the study. Significant differences were found in the planning processes between family businesses that hold family meetings and those that do not. However, these differences were not significantly related to the performance measures used in the study. This seems to run counter to the prevailing thought in family business literature as presented in the introduction. Previous research (Astrachan & Kolenko, 1995) found a relationship between a combination of governance practices including family meetings and generations and revenues. While not conclusive, this suggests that if a relationship exists, it is a more complex relationship, than has been previously examined.

The complexity of the relationship became more evident when we examined family meetings on the basis of who participates in the meetings. When grouping the family firms on the basis of who participates in the family meetings, we found significant relationships between the different groups and the firm performance measures. Overall, the results indicate that the *Inclusive* group companies, those that include the largest percentage of family members, regardless of age, in-laws and others, have survived for more generations and generate the most revenue. However, this group of firms had the lowest percentage of firms reporting a formal estate plan. Possibly because distribution of stock ownership is discussed most frequently in this group, it has reduced the need for estate plans.

The group of family businesses excluding family members under 18 years of age and in-laws had the lowest levels of revenues and had been in existence for the fewest number of generations. These values were even lower than the values for family businesses without family meetings. However, this group does have the highest percentage of firms with estate plans and a family mission statement. Possibly they focus more on business process than on the performance measures or maybe it is a function of the age of the business.

This is interesting because it suggests that just having family meetings doesn't necessarily lead to a higher level of performance. To add greater value to the family businesses, it appears that family firms need to focus on the composition of family meetings, not just on having them. The data seems to tell us that the more inclusive the family meeting membership is, the greater the positive effect on the firm; what is discussed is not as important as who participates in the process. This makes sense if we think about how the inclusion of all family perspectives and interests has the potential to have a positive effect on the quality of decisions made in the firm. The improved quality and quantity of communication, the inclusion of more perspectives and skill-sets in discussions, and the increased probability of having all of the key stakeholders in the business agreeing on the goals and direction for the business are all potential positive outcomes of inclusive family meetings. When all of these elements are combined, they lead to better decisions, which can lead to better performance of the firm. In addition, if younger family members are included, it may encourage them to become a part of the business when they grow up. This could be an important factor in assuring the continuity of the family business.

The results also imply that just creating a mission statement and having an estate plan do not guarantee better performance for the family business. The group with the highest percentage of firms with these plans performed at the lowest level. As suggested in the planning literature, these plans must be communicated and implemented to have a positive impact on the business. This is more likely to occur in businesses where all family members are included in the family meetings. The study is limited in its generalizability; specifically, the sample comes from one state in the Midwest. Future research could be conducted with samples from other geographic regions to improve the generalizability of the research. Another limitation involves the measures of performance used. In the future, using other measures of performance would improve the applicability of the findings. However, we do recognize the difficultly in getting any financial data from non-publicly traded firms.

Future research should continue to examine the importance of family meetings to the family business. Research should include other measures of financial performance if possible. It should also look at the value of the family meetings to family itself. Perhaps these meetings assist the family in providing family management and leadership for successive generations in the business, thereby increasing the probability of successful transition from generation to generation. This would provide a valuable contribution to our understanding of family businesses.

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