STRATEGIC STUDY

Family Business in the Dutch SME sector

Definitions and characteristics

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Contents

Summary

The family business is often said to be a special kind of firm. It is special in the way family members involved combine family life and work. Therefore, it is difficult to view the business, the management and the ownership separately. All over the world, the subject of family businesses is studied. Publications are for the greater part about succession or financial structure.

Recently, in the Netherlands, interest in the subject has increased. Family businesses are obviously important for the Dutch economy. They abound both in the large enterprise sector and in the sector of small and medium-sized enterprises (SMEs). According to estimates available, almost 50% of the Dutch enterprises with 100 or more employees are family businesses. Regarding the share of family businesses in the SME sector, some estimates are even as high as 80%. However, there is no agreement in the Netherlands about how one should define a family business.

In the underlying study, we attempted to provide more insight in definitions of family businesses that may be useful in the Dutch situation. Next, we applied two theoretically based and workable definitions of family businesses to the Dutch SME sector. By using EIM's SME Panel, we were able to estimate the share and number of family businesses within the Dutch SME sector. Finally, it proved possible to carry out an analysis of several demographics of family businesses, and to effect a comparison of family businesses with non-family businesses.

The most important characteristic of family businesses entails the fact that family systems are both part of, and overlap, business systems. Accordingly, the criteria adopted most often in a theoretically based definition are family involvement, family ownership, family management and intergenerational ownership transition. Of these, family ownership and family management were selected as the prime criteria. This provides us with a broad definition, while ignoring the aspect of generations. In a narrow definition, at least second-generation ownership of the business is additionally required to qualify as a family business. The definitions read as follows.

Broad definition

A business is a family business if:

> *More than 50% of the voting shares are owned by one single family, and more than 50% of the management (team) are drawn from the family that owns the business.*

Narrow definition (only second- or later-generation businesses)

A business is a family business if:

> *More than 50% of the voting shares are owned by one single family, and more than 50% of the management (team) are drawn from the family that owns the business, and the enterprise is owned by second- or later-generation family members.*

In these definitions, 'family' means the extended family, including uncles and aunts, nephews and nieces and other relatives related by blood or marriage.

Based on the above definitions, the share of family businesses among SMEs with personnel in the Netherlands (size class >1) is 65%. When first-generation businesses are excluded, 22% of Dutch SMEs may be qualified as family businesses. Table 1 illustrates the absolute numbers of family businesses that follow out of the shares identified.

Table 1 Number of family businesses in the Netherlands (SMEs with personnel)

	Broad definition (65% family businesses)	Narrow definition (22% family businesses)
1-9 employees	164,691	55,742
10–99 employees	30,628	10,366
Total	195,319	66,108

Source: EIM (2000), *Kleinschalig Ondernemen* (based on CBS[1]); EIM (2000), *MKB-Beleidspanel.*

The table illustrates that, in the Netherlands, there are almost 200,000 family businesses among SMEs with personnel. When first-generation businesses are excluded, about 66,000 enterprises may be qualified as family businesses.

Some characteristics

Next, using EIM's SME Panel of small and medium-sized enterprises with personnel, family businesses and non-family businesses within the Dutch SME sector were compared on a number of interesting variables such as firm size (number employed) and turnover (in Dutch guilders). Using the broad definition (including first-generation businesses), family businesses turn out to be smaller than non-family businesses. When first-generation businesses are excluded, in most sectors family businesses are slightly larger than non-family businesses.

When we look at turnover, we see that almost 75% of the family businesses effect a turnover of less than 5 million guilders. When first-generation busi-

1 Excluding agriculture.

nesses are left out, 64% of the family businesses and 68% of the non-family businesses effect a turnover of less than 5 million guilders.

As expected, family businesses are older than non-family businesses. The median year of foundation of non-family businesses is 1990 versus 1987 for family businesses (broad definition). The median year of foundation of second- and later-generation family businesses is 1977.

Furthermore, the results illustrate that family businesses are less export-minded than non-family businesses, but first-generation businesses appear to be slightly more export-minded than 'older' enterprises. Besides, we found that the myth of less innovative family businesses hardly holds, and that the claim that family businesses are less striving for business expansion (i.e. higher turnover) is unjustified. Particularly second- and later-generation family businesses are just as growth-oriented as non-family businesses.

1 Introduction

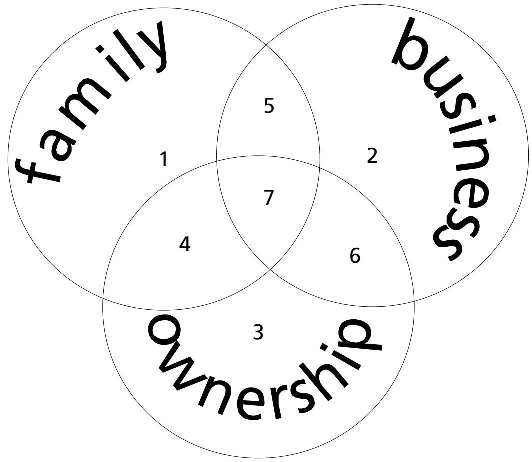
Why the subject of family business?

The family business is said to be a special kind of enterprise. It is special in the way that family members involved combine family life and work. In addition, the family influences business decisions. Each family member may play one or more of several possible roles, for instance: owner, manager or employee. However, even if a member is 'only' a non-voting shareholder, s/he will always be part of the business.

In a family business, it is difficult to view the business, the management and the ownership of the family enterprise separately, because every decision and/or change in one field will affect one or more other fields. This has important implications for the enterprise and/or the stakeholders (i.e. family members). The three fields comprise (possibly major) stress and/or opportunities for the partners (family and non-family) and other stakeholders. Besides, the differing roles a family member may or has to assume in the enterprise may sometimes be a challenge and sometimes lead to a disaster, due to conflicting interests. In addition, emotions may play a major role in daily business (the business is as a 'child' to the founder, keeping peace in the family!).

Figure 1 provides an impression of (the interaction of) the subsystems of a family business. Business, family and ownership are visualized as three overlapping subsystems, resulting in seven possible positions or sectors. Each individual who belongs to the system of a family business may be placed in one of the seven sectors. Someone who only has one connection to the enterprise will be in sector 1, 2 or 3. People who have more than one connection to the enterprise will be placed in one of the other sectors. Sectors 4, 5 and 7 comprise the family members who are directly involved in the business and/or its ownership. Of those, sector 7 comprises the owner who is a family member and is working in the business. Sectors 2, 3 and 6 include managers, employees and possible co-owners from outside the family. Finally, sector 1 indicates the family members who are not themselves involved in the business but may somehow relate with it.

Figure 1 Subsystems in the family business



Source: Gersick, Davis, McCollom Hampton and Lansberg (1997), *Generation to generation,* Harvard Business School Press.

A family business is clearly a system of sociological, psychological and economic characteristics. This means that, as an object of study, it has a multidisciplinary character. In the underlying study, family business is, nevertheless, mainly examined as an economic 'object'.

Themes researched in the literature

The amount of literature on the subject of family business is overwhelming. All over the world, the subject is now being studied. Given that we are talking about a special kind of enterprise with its own characteristics and topics, an initial quick overview of the literature illustrates, however, that the variety of subjects is modest. When looking at the themes that are researched, it seems that for the greater part, the publications are about succession or financial structure of the family business. Not much information can be found about the importance of family businesses to the economy, simply because the lack of an overall definition. No data can be provided about the number of enterprises that are 'genuine' family businesses. Striking is the fact that, until 1993, the subject had hardly been studied in the Netherlands.

During the MKB-Nederland Family Business Conference in Zeist on March 19th, 2000, the lack of basic data on family business in the Netherlands was stressed again by several people, among whom the chairmen of the SER (Socio-Economic Council) and MKB-Nederland. Since then, interest in the subject in general has only increased. Also the Dutch media have 'discovered' the subject. This (again) proves the need for more, and more thorough research.

Prevalence and importance of family businesses for the national economy

Definitions of a family business abound, and the prevalence of family businesses differs according to the definition employed. Almost 50% of the Dutch enterprises with at least 100 employees are family businesses. Even more than 80% may be qualified as family businesses when small and medium-sized enterprises are considered (Flören (1998)). This would imply that, excluding agriculture, there are 2,100 family businesses with at least 100 employees, and about 252,000 with between 1 and 100 employees in the Netherlands[1].

Several Dutch global companies, such as Philips and Heineken, started as family businesses, and although their family ties still exist, these enterprises may now hardly be considered as family businesses. The model of figure 1 is not applicable anymore. Sectors 4, 5 and 7 are too small in comparison with 2, 3 and 6. On the other hand, however, other large family businesses are still often run by family members. Twelve percent of the large family businesses are run by fourth or even later generations, whereas 13% of these family businesses have no family members represented in senior management. This implies that, although the family is not always involved according to the model, the enterprises are still highly family-minded (Flören (1998)).

Research goal

Research design: 3 steps

Obviously, family businesses are important to the Dutch economy. However, researchers and other opinion leaders cannot agree about what a family business is, let alone the way one should define a family business in the Netherlands. Figure 1 illustrates what is actually meant by 'a family business', i.e. a system of three interrelated fields. This, however, is not yet an operational definition and may, therefore, not be used for classifying purposes. That is why we chose to start this research project on family businesses in the Dutch SME sector by looking for and giving more insight in definition(s) that may be useful when examining the Dutch situation. Secondly, we chose two theoretically based and workable definitions of a family business and applied them to EIM's SME Panel. In this way, we were able to estimate the share and number of family businesses within the Dutch SME sector. Thirdly, by labelling businesses that meet the definitions adopted, we were then able to analyze some interesting demographics of Dutch family businesses.

Only SMEs

As the project is part of the Research Programme Entrepreneurship and SMEs, we focused on family business within small and medium-sized enterprises in the Netherlands.

1 Source: EIM (2000), *Kleinschalig Ondernemen* (based on CBS).

Summarizing the above, the problem definition may be formulated as follows:

- How may we best define family businesses among Dutch SMEs?
- What is the share of family businesses among SMEs in the Netherlands?
- What are the main characteristics of these family businesses?

Outline of the report

In the next chapter, an overview is provided of the literature on definitions of family businesses. Chapter 3 aims at a (reasoned) choice of a workable definition for the Dutch situation. First, chapter 3 comprises the outcome of an empirical analysis with some alternative definitions. These definitions are applied to a representative panel of Dutch SMEs. The application of broad and narrow definitions is analyzed and outlined. Then, a discussion follows about the analysis that is carried out. It ends with the choice of two definitions that are theoretically based and practically workable for the Dutch situation. In chapter 4, a brief overview is provided of some interesting characteristics and demographics of family businesses among SMEs, using these two definitions.

Reference group

The study was supported and supervised by a reference group, consisting of the following persons:

- drs. R. van Engelenburg (RZO)
- drs. R.H. Flören, MBA (Nyenrode Centre for Entrepreneurship)
- drs. A.J. Thomassen (Centrum van het Familiebedrijf)
- Prof. Dr. L. Uhlaner (Eastern Michigan University, and visiting professor at Erasmus University of Rotterdam)
- drs. A.B. Volkers (VNO-NCW)
- drs. A.R.M. Wennekers (EIM).

The responsibility for the content of this report remains fully with EIM.

2 Definitions of a family business

2.1 Introduction

In this chapter, an overview is provided of the literature on defining a family business. After a short summary of the main characteristics of a family business, several models and definitions found in the literature are outlined.

2.2 Some characteristics of family businesses

Family businesses may be distinguished from non-family businesses on a number of characteristics. Some characteristics (differences) that we have found in literature are[1]:

- Family systems are both part of, and overlap the business systems: the family dinner table may be more important than the boardroom.
- Control by one family: the business is owned and managed by one or more family members, in the sense that they control the operation decisions. Few 'outsiders' are admitted to the board or, if they are member, they often quit the board after a short period.
- Succession: the older generation of the family has much difficulty in letting go of control of the business. This often leads to difficulties in the family. The successors often have to fight against the idea that they have to 'beat' their father in being successful in business.
- Decision-making: in decision-making, the problem may exist of being forced by family interest or business interest. Family businesses that put 'family first' usually adopt a decision-making philosophy that is oriented inward toward what is in the best interest of the family. Decisions are primarily emotion-based and result in a full range of positive and negative interactions. As change is difficult in this decision-making philosophy, decisions are made to maintain the status quo and minimise changes. Family businesses that have adopted the 'family-first philosophy' may thus sometimes be qualified as 'old-fashioned' because the market is not the trigger for business decisions.

In fact, to some degree, all organizations exhibit some of the afore-mentioned characteristics of a family business. Each enterprise has a more or less 'family aspect' when looking at, for instance, the way co-workers 'live' with each other in their daily work. Also the spouse or other relatives, although not officially in the business, are often an important factor in the way a manager operates. Often, the spouse acts as a sounding board to the manager.

[1] In particular, see Chua, Chrisman and Sharma (1999), *Defining the Family Business by Behaviour*, as well as several other sources cited in the text and/or listed in the References to this report.

2.3 Definitions in the literature

No uniform definition available

When looking for a suitable and uniform definition of a family business in the literature, one will soon discover that this is still an unresolved problem in the field of research on family business[1]. One may say that there are as many definitions as there are researchers working on the subject.

While searching for a workable definition in the literature, we should keep in mind that a distinction should be made between 'real' definitions based on a conceptual framework and 'definitions' that in fact only *characterize* a family business. These 'definitions' use specific characteristics or qualities such as shared values, devotion (to the business) or long-term vision. Actually, these characteristics are directly related to the fact that the owners and managers are members of the same family.

The theoretically based 'real' definitions and typologies used in literature comprise a wide variety of criteria. The ones most often used entail:

- Family involvement
- Family ownership
- Family management
- Intergenerational ownership transition
- Control systems utilized.

Sometimes, several other criteria are used, such as performance, size or use of technology. One should, however, realize that these 'criteria' are in fact variables to describe family businesses after defining them instead of using them to objectively qualify a business into a family business or non-family business.

Based on the five criteria narrated above, some researchers have proposed a very broad definition (or-or criteria) while others chose a more narrow one (and-and criteria).

A static and a dynamic approach

When trying to define the family business more clearly, there are different conceptual approaches. The first approach is a static one, and the second one has a dynamic point of view.

The *static* approach is based on a focus on the structural dimensions of the organization. In this case, ownership and management are used to discriminate between enterprises.

The *dynamic* approach is to concentrate on intra-organizational aspirations. This approach is based on strategies for achieving goals in the organization.

1 In particular, see Greenwald (1993), *Major Findings of the Family Business Survey,* and Handler (1994), *Succession in family business: review of the research,* and other sources listed in the References to this report.

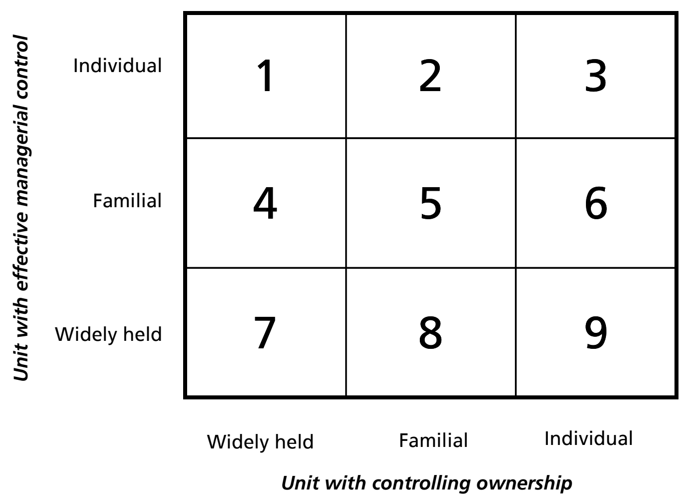
The choice concerning the (future) position (and power!) of family members is crucial in this approach. This means that a more dynamic point of view is used to discriminate between enterprises: the (future) choice of the position and role of the family members may drive the enterprise away from a 'real' family business. Possibly, a moment in time could even be pointed out where the enterprise is definitely no longer a family business; for instance, the moment of handing over the management to outsiders.

Litz (1995) presents methods to define family business according to the structure-based (static) approach and the intra-organizational (intention-based, i.e. dynamic) approach.

The structure-based approach

To illustrate the diverse range of family involvements across different business enterprises, a grid is constructed (figure 2).

Figure 2 Defining family business: a structure-based approach



Source: R.A. Litz (1995), *The Family Business: Toward Definitional Clarity.*

Family interests may be seen as irrelevant in a minority of the cells (1, 3, 7 and 9), while in cells 2, 4, 5, 6 and 8, family interest may be relevant. Each cell comprises a different group of enterprises. Cell 5 has often been perceived as 'the' family business. That is, the family business must be seen as the enterprises where ownership and managerial control are both concentrated within a single-family unit. The extremes on the spectrum are cell 3 and cell 7. Cell 3 comprises start-ups and first-generation SMEs. Cell 7 comprises large, publicly held corporations.

Litz' conclusion is that *(1) business firms vary in terms of family presence, and (2) a firm is said to be a family business to the extent that its ownership and management are concentrated in a family unit*.

The intention-based approach

Litz (1995) remarks that the obvious shortcoming of the structure-based approach lies in its 'inability to appreciate intra-organizational choices and aspirations toward (or away from) family-based relatedness'. Based on a study by Mintzberg and Waters (1985), a frame is introduced to sort enterprises by the (future) preferences of the members of the organization.

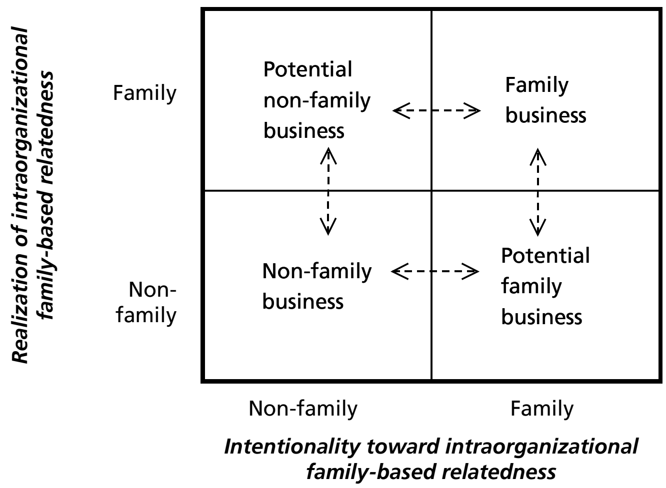


Figure 3 Defining Family Business: an intention-based approach

Source: R.A. Litz (1995), *The Family Business: Toward Definitional Clarity.*

The dynamic point of view comes from the northwest and southeast quadrants, where organizations in transition are located. The position in the frame represents the degree as to which an enterprise desires to become, or not become, family-dominated.

Based on the position in the frame, Litz (1995) states that *'a business firm may be considered a family business to the extent that its members strive to achieve, maintain and/or increase intra-organizational family-based relatedness'*.

More definitions

Several researchers have attempted to find *the* definition of a family business. Literature shows that this is very hard to do. The best way to handle the problem seems to be to use a set of definitions, each starting from a different point of view and/or combining others.

London Business School: Broad definition

In the Netherlands, the often-adopted (broad) definition of a family business is the definition developed by the London Business School (Stoy Howard (1989)). The definition reads as follows:

A business is a family business if at least one of the following criteria applies:

- More than 50% of the shares or certificates are owned by one single family
- (Members of) one family are able to control the business substantially
- A significant number of members of the board come from one single family.

Source: Brunenberg and Flören (1994), *Familiebedrijven in het Midden- en Kleinbedrijf.*

This definition comprises three key elements. Besides management and ownership, it distinguishes control, which does not always come automatically with ownership.

Westhead and Cowling: Set of seven definitions

Using these various elements, and adding self-perception, Westhead and Cowling (1998) designed seven definitions in their study to define family business in the UK. The definitions are also very well applicable to other countries.

The seven definitions of a family business designed by Westhead and Cowling read as follows:

1. The enterprise is perceived by the chief executive, managing director or chairman to be a family business.
2. More than 50% of ordinary voting shares are owned by members of the largest single-family group related by blood or marriage.
3. More than 50% of ordinary voting shares are owned by members of the largest single-family group related by blood or marriage and the enterprise is perceived by the chief executive, managing director or chairman to be a family business.
4. More than 50% of ordinary voting shares are owned by members of the largest single-family group related by blood or marriage, the enterprise is perceived by the chief executive, managing director or chairman to be a family business and one or more of the management team is drawn from the largest family group that owns the business.
5. More than 50% of ordinary voting shares are owned by members of the largest single-family group related by blood or marriage, the enterprise is perceived by the chief executive, managing director or chairman to be a family business, and 51% or more of the management team are drawn from the largest family group that owns the business.
6. More than 50% of ordinary voting shares are owned by members of the largest single-family group related by blood or marriage, the enterprise is perceived by the chief executive, managing director or chairman to be a family business, and one or more of the man-

	management team is drawn from the largest family group that owns the business, and the enterprise is owned by second-generation or more family members.
7.	More than 50% of ordinary voting shares are owned by members of the largest single-family group related by blood or marriage, the enterprise is perceived by the chief executive, managing director or chairman to be a family business, 51% or more of the management team are drawn form the largest family group that owns the business, and the enterprise is owned by second-generation or more family members.

Source: Paul Westhead and Mark Cowling (1998), 'Family Firms Research: The Need for a Methodological Rethink', in: *Entrepreneurship,* vol. 23, no. 1, pp. 31-56.

In summary, the criteria adopted read as follows:
- Perception (by the management)
- Controlling ownership (% of voting shares owned by a family)
- Management (% drawn from one family)
- Second- and later-generation members owning the business.

Handler: Four major categories of definitions

As stated above, many foreign researchers have attempted to define what a family business is. Literature provides several different definitions, some of which were already narrated above. Each definition adopts a different point of view. The fact that we are dealing with a multi-disciplinary object of study is the main problem in finding a workable definition. Handler (1989) attempted to arrange the then existing definitions of family business into four major categories, *viz.:*
1. Ownership or management
2. Interdependent subsystems
3. Generation transfer
4. Multiple conditions.

Carsrud: Classification scheme with 16 classes of organizations

The most intriguing analysis on this subject is carried out by Carsrud. The fact that, in his paper, he combined many disciplines and characteristics to construct typologies of family businesses makes his work different from that of other researchers. Hereinafter, a summary of his paper is provided.

Carsrud is of the opinion that, despite the work of Litz, a need for a typology of firm remains. He says that 'such a typology would help establish the unique characteristics of a family-owned firm that differentiate it from an entrepreneurial firm, a publicly traded corporation, other commercially-oriented organizations, or even not-for-profit groups'. Further, he states that 'another reason also arises from the anecdotic evidence that family firms are managed differently from other firm types and are the dominant form of firms in all economies'.

The classification adopted by Carsrud is based on what he calls 'meaningful differences' between various firm types. The system must be able to reflect the great diversity of the phenomena: start-ups through large enterprises established decades ago.

Carsrud constructed 16 classes of enterprises based on the following elements:
- Sources of bonding, i.e. are the shared values and beliefs based on:
  - biological/clan relationships (for instance: niece and nephew)?
  - emotional/psychological relationships (for instance: husband and wife)?
  - legal relationships (the stockholders)?
  - event (ad hoc grouping that ends as soon as the event is over)?
- Strength of shared values (i.e. the holding of various cultural and organizational values and ethical systems). Is the degree of commitment to these values:
  - high (strongly shared values); or
  - low (weakly shared values)?
- Sources of control. Are the primary sources of control of the organization of major influence on its management decision-making:
  - internal (for instance: in a large private enterprise); or
  - external (for instance: in a large publicly traded business).

The typology is based on the concept of 'organizational metamorphosis' as outlined by Filley and Aldag (1978). They state that organizations go through different stages comparable to growing up from childhood via adolescence to adulthood. Enterprises may move slowly through these stages, skip parts or even return to previous ones during periods of change or 'rebirth'. However, the major difference with other models is that it reduces reliance on major distinguishing criteria such as ownership and generations.

The classes are formed by using all elements: 4 x 2 x 2 = 16 classes. This results in a set of classes of organizations bearing characteristics often associated with family businesses. In other words, each class comprises enterprises with a strong or less strong degree of family-ness. According to Carsrud, family businesses are the enterprises that just have 'a larger quota of these characteristics'.

3 Choosing workable definitions for analysis of Dutch SMEs

3.1 Introduction

Now that we have seen several models and definitions, we have to ask what definition would be both theoretically based and practically workable to use in an analysis of family businesses among Dutch SMEs. Carsrud's work is most interesting. The practical use of the model is rather low, however. The most important problem is the measurement of the variables. This is why we have to omit this model in our search for a workable definition. Also the Litz models are difficult to use for screening purposes.

Owing to the specific background of the type of business examined in the underlying study, a fair next step in the search for workable definitions of a family business is to divide the (rest of the) definitions found into definitions that are based on 'perception' from the definitions that are based on objectively measurable criteria. Section 3.2 is dedicated to (the difference between) subjective and objectively measurable elements used in several definitions, ending with the choice for workable (sets of) definitions for the Dutch situation. The following section narrates how the definitions chosen are applied to screen the EIM Panel of Dutch SMEs. This chapter ends with a reasoned choice for two definitions that are most workable to outline Dutch family businesses. The results of this analysis will be presented in chapter 4.

3.2 Subjective versus objective definitions

Objectively measurable definitions often use a quantitative value, for instance: more than 50% of the shares are held within one family. In these definitions, company control and/or ownership are usually used to define family business. Definitions that are (partly) based on perception come from the point of view of the entrepreneur: does the entrepreneur himself consider his or her business a family business? The answer to this question is completely subjective. This necessitates separation of definitions that only use objectively measurable variables from the ones that (also) comprise subjective perception.

The impact of a perception question

To analyze the impact of the use of a perception question, the members of the panel of Dutch SMEs[1] (1-100 employed) were asked three questions:

[1] EIM's so-called 'MKB-Beleidspanel' (an SME Panel built to ask SME managers and SME entrepreneurs about their opinion on actual issues in Dutch policy). The panel is constructed to be representative in sector and size class for the Netherlands. For more details about this panel, see annex 1. For the underlying study, only firms with personnel have been used.

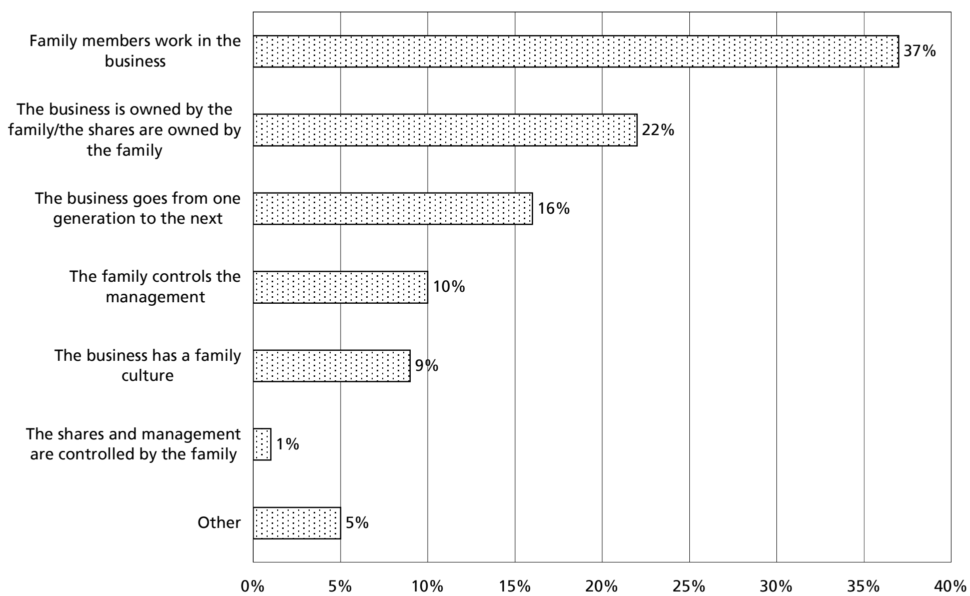
1. *Do you consider your business to be a family business?* (yes/no)
2. *Why do you consider your business to be a family business?* (open question to respondents who consider their business to be a family business)
3. *In your eyes: when is a business a family business? (Which are the most important characteristics?)* (open question to all respondents).

40% of CEOs consider the business to be a family business

Upon asking the members of the panel (N =1,080), about 40% of them answer the question 'Do you consider your business to be a family business?' with 'yes'. To be able to have more insight into the way entrepreneurs look at being a family business, we also asked for the reason why they said yes. The use of the open questions also provides more information about the way the entrepreneur feels about the term 'family business'.

The open answers were recoded into a small number of categories. Figures 4 and 5 illustrate the results.

Figure 4 Why do you consider your business to be a family business? (one answer possible)

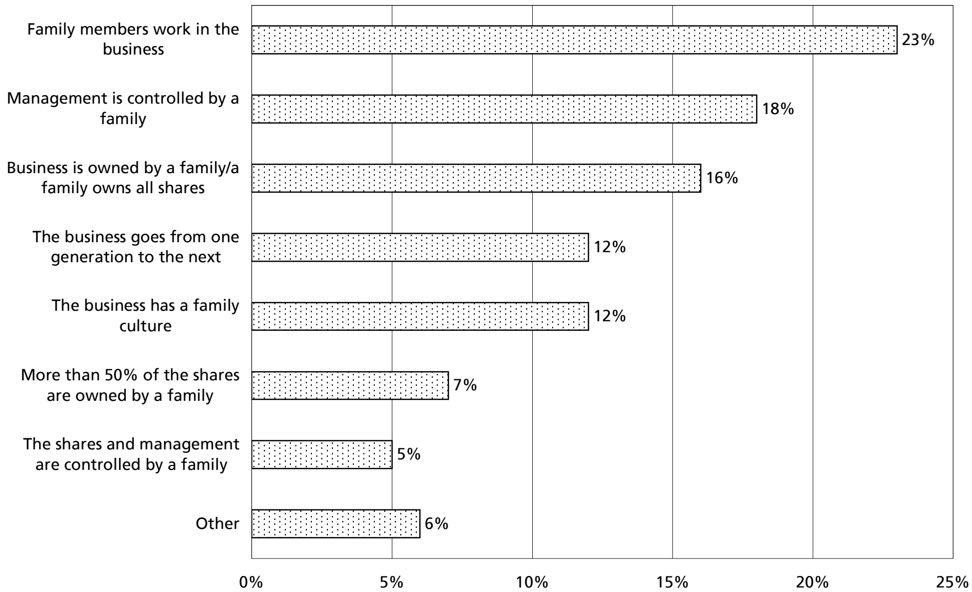


Source: EIM (2000), *MKB-Beleidspanel.*

Figure 4 illustrates that most entrepreneurs who consider their business to be a family business refer to the fact that family members work in the business (37%). Over one-fifth refer to the ownership, while the fact that the business is or will be transferred to the next generation makes a business a family business to 16% of the respondents. 10% say that their business is a family business because of the family members in the management. Remarkably, 9% state that their business has a family culture.

Figure 5 illustrates how the respondents feel about (being) a family business. Their first reaction is counted.

Figure 5 In your eyes: when is a business a family business? (first reaction)



Source: EIM (2000), *MKB-Beleidspanel.*

Of all respondents, 23% think a business is a family business when family members are working in the business. 18% refer to the composition of management, while an almost equally large group refers to the ownership. 'The business must go from one generation to the next' say 12%, and another 12% think that there must be a family culture to be a family business. The rest of the answers score less than 10%.

'Family business' also used for image purposes

The analysis of the open answers also illustrates that, to several entrepreneurs, the use of the term family business has to do with the image of the business. One entrepreneur says: '*Because it is our image. We want to propagate to the outside world that we are one big happy family*'. Others say that: '*It is an important part of our image*', or: '*In our branch, the customers are charmed by our family values*'.

But not all respondents feel positive about being a family business. One entrepreneur put it into words as follows: *'We look at it from the business point of view. A family business is a too big social structure'*. Rather pessimistic are the ones who say: '*It means that they are fiddling around*', or that these businesses are '*old and dusty*' and *'structurally loose'*.

Conclusion

Perception-based definitions (i.e. subjective definitions) are questionable

The above analysis illustrates that the use of a perception question to divide businesses into family businesses and non-family business is questionable. Various reasons are used to answer yes to the question 'Do you consider your business to be a family business?' Part of the entrepreneurs who consider their business to be a family business do not refer to objective characteristics such as ownership or management. They state, for instance, the fact that 'the business has a family culture'. For part of the entrepreneurs, the image of family businesses plays a major role when answering this question. Also the at first sight objective fact mentioned that 'there are family members in the business' might have an ambiguous meaning.

This is why we have to conclude that perception does not provide a workable and theoretically based definition of a family business.

Adjusted set of definitions by Westhead and Cowling, and LBS definition

The fact that the measurement of the variables is not too complicated and that both static and dynamic elements are used, makes the set of Westhead and Cowling an interesting option. Westhead and Cowling, however, use both objective and subjective elements in their set of definitions of a family business. In the former section we concluded that subjective perception elements should be avoided when we want to define a family business. This means that for screening purposes, the perception element that the CEO considers the business to be a family business should be omitted. The best choice we can now make is to 'adjust' the set of Westhead and Cowling by eliminating the perception element. This leads to the following set of (now five) definitions[1]:

[1] Definitions (1) and (3) of the set of Westhead and Cowling are omitted because of the adjustments (no perception element).

Adjusted set of definitions by Westhead and Cowling

1. More than 50% of ordinary voting shares are owned by members of the largest single-family group related by blood or marriage.
2. More than 50% of ordinary voting shares are owned by members of the largest single-family group related by blood or marriage, and one or more of the management team is drawn from the largest family group that owns the business.
3. More than 50% of ordinary voting shares are owned by members of the largest single-family group related by blood or marriage, and 51% or more of the management team are drawn form the largest family group that owns the business.
4. More than 50% of ordinary voting shares are owned by members of the largest single-family group related by blood or marriage, and one or more of the management team is drawn from the largest family group that owns the business, and the enterprise is owned by second-generation or more family members.
5. More than 50% of ordinary voting shares are owned by members of the largest single-family group related by blood or marriage, and 51% or more of the management team are drawn from the largest family group that owns the business, and the enterprise is owned by second-generation or more family members.

To enable any comparison to previous research on the Dutch situation, the definition by the London Business School (LBS) is also chosen for the analysis. This chapter comprises a description of the analysis that is carried out.

3.3 Screening family businesses among SMEs in the Netherlands

3.3.1 Introduction

In section 3.2, we concluded that for the analysis of the Dutch situation of family businesses, two sets of definitions would be best to use. The adjusted set of definitions by Westhead and Cowling and the definition by the London Business School came out as most useful. This chapter provides an outline of the way the definitions are applied to an SME Panel, as well as the following analysis.

3.3.2 The analysis

Again, EIM's 'MKB-Beleidspanel' was used to 'screen' a representative number of Dutch enterprises by using a set of questions based on the definitions selected. Given the definitions, the analysis consisted of the following steps:
1. 'Translating' the (multiple) definitions into (single) questions
2. 'Screening' of the SME Panel by using the questions
3. Analysis of the SME Panel by using the set of definitions while combining the proper variables in the database.

Ad 1

The adjusted set of Westhead and Cowling consists of narrow and broad definitions. The narrow definitions are 'created' by combining several single elements. Each time a different combination of elements is used. The single elements of all definitions were used to construct the questions[1].

- The definition by the London Business School comprises one clear cut-off point (more than 50% of the shares are owned by one single family), while the other part does not have such a clear cut-off point. Terms such as 'substantially' and 'significant' are rather difficult to handle when trying to formulate a question that may be easily answered by respondents. This problem is handled by choosing a cut-off point of 50%.

Ad 2

The so-called MKB-Beleidspanel is a representative panel of Dutch SMEs. This is why we can make reliable judgements about the share of family business among SMEs in the Netherlands, using a particular definition.

In a telephone poll, the panel of enterprises was 'screened' using the set of questions constructed in step 1. The entrepreneur was the respondent.

For more details about the panel, see annex 1.

Ad 3

The for the analysis useable part of the panel, i.e. the part without missing values and/or useless answers such as 'don't know', comprised 1,387 entrepreneurs. By using a weighing factor in the analysis, the representativeness was ensured.

SMEs without personnel in or out?

Before we started the actual analysis, we first had to make a decision about what to do with SMEs with only one person employed (size class 1). In literature, this category of enterprises is often not mentioned in relation to family business research. When size class is considered, the class of small enterprises (<10 employees) is sometimes ignored. On the other hand, other researchers state that size class 1 should be regarded as the 'original' family business (for instance, a start-up mom-and-pop retail store). In the underlying study, we chose to exclude size class 1 businesses, because we rate them as 'pre-family

1 Westhead and Cowling used the element 'percentage of the voting shares owned by a family' to indicate that the control of the business lies within one family. In the underlying study, 'control' is translated by 'more than half of the shares are owned by a family'. A number of enterprises in the Netherlands have established a foundation that holds all shares of all family members. In this case, the shares have become non-voting shares. These enterprises 'survived' the screening, because we chose to look at shares within the family instead of *voting* shares. Instead of 'management team', we used 'management or management team'. Therefore, in the next part of this report, 'team' is placed between brackets.

businesses'. In addition, the three subsystems ownership, management and family are all united in one person. Different roles of people involved do not exist (as yet). The panel without SMEs without personnel comprised 1,080 respondents.

Do we have the right variables?

The variables used came from the analysis Westhead and Cowling and the London Business School used in their research. To be more certain about the discriminative power of the variables, an additional analysis was carried out with the variables used in the definitions, as well as other variables.

Upon attempting to find the right, i.e. most discriminating, variables to separate family business from non-family business, the first step is to look at correlations. We realized that the results would merely provide an initial indication of the discriminative power of the variables. Annex 2 comprises the correlation matrix.

Table 9 in annex 2 illustrates that the variables that define ownership of shares and composition of the management (team) 'score' best, although the values are not very high. This gives us more confidence as regards selection of discriminating variables. To obtain a stronger notion of the use of the right variables, we also effected a discriminant analysis. The results illustrate that, as expected, we do have the right (best) set of variables, i.e. the variables used in the definitions are the most discriminating ones.

Cross-tabs: 'creating' the definitions

The actual analysis was carried out by making the right combinations of variables that corresponded to the elements of the individual definitions. First, cross-tabulations were used to 'create' the definitions and to enable a global indication of the share of family businesses among small and medium-sized enterprises.

The results of the adjusted Westhead and Cowling definitions are presented in models in the next section.

Subsequently, the outcome using the London Business School definition is presented.

3.3.3 Results

The share of family businesses among SMEs, using the adjusted definitions by Westhead and Cowling

In this section, the outcome of the screening is illustrated. The adjusted Westhead and Cowling definitions are classified in a scheme as presented in figure 6. The outcome is presented for the size class >1 part of the panel (N = 1,080). The results are summarized in table 2.

Figure 6 Outcome screening panel of Dutch SMEs, using adjusted definitions by Westhead and Cowling (size class >1; N = 1,080)

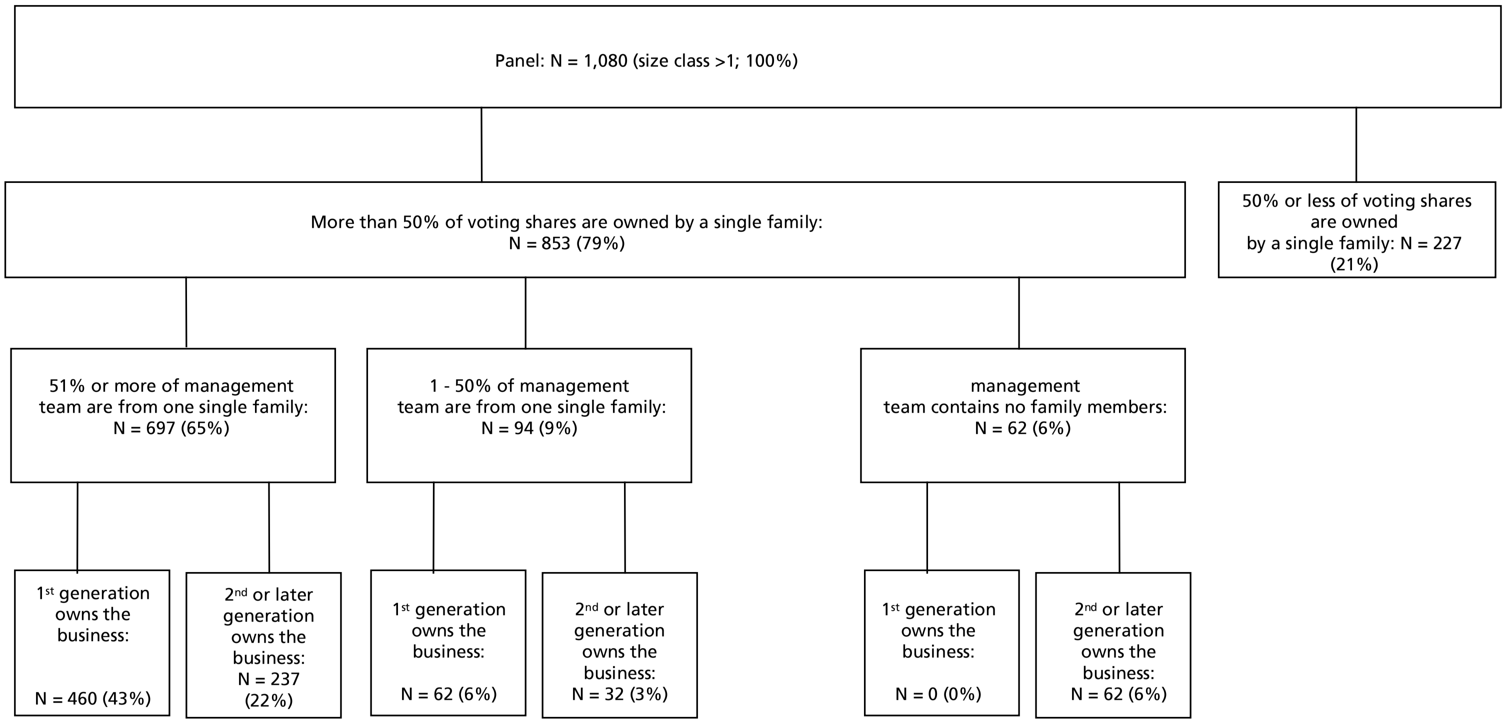
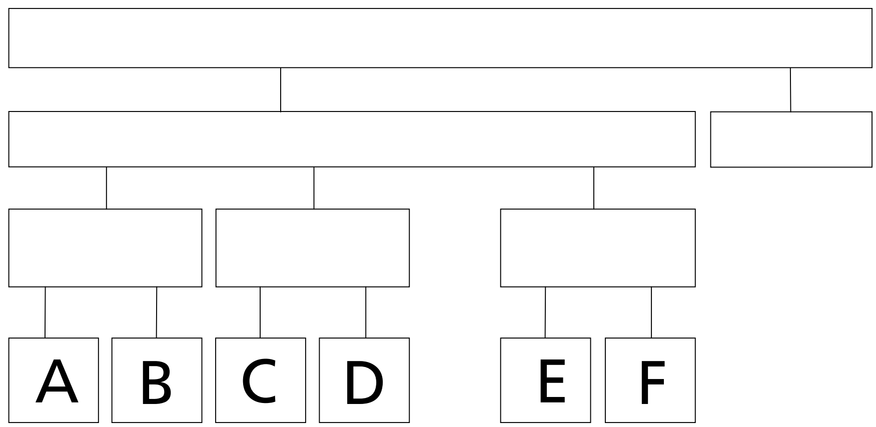


Figure 6 illustrates that the share of family businesses among small and medium-sized enterprises in the Netherlands accounts for at least 22%, while the maximum totals 79%. The share of family businesses, following the adjusted Westhead and Cowling set of definitions, may be calculated using the numbers illustrated in figure 6 named in the blocks coded in figure 7.

Figure 7 Calculation scheme for the analysis of the adjusted Westhead and Cowling definitions



Using figures 6 and 7, the shares will be:

Definition (1): A + B + C + D + E + F

Definition (2): A + B + C + D

Definition (3): A + B

Definition (4): B + D

Definition (5): B.

The results are summarized in table 2.

Table 2 Share of family businesses and non-family businesses among the panel members, using the adjusted Westhead and Cowling set of definitions of a family business (N = 1,080; size class >1)

Definition*	Family business	Non-family business
(1)	79%	21%
(2)	73%	27%
(3)	65%	35%
(4)	25%	75%
(5)	22%	78%

* The adjusted definitions by Westhead and Cowling; see page 21.
Source: EIM (2000), *MKB-Beleidspanel.*

Table 2 illustrates that definition (1) is the broadest definition in the set and definition (5) the narrowest one.

The share of family businesses among SMEs, using the London Business School definition

The London Business School (LBS) definition of a family business reads as follows:

*A business is a family business if **at least one** of the following criteria applies:* • *More than 50% of the shares or certificates are owned by one single family.* • *(Members of) one family are able to control the business substantially.* • *A significant number of members of the board come from one single family.*

The LBS definition is, compared to the (original) Westhead and Cowling definitions, perhaps an even broader one, particularly because of the use of terms such as 'substantial' and 'significant', and the condition that ***at least one*** of the criteria should apply. As 'substantial' and 'significant' are not values that may be measured in our analysis, we used variables with cut-off points. The variables used read as follows:

- Management is controlled[1] by one or more members of the family that owns the business.
- Half or more of the management (team) come from members of the family that owns the business.

With these adjustments, the definition was also used for analyzing the share of family businesses among small and medium-sized enterprises. The results are illustrated in table 3.

Table 3 Outcome screening panel of Dutch SMEs, using the family business definition by the London Business School (N = 1,080; SMEs without personnel)

Criterion	
More than 50% of the shares or certificates are owned by one single family	79%
(Members of) one family are able to control the business substantially	76%
A significant number of members of the board come from one single family	73%*
Share of family businesses in the Netherlands according to LBS (at least one of the above criteria applies)	83%

* 3% don't know.
Source: EIM (2000), MKB-Beleidspanel.

1 See footnote 1 on page 22.

Table 3 illustrates that, using the definition by the London Business School, the share of family businesses among small and medium-sized enterprises in the Netherlands totals 83%.

3.4 Two theoretically based and workable definitions

Are we able to make a choice?

As Westhead and Cowling concluded after analyzing several studies about the defining problem that 'there is no single definition of a family business that is widely acceptable', we should not think that we may find one. It is simply not realistic to think that we can solve the definition problem just like that. It is more realistic to look at the outcome of the analysis and draw a conclusion about the (im)possibilities of the use of one or more definitions.

Until now, the definition by the London Business School is used in research and policy matters concerning family businesses in the Netherlands. The basic question to be answered, however, must be if it is better to use one (or more) other definition(s).

Westhead and Cowling or London Business School? Broad or narrow definition?

By applying the set of screening questions to construct the (adjusted) Westhead and Cowling definitions, several elements are used. Definition (1), however, comprises only one criterion. The use of only one criterion does not satisfy the actual meaning of the term family business as modelled in figure 1, i.e. three interdependent subsystems. Therefore, we do not opt for definition (1). This means that the adjusted definitions (2), (3), (4) and (5) remain. The definitions that comprise the criterion 'one or more of the management (team) are from one single family' should also be omitted because of the fact that in this case, family involvement in management is not guaranteed, particularly not in larger SMEs. The lack of family involvement in management does also not satisfy the three-system model. Therefore, definitions (2) and (4) are both omitted. Definitions (3) and (5) satisfy the three-system model best and will remain.

When applying the London Business School (LBS) definition, several complications emerge. The first problem is that, for practical use, the LBS definition is slightly difficult. The definition comprises difficultly definable terms such as 'substantial' and 'significant'. In the underlying study, we solved this problem by using a cut-off point. Obviously, the point chosen (50%) is questionable. We found a rather high share of family businesses (83%). If we had chosen a cut-off point of, for instance, 75%, we would probably have found a (much) lower share. Secondly, also the theoretical one-criterion problem exists. For the same reason, we did not opt for definition (1) of the five adjusted Westhead and Cowling definitions; we have neither chosen the LBS definition.

The above discussion leads to the conclusion that, on the basis of the outcome of the analysis, there are two theoretically based and practically workable definitions of a family business in SMEs in the Netherlands. We may use a broad definition and a narrower variant. The difference is that in the broad definition, also first-generation businesses are included. The definitions read as follows:

BROAD definition (generation in business is not looked at)

A business is a family business if:

- *more than 50% of the voting shares are owned by one single family*

AND

- *more than 50% of the management (team) are drawn from the family that owns the business*.

NARROW definition (only second- or later-generation businesses)

A business is a family business if:

- *more than 50% of the voting shares are owned by one single family*

AND

- *more than 50% of the management (team) are drawn from the family that owns the business*

AND

- *the company is owned by second-generation or later family members.*

In these definitions, 'family' entails the extended family, including uncles and aunts, nephews and nieces and all other relatives related by blood or marriage.

Share of family business is 65% or 22% of SMEs with personnel

A most realistic share of family businesses among SMEs with personnel in the Netherlands (size class >1) is 65%[1]. When first-generation businesses are excluded, 22% of Dutch SMEs may be qualified as family businesses[2].

Table 4 illustrates the absolute numbers of family businesses that follows out of the shares identified.

1 When in small firms with a small management the managing director is a member of the family, his or her influence on the business may be strong, even when the family does not strictly hold the majority of the management. In that case, these firms are family-dominated and should be qualified as family businesses. If we bear this in mind, the share of family businesses in the Netherlands will be slightly higher (broad definition: unknown percentage but at most +9%; narrow definition: unknown percentage but at most +3%).

2 The percentage of businesses that are now family-owned and family-managed, and have the intention to remain family-based, is unknown, but is likely to be in the range between 65 and 22%.

Table 4 Number of family businesses in the Netherlands (SMEs with personnel)

	Broad definition (65% family businesses)	Narrow definition (22% family businesses)
1-9 employees	164,691	55,742
10-99 employees	30,628	10,366
Total	195,319	66,108

Source: EIM (2000), *Kleinschalig Ondernemen* (based on CBS[1]); EIM (2000), *MKB-Beleidspanel.*

Table 4 illustrates that there are almost 200,000 family businesses among SMEs with personnel. When first-generation businesses are excluded, more than 66,000 enterprises may be qualified as family businesses.

Some final remarks

In the end, each definition is marked by a certain degree of arbitrariness. However, by basing our selection on explicit theoretical considerations and on practical workability, we hope that the definitions selected are able to contribute to further empirical research of family businesses in the Netherlands. Obviously, in future studies, one should be aware of possible drawbacks implied by these definitions. As will be illustrated in the next section, family businesses according to the broad definition are, on average, small compared to non-family businesses, and family businesses according to the narrow definition are, on average, significantly older than non-family businesses. This implies that in future research, it will be wise to adopt ‘firm size’ and ‘age’ as additional control variables when comparing family business and non-family business.

1 Excluding agriculture.

4 Family businesses versus non-family businesses: some demographic data of Dutch SMEs

4.1 Introduction

In the former chapter, we have been able to draw a conclusion about how we may define a family business in the Netherlands, in a way that is both theoretically based and practically workable. Family businesses among SMEs are best defined by two definitions: a broad one and a narrow one. In the narrow definition, first-generation family businesses are excluded. When using the narrow definition, we found a share of 22% family businesses, while the broad definition 'produced' 65% family businesses.

In this chapter, some interesting characteristics and demographic data of family businesses and non-family businesses are presented using both definitions. The data are presented by using figures and tables. The data sometimes show a strongly different outcome when first-generation businesses are excluded. The differences found are explained in the relevant sections.

All figures represent data of SMEs with personnel only.

4.2 Family businesses versus non-family businesses

In this section, data are presented of family businesses and non-family businesses, using the following definitions of a family business.

BROAD definition

More than 50% of the voting shares are owned by one single family **AND** more than 50% of the management (team) are drawn from the family that owns the business.

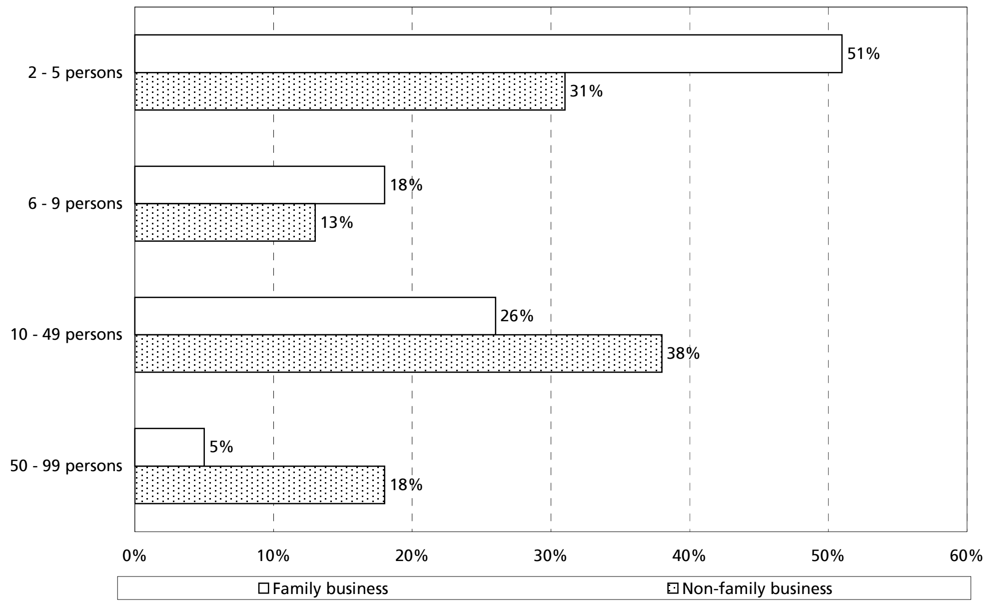
NARROW definition

More than 50% of the voting shares are owned by one single family **AND** more than 50% of the management (team) are drawn from the family that owns the business **AND** the enterprise is owned by second-generation or later family members.

Firm size

Figures 8 and 9 illustrate the distribution of the number employed. Table 5 and 6 outline the average firm size by sector.

Figure 8	Total number employed family businesses and non-family businesses (broad definition; 2000)



Source: EIM (2000), *MKB-Beleidspanel.*

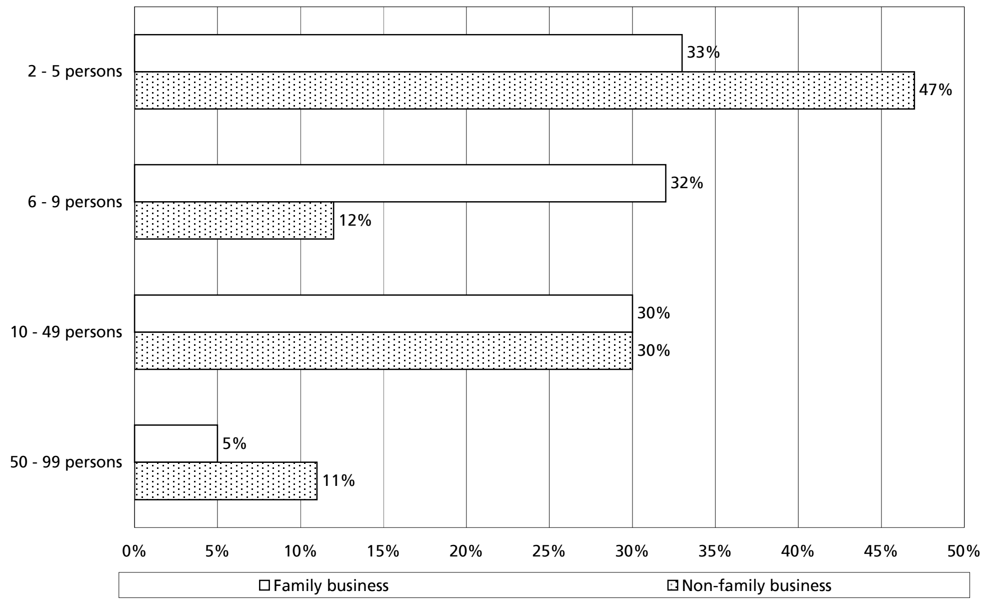
Table 5	Average firm size by sector (broad definition)

Sector	Family business	Non-family business
Manufacturing	11	17
Construction	12	16
Trade	9	16
Hotel & catering	8	13
Transport	13	25
Hiring	11	14
Financial services	19	19
Other services	7	7
Non-private	10	23
Total	10	19

Source: EIM (2000), *MKB-Beleidspanel.*

Figure 8 illustrates that on average, using the broad definition (including first-generation businesses), family businesses are smaller than non-family businesses. When sector is looked at, we see that the difference is largest for the sector transport. In financial services and other services, however, family businesses and non-family businesses both have the same average firm size.

Figure 9 Total number employed family businesses and non-family businesses (narrow



definition; 2000)

Source: EIM (2000), *MKB-Beleidspanel.*

Table 6 Average firm size by sector (narrow definition)

Sector	Family business	Non-family business
Manufacturing	13	13
Construction	13	13
Trade	11	11
Hotel & catering	8	9
Transport	24	15
Hiring	18	10
Financial services	17	21
Other services	22	6
Non-private	7	18
Total	12	14

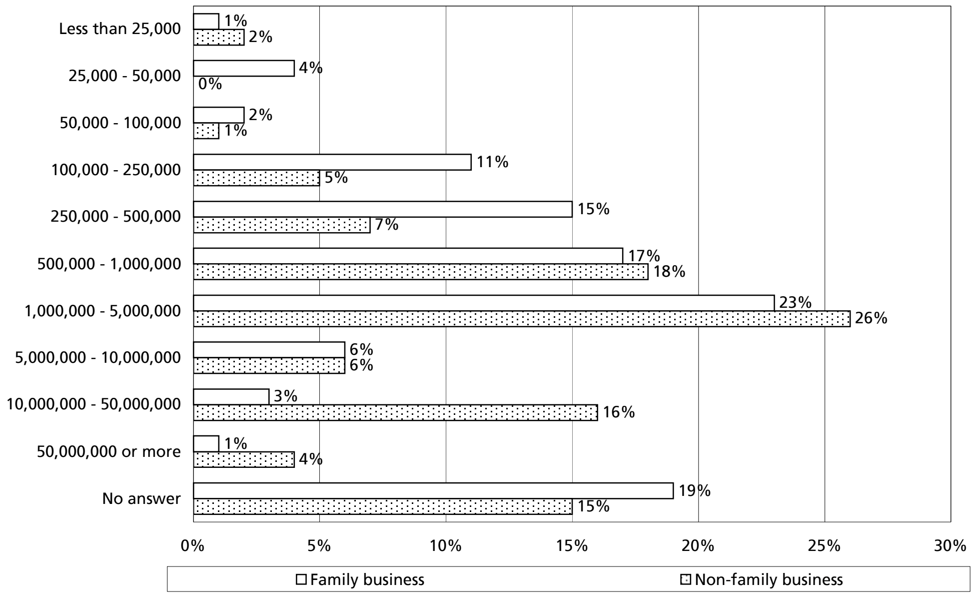
Source: EIM (2000), *MKB-Beleidspanel.*

Figure 9 and table 6 illustrate that when first-generation businesses are excluded, family businesses are on average slightly larger than non-family businesses. Particularly the 6-9 persons size class accounts for a larger share. When sector is looked at, we see that the sectors other services, transport and hiring mainly cause the difference.

Turnover

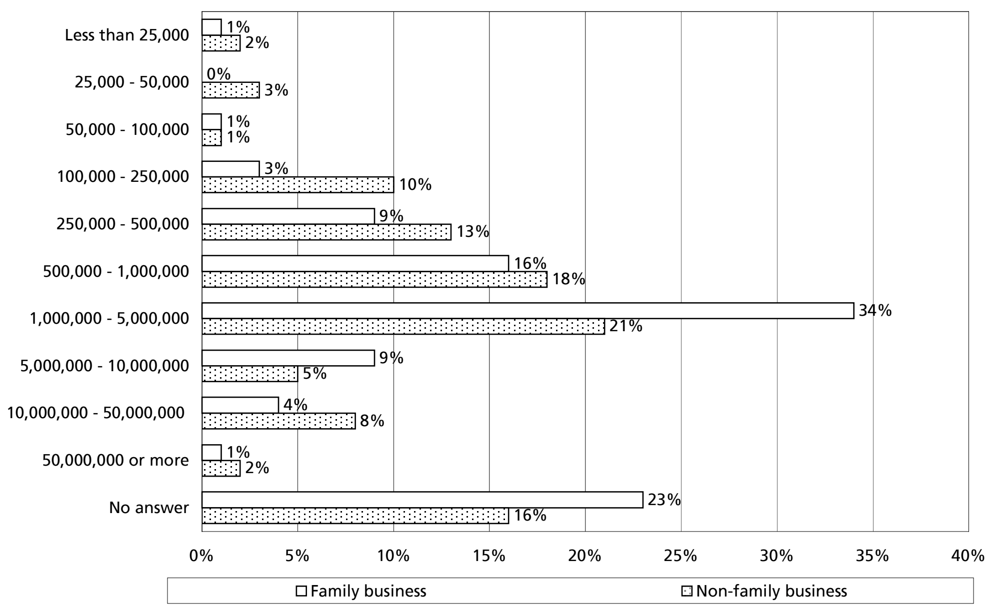
Figures 10 and 11 provide more information about the distribution of turnover of family businesses and non-family businesses.

Figure 10 Turnover (NLG) family businesses and non-family businesses (broad definition; 1999)



Source: EIM (2000), *MKB-Beleidspanel.*

Figure 11 Turnover (NLG) family businesses and non-family businesses (narrow definition; 1999)



Source: EIM (2000), *MKB-Beleidspanel.*

On average, family businesses are smaller than non-family businesses when first-generation businesses are included. Almost 75% of the family businesses effect a turnover of less than NLG 5 million. The difference is almost gone when first-generation businesses are left out: 64% of the family businesses and 68% of the non-family businesses realize a turnover of less than NLG 5 million.

Year of foundation

Family businesses are sometimes said to be older, i.e. longer in business, than non-family businesses. So as to examine whether this assumption holds, tables 7 and 8 illustrate the median year of foundation of family businesses and non-family businesses by sector.

Table 7 Year of foundation (median) by sector (broad definition)

Sector	Family business	Non-family business
Manufacturing	1981	1991
Construction	1979	1989
Trade	1987	1988
Hotel & catering	1991	1989
Transport	1988	1989
Hiring	1990	1987
Financial services	1987	1983
Other services	1991	1989
Non-private	1985	1991
Total	1987	1990

Source: EIM (2000), *MKB-Beleidspanel.*

Table 8 Year of foundation (median) by sector (narrow definition)

Sector	Family business	Non-family business
Manufacturing	1953	1990
Construction	1976	1988
Trade	1974	1989
Hotel & catering*	1992	1990
Transport	1967	1990
Hiring	1977	1990
Financial services	1969	1984
Other services	1955	1991
Non-private	1988	1988
Total	1977	1989

* The median and mean are almost the same for both definitions.
Source: EIM (2000), *MKB-Beleidspanel*.

On average, family businesses in the sectors manufacturing, construction, trade and transport are older than non-family businesses. When first-generation businesses are excluded, the difference is, not surprisingly, even larger. Only the hotel & catering sector is an exception. Tables 7 and 8 prove the validity of the assumption that family businesses, on average, are older enterprises.

Sector

The sectoral distribution of family businesses and non-family businesses is illustrated in figures 12 and 13.

Figure 12 Sector family businesses and non-family businesses (broad definition)

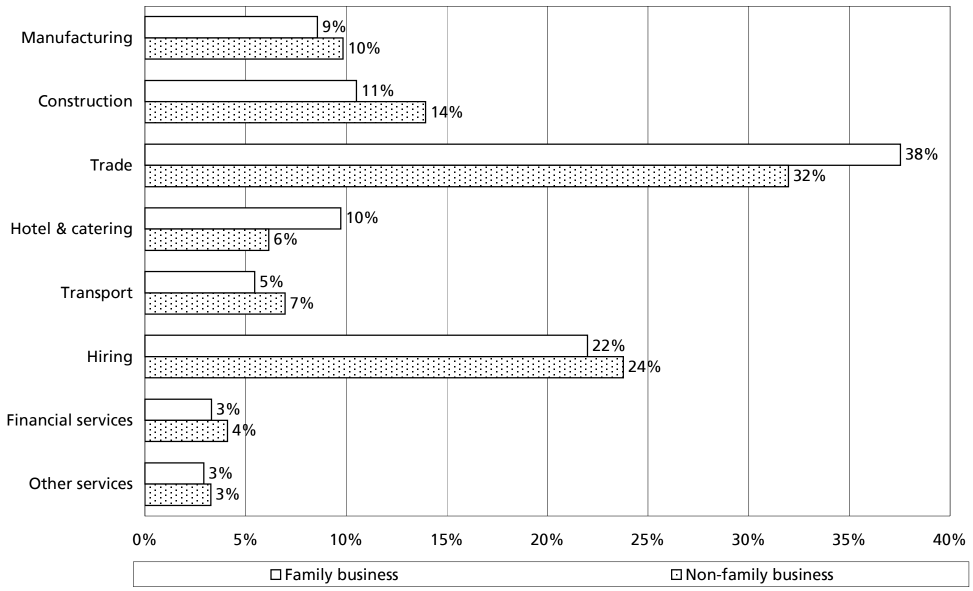


Figure 13 Sector family businesses and non-family businesses (narrow definition)

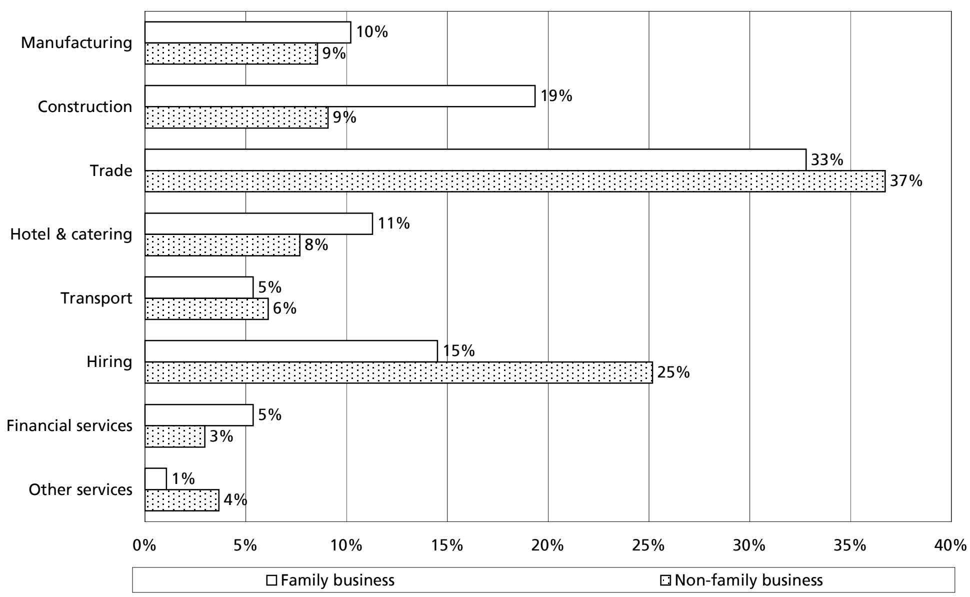


Figure 12 illustrates that the sectoral distribution is more or less equal for family businesses and non-family businesses. Only in the trade sector, the share of family businesses is slightly higher (38 versus 32%). When first-generation businesses are excluded, almost one-fifth of the family businesses operate in the construction sector, while of the non-family businesses 'only' 9% remain.

In the next section, some ‘myths’ about family businesses are examined.

Export

Are family businesses just as active in foreign countries as non-family businesses are? It is said that family businesses are less active than non-family businesses. Figures 14 and 15 provide an answer.

Figure 14 Exporting family businesses and non-family businesses (broad definition)

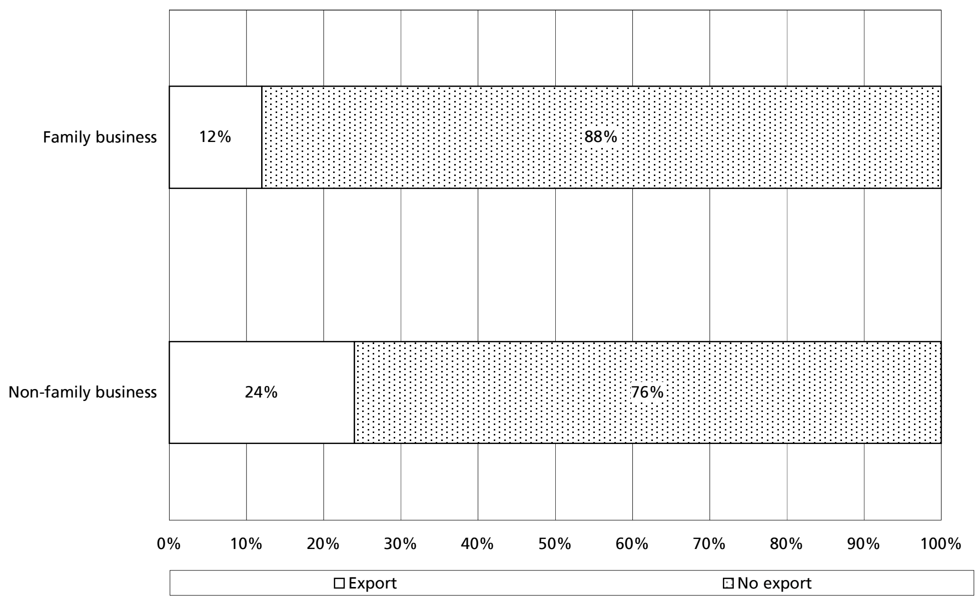
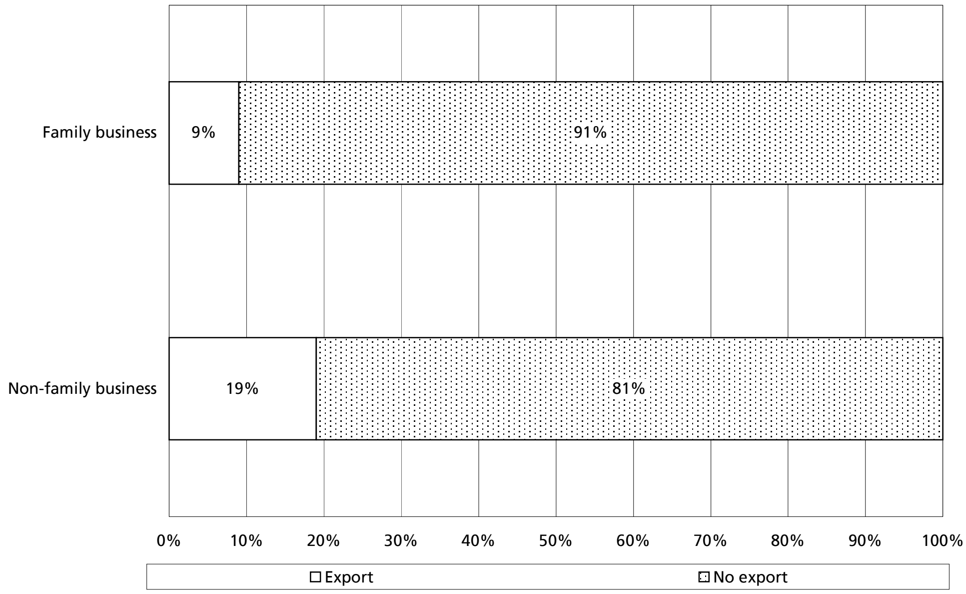


Figure 15 Exporting family businesses and non-family businesses (narrow definition)



Figures 14 and 15 illustrate that, among family businesses, fewer enterprises are active in foreign countries than non-family businesses are. Given the fact that manufacturing accounts for an almost equal share in family businesses and non-family businesses, this is a remarkable conclusion. The results also lead to the conclusion that first-generation businesses are slightly more export-minded than 'older' enterprises.

R&D

Family businesses are often said to be less innovative than non-family businesses. Figures 16 and 17 illustrate the share that carry out R&D in the business.

Figure 16 R&D in family businesses and non-family businesses (broad definition; 1997)

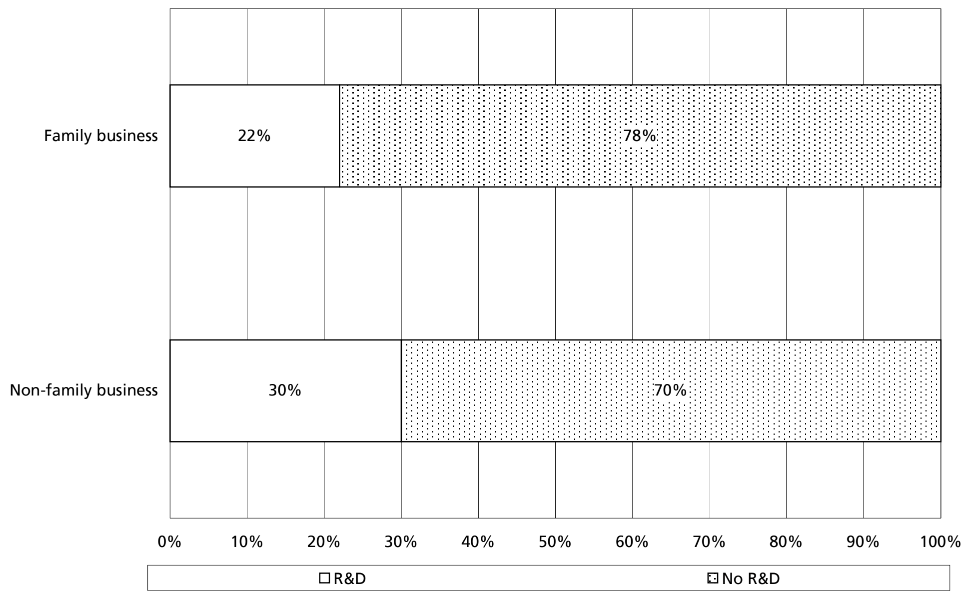
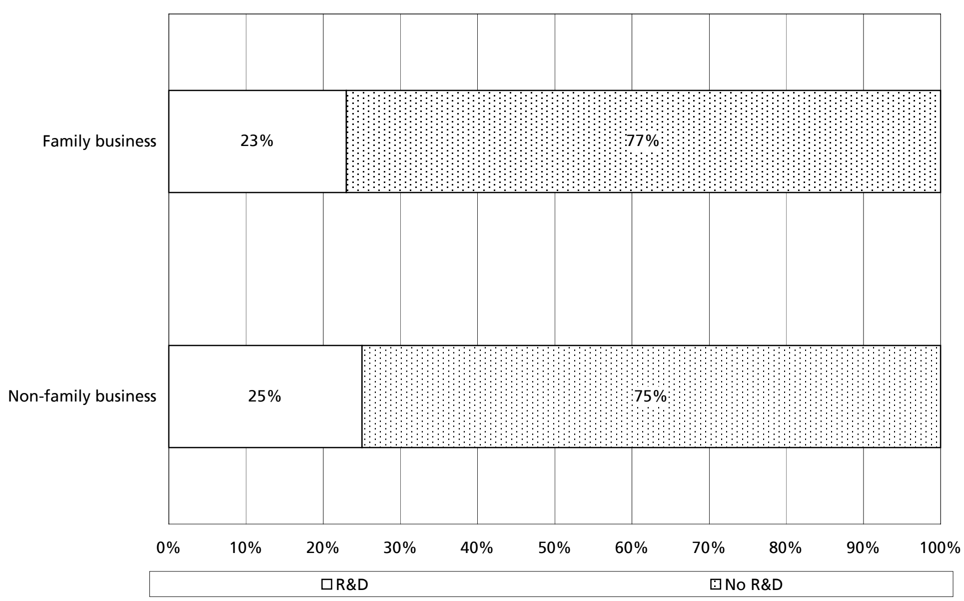


Figure 17 R&D in family businesses and non-family businesses (narrow definition; 1997)



The myth of less innovative family businesses hardly holds. Figures 16 and 17 illustrate that there is a difference between family businesses and non-family businesses, yet particularly when first-generation businesses are excluded, that difference is very small. The effect of the next generation coming into the business is clear. Often, sons and daughters are better educated than their parents, resulting in, among others, a higher degree of R&D in the business.

Striving for business expansion

The last claim to be examined entails the saying that family businesses are less striving for business expansion, i.e. striving for higher turnover. Figures 18 and 19 show whether this claim should be rejected or not.

Figure 18 Striving for higher turnover by family businesses and non-family businesses (broad definition; 2000)

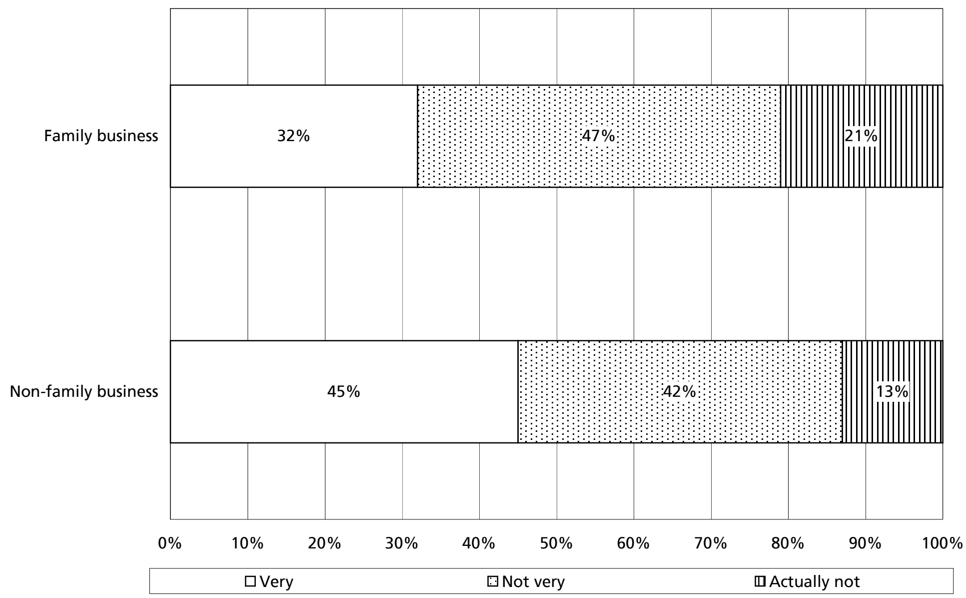
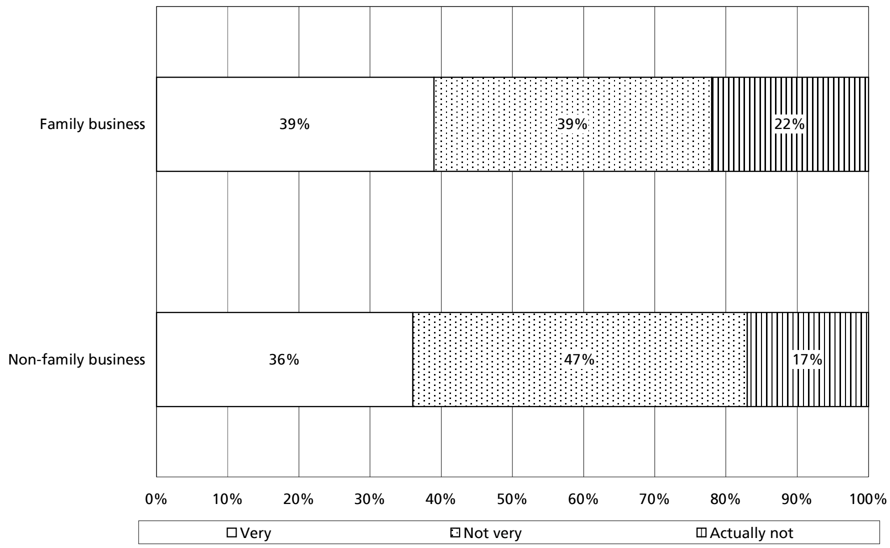


Figure 19 Striving for higher turnover by family businesses and non-family businesses (narrow definition; 2000)



Figures 18 and 19 illustrate that the claim that family businesses are not very interested in business expansion is unjustified. There is not much difference between both groups. When first-generation businesses are excluded, the share stating to be striving very hard for higher turnover is even (slightly) larger than in non-family businesses.

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Annex 1 Background of EIM SME Panel (MKB-Beleids-panel)

The so-called MKB-Beleidspanel is a representative panel of Dutch SMEs. The panel is managed by EIM and consists of about 2,000 small and medium-sized enterprises (less than 100 persons employed). The panel was constructed to be able to gather information on entrepreneurs, as well as opinions and (behavioural) reactions in respect of policy measures.

The members are selected on the basis of a representative sample drawn from the so-called DM-CD database. DM-CD is managed by Markselect and comprises all sectors and all size classes in the Dutch SME sector. The data are based on information gathered by the Netherlands Chambers of Commerce. Databases of PTT Post Mediaservice, PTT Telecom, Marktselect and Graydon are used to check the data.

The panel comprises 9 sectors and 3 size classes.

The sectors include:
- Construction
- Manufacturing
- Trade
- Hotel & catering
- Transport
- Financial services
- Hiring
- Other commercial services
- Non-private[1].

The size classes (in terms of persons employed) are:
- 0-9
- 10-49
- 50 –99.

The panel is constructed to be roughly representative in sector and size class for the Netherlands. This is why we are able to make reliable judgements about the share of family businesses among SMEs, using a particular definition.

[1] The non-private sector comprises many different sub-sectors, such as medical services and environmental services. These sub-sectors are generally not rated as part of the SME sector. The number of respondents was that small that we chose not to remove these respondents from the database. Besides, firms in these sub-sectors are increasingly being regarded as private businesses.

Annex 2 Correlation matrix variables

Table 9 Correlation matrix

Variable	a.	b.	c.	d.	e.	f.	g.	h.
a.	1							
b.	0.735	1						
c.	0.639	0.760	1					
d.	0.070	0.157	0.086	1				
e.	0.382	0.540	0.443	-0.083	1			
f.	-0.009	-0.033	0.062	-0.306	0.503	1		
g.	-0.029	-0.107	-0.116	-0.179	0.087	0.189	1	
h.	-0.061	-0.083	-0.171	-0.096	-0.044	0.133	-0.075	1

Variables:

a. = more than 50% of the shares are owned by a single family (1 = yes, 2 = no)

b. = one or more of the management (team) are drawn from the family that owns the business (1 = yes, 2 = no)

c. = part of the management (team) that is drawn from the family that owns the enterprise (1 = > 50%, 2 = 50%, 3 = <50%)

d. = plans to transfer the enterprise to the next generation (1 = yes, 2 = no)

e. = generation now in the business (1 = first generation, etc.)

f. = number of generations in the business (number)

g. = number of owners of the business (number)

h. = percentage family members working in the business (percentage)

Source: EIM (2000), *MKB-Beleidspanel.*