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# FAMILY BUSINESS POLICY AND CONFLICT: EXPLORATORY STUDY OF INTERGENERATIONAL BUSINESSES

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## Introduction

Studies of intergenerational business transfer have investigated both the family and business independently; however there is little research on determinants of balance between the family and the business. The family business, is a joint system that is made up of the family and the business. When managerial decisions overlap family considerations, both subsystems are at risk (Birley et al., 1999). In order for these subsystems to remain equal, a “balance” must be established. “*Balance*” refers to fulfilling a state of equilibrium for both the family and the business. When the balance is not met for both entities, potential conflict can arise. For instance, a wife may feel compelled to choose between what is best for the family (i.e. maternal decision making) versus what is best for the business (i.e. managerial decision making). For this study, the family business policy is cross-analyzed with conflict factors that affect balance of the family business.

## Literature Review

Literature has defined the premise of conflict in a family business as tension that was created in the home which has spilled over in the work environment and vice versa. Furthermore, literature has expounded on “conflict” and has categorized it into different types such as family, interrole, work, and couple’s conflict. Researchers have identified several key factors that make these types of conflict different from each other:

**Family Conflict:** Endogenous as well as exogenous factors are examined in regards to family conflict. According to Rosenblatt et al. (1985), one of the main sources of family conflict is defining “fairness” in the family business.

**Interrole Conflict:** Is the concurrence of two or more roles that induced stress on an individual (Kahn et al., 1964). An example of this is when a business owner has to split his/her time as the manager as well as parent.

**Work Conflict:** Includes work involvement and work expectations. Work involvement is the contributions (or lack there of) from employees to complete their jobs. Work expectations are defined by pressures an individual felt when their role responsibilities.

**Couple’s Conflict:** Danes (2004) suggested that conflict towards a spouse can determine the level of importance of family and/or business goals. For instance, if a wife felt as though there is an unequal balance of responsibilities at home and at work between herself and her husband, tension can increase.

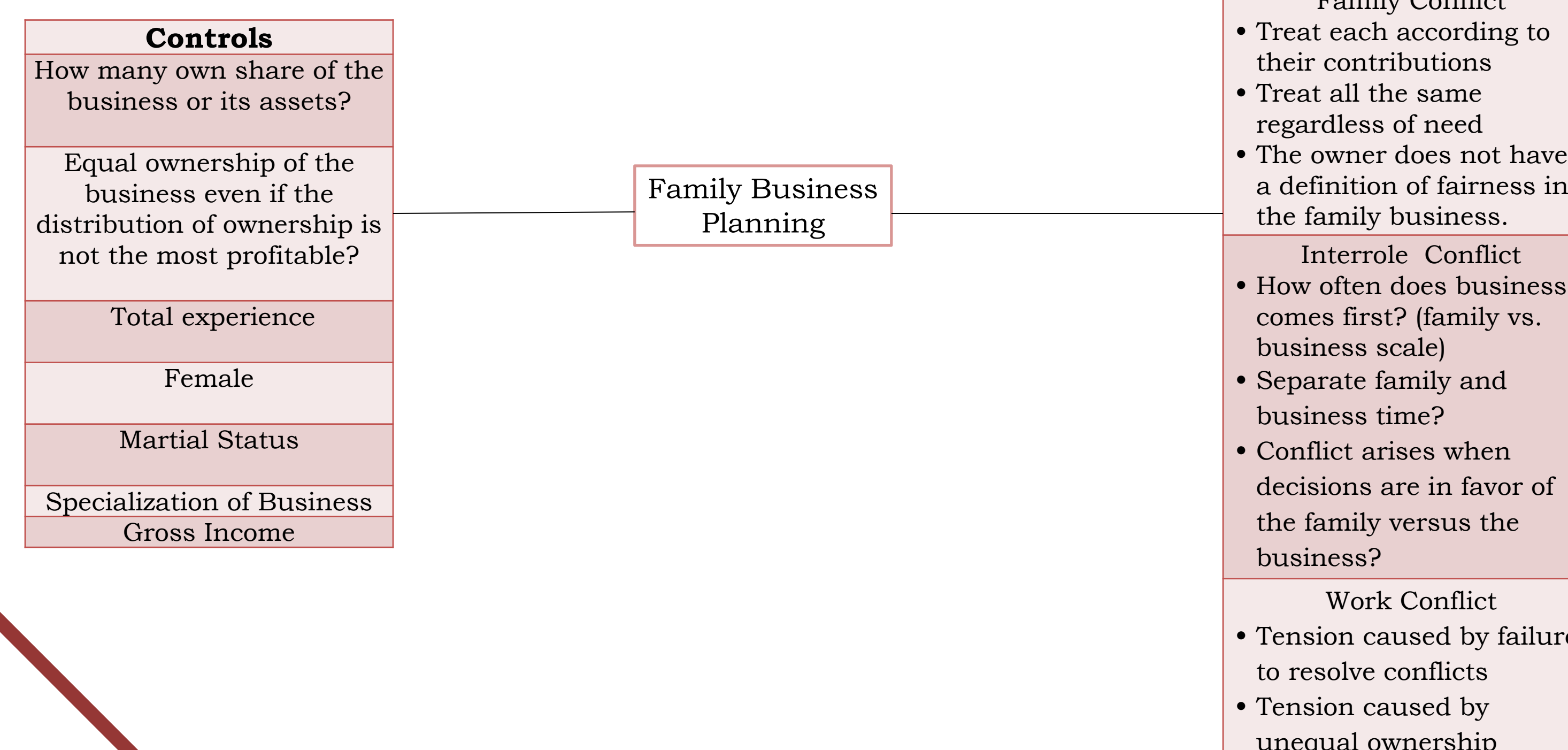
## Hypotheses

- H1.1. Business owners established a family business policy when they treat their employees according to their contributions.  
H1.2. Business owners established a family business policy when they treat all of their employees the same, regardless of need.  
H1.3. Business owners established a family business policy when they do not have a definition of fairness in the family.  
H2.1. Business owners established a family business policy when the family comes first.  
H2.2. Business owners established a family business policy when separate family business and family time increases.  
H2.3. Business owners did not establish a family business policy when conflict arises when decisions are in favor of the family versus the business increases.  
H3.1. Business owners did not establish a family business policy when tension caused by unequal ownership increased.  
H3.2. Business owners did not establish a family business policy when tension generated by failure to resolve business conflicts among family members increased.  
H4.1 Business owners established a family business policy if their spouse was involved in the day-to-day management of the business.

## Data and Methods

The sample included 519 business owners from the 2012 Family Business Succession Survey. From the survey, conflicts question were highlighted, which were used for this study. The independent variables and controls selected for the study are considered factors of conflict. The conflict factors acted as determinants of family business policies being established or not, which is illustrated in the proposed conceptual model (seen below). The Sustainable Family Business Models (1999 and 2008) and the Boundaries Model (2006) acted as the conceptual frameworks of the interworking of family and business systems. Finally, a probit regression and the marginal effects of the probit quantified the data to determine the factors of achieved balance through family business policies.

## Proposed Conceptual Model



## Results

### Probit Regression Estimates with Marginal Effects of Factors Affecting the Extent of Developed Family Process to Achieve Balance between the Needs of the Family and the Business

VARIABLE	$\beta$	Standard Error	dy/dx	Standard Error
n=519 Pseudo $R^2=0.0674$				
DIV_OWN	-.033	.045	-.010	.014
FARM	-.069	.137	-.021	.042
TOTAL_EXPERIENCE	0.006	.005	0.002	.002
SINGLE	-.186	.241	-.053	.065
FEMALE	0.116	.131	0.035	.040
SPOUSE	0.182	.151	0.054	.043
TWOFAMILY_FAIRNESS	0.384*	.201	0.126*	.070
THREEFAMILY_FAIRNESS	-.035	.175	-.011	.053
FOURFAMILY_FAIRNESS	-.132	.195	-.039	.056
WORK_OWNERSHIP	-.479***	.182	-.135***	.043
WORK_RESOLVE_CONFLICTS	-.294**	.143	-.088**	.043
SEPARATE_BUSINESS_FAMILY	0.233	.162	0.067	.044
BUSFAM_SCALE	0.046	.306	0.014	.093
FAMILY_BUSINESS_CONFLICT	-.171	.185	-.054	.061
OWN_BUS_ASSETS	0.442	.290	.114*	.061
BUS_GROSSINCOME	-.153	.127	-.047	.039

Note: Single, double, and triple asterisks (\*, \*\*, \*\*\*) denote statistical significance at 10%, 5% and 1% levels, respectively.

## Discussion

This study created a probit model and marginal effects regression to investigate the extent of how conflict affects the establishment of policy planning in the family business. Several conclusions were drawn from this study. First, business owners are more likely to have a family business plan when each family member was treated according to contributions. Second, business owners are less likely to have a family business policy when work ownership conflict increased. Third, business owners are less likely to have a family business policy when unresolved work conflict increased. Finally, business owners are more likely to have a family business policy when owners and employees own shares or assets in the family business. From this study, negative as well as positive factors of family business policies were identified as indicators of balance between the needs of the family and the business. Results from this study reaffirmed that exogenous factors are not the sole reasons why family businesses fail. Defining and understanding potential conflict that can occur or can be avoided through family business planning can save or endanger a business is a valuable construct for business owners today.

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