Family firms better than other businesses

June 21 2006

A Texas A&M University study has become one of the first to examine the competitiveness and stability of family businesses and finds both factors good.

Professor Jim Lee said family firms tend to experience higher employment and revenue growth and are, overall, more profitable than non-family businesses. He says his study suggests the average profit margin for family firms was 10 percent, 2 percent higher than non-family companies.

"Holding other things constant, family firms are likely to grow faster and be more profitable," Lee explains, noting family businesses comprise 35 percent of companies listed on the S & P 500 or the Fortune 500 index.

The study measured firm performance by net profit margin, employment, revenue, and gross income growth from 1992-2002. This time sample spans a full business cycle; the economy expanded from 1992 to March 2001 and then recessed for two quarters.

The research appears in the June issue of Family Business Review.