Family firms more likely to survive during recession

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(PhysOrg.com) -- Family businesses have been more resilient in meeting the economic challenges created by the current recession, a study has shown.

A report by academics from the universities of Nottingham and Leeds, on behalf of the Institute for Family Business Research Foundation, has revealed that private family firms are consistently less likely to go out of business — either through insolvency or dissolution — than their non-family counterparts.

The research found that medium-sized family firms in particular appear to be most insulated against failure. In 2009, of the 16,479 businesses which became insolvent, just 292 of those that went bust were medium-sized family firms. Similarly, non-insolvency related dissolution rates for the same year showed that just 8.59 per cent of medium family business failed compared to 9.85 per cent of non-family firms that ceased trading.

The UK report on family businesses has been produced by Dr Louise Scholes, Professor Mike Wright and Dr Hannah Noke at Nottingham University Business School in collaboration with Professor Nick Wilson and Dr Ali Altanar of the Credit Management Research Centre at Leeds University Business School. It examines the industrial and geographical background of family firms and their governance and performance.

Dr Louise Scholes said: “Our analysis indicates that although family firms may be smaller than non-family firms and perhaps do not grow to the same extent, they are more able to withstand recession, and perhaps this is their most important feature."

The report shows that family businesses account for just under one-third (28 per cent) of all private companies in the UK, with a turnover of more than £5m, and tend to be focused more in agriculture and fishing, manufacture of food and drink, textiles, wood and metal products, retail and car and motorbike maintenance and repair.

Family firms tend to have older directors than non-family firms and appear to offer greater opportunity for more senior positions for women — a higher percentage of family firms (44 per cent) have female directors than non-family firms (32 per cent).

Grant Gordon, IFB Director General, said: "This is important research and it highlights the enduring strengths of the family business sector. Family business can be defined by its commitment to long-term stewardship and entrepreneurship and these qualities can give a competitive advantage particularly during tough economic times.

"The findings in this report also show that the family business sector is ahead of non-family business when it comes to appointing female directors."

Provided by Nottingham University

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