ARE FAMILY-OWNED BUSINESSES MORE STABLE THAN PUBLIC COMPANIES?

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Family-owned businesses are increasingly being recognised as a distinct business organization in the current business environment when compared to other models of economic organizations. The purpose of this paper is to explore whether family-owned businesses are more stable than public companies. According to Ramadani and Hoy (2015), family-owned business can be understood as a business venture that is run by two or more members of the same family that is supported with varied factors, for example, family ties, shared values and experiences in a cultural context (pp. 9-10). Despite the fact there are similarities between family-owned businesses and public companies in terms of attracting talent and recording increased capital (Pounder, 2015), there are defining differences that inform the former's stability over the latter.

In their study, Nguyen and Wait (2013) characterised family-controlled firms more with centralised business model and structure when compared to non-owned family businesses, such as public companies. This is evidenced with decision-making that is controlled by family members owning that particular business. Family-owned businesses, which form one of the most prevalent firms in the world, derive their stability from key decisions sought and implemented using a top-bottom approach, for instance, succession plans and long-term commitment (Daspit, Chrisman, Sharma, Pearson, and Long, 2017; Ramadani and Hoy, 2015). Similarly, family-controlled firms tend to benefit from the aspect of flexibility, decision making, and participation where family members have guaranteed independence to foster the family venture that is less bureaucratic (Pounder, 2015). Comparatively, this business model enables family-owned businesses to strengthen their long-term stability through strategic decisions and commitment than public companies that are usually bureaucratic and decentralised. The stability of family-owned businesses is further reinforced through strategies that enable long-term understanding of the dynamics of the industry, sustainability mechanisms, and building effective customer relationships when compared with public companies that are unpredictable with imminent changes in their workforce.

Whereas family-owned businesses flourish with the stipulated factors that support their stability when compared with public companies, there are obstacles, such as family differences that can overwrite the ease of communication and the flexibility of the venture (Daspit et al., 2017). Another complication may be detailed with the probable sudden death of the incumbent family member in control or the successor that leaves the family business in a turmoil. Evidently, efforts from family members in the venture may not be recognised nor appreciated while employees in public companies prosper with varied reward mechanisms. However, Neubauer and Lank (2016) note that such issues that may threaten the functioning of family-owned business may be addressed through the adoption of effective governance that is often characterised with long-term benefits.

Conclusively, this paper has explored whether family-owned businesses are more stable than public companies. The discussion has highlighted the relevance of a centralised business model, culture, strategies, effective governance, and commitment as some of the factors that assert the stability of family-owned businesses when compared with public companies.

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