



PONTIFICIA UNIVERSIDAD CATOLICA MADRE Y
MAESTRA

“Study of Family Business Enterprises”

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The Family Business

I.- Introduction

Wal-Mart; McGraw-Hill; E. León Jiménez C. X A., Hermanos Dueñas and Vargas Catering Services have something in common: they are examples of family businesses. They are families who have or direct companies: from the small store on the corner with a minimum number of employees to the multinational company with more than sixty thousand employees. Some of the best known companies in the Dominican Republic and around the world are included in this category, as are thousands of other companies, unknown to the general public. These companies are many and diverse, but they have a common characteristic: they are bound together by family bonds, and it is exactly this characteristic which makes them so special.

Some institutions pride themselves on being family businesses, for instance those which have third generation family members occupying the key managerial positions. Others are controlled by families but do not consider themselves family businesses but private companies. In either case, those whom the business affects are conscious of the difference. The owners of a familiar business know very well how its operations differ from those that have public investors.

The employees of the business also notice how the family control influences daily happenings in the business, the organizational culture, and their personal careers. And the families know that sharing a business is an important aspect of their lives.

What are Family Businesses?

Family business are the types of companies that predominate in the Dominican Republic and in the world. These, so are bound to our economic and social life that we cannot escape to its presence in any of our daily activities. In our country, most family businesses are born of opportunity and a personal commitment and investment of the entrepreneurs and their relatives. For example, a couple manages to save and open a store. Growing up, the children of the family learn the business. After school they are seen behind the counter or helping to receive merchandise. The success of the family business is an economic bastion for a large number of Dominican companies and for a major portion of the world.

There are a number of studies done relating statistics about family businesses. These studies report that between the 65 and 80% of the companies worldwide are family-owned and directed. It is certain that many of these companies belong to a single small proprietor whose business will probably not survive succession from one generation to the next. But also it is true that many of these appear to be

some of the most successful companies of the Dominican Republic and the world. For example, it is estimated that 40% of the Fortune 500 companies are family-owned or are controlled by families. Family businesses produce half of the gross domestic product of the United States and use half of the labor force.

In Europe, family businesses predominate the small and medium company ranks and are a significant portion of the large company ranks in a number of European countries. In Asia, the form of the family business varies according to the country and the culture, but they occupy a major place in all developed economies with the exception of China. In Latin America, the groups family-owned and operated businesses are the primary types of businesses in almost all industrial sectors.

If family businesses are so common then, why are they so special? For all family businesses, the things of greatest importance in the lives of the families are their family members and their work, so it is easy to understand the impact of combining the two in a business. Working in a family business affects all those that participate in the business. The advice the President of a family business gives may be different when the employees are his wife and children, as opposed to that he gives to the Vice-president, his younger brother. The role of a partner is different when another partner is his spouse or his son. The role of the head of sales is not the same one when that position was inherited from his father or his grandfather who had the role fifty years ago.

The feeling is not just the impresión one gets. It is based in reality. Family-owned and directed businesses represent a particular type of organization with positive and negative aspects. This type of company gets great strength from its common history, identity and language of the family. When the high level managers are family members, their traditions, values and priorities come from a common source. And communication can be accelerated considerably within a family.

The managing owners decide to solve a problem "like our grandfathers did." The spouses and relatives find it easier to understand the decisions made, as well as the strengths and weaknesses of the business. Most importantly: a personal commitment almost to the point of sacrifice, can be asked of family members.

On the other hand, this same intimacy sometimes can damage professional managerial behavior. What prior family members did and just plain family behavior can be detrimental. Sometimes it is much more difficult to exert authority with relatives. Evolving family roles within the organization can be confusing. The pressures of the day-to-day handling of the company sometimes produces excessive tensión and can cause problems in the family relations.

When performance does not agree with expectations, this can produce much tension, confusion and irritation which can ruin the health of a company and hurt family relations. It is of public knowledge The family tragedies that accompany

chaos in the business are well known. The major family failures generally hide the successes of the familiar company.

When a family business functions well, the families involved generally give great personal commitment, investment, are committed to expediency, and have an attachment for the company that other types of companies could wish to attain. Family businesses are extremely complex, but they are indispensable stops to the financial health of our society and to the sustenance of millions of people throughout the world.

Those running the family business are not always prepared to face the special circumstances encountered in the business. The influence of “the family” in the company sometimes passes by unnoticed by proponents and schools of management. Business schools teach business concepts without distinguishing between family businesses and other types of organizations. Economic models of management science are based on the interchangeability of those who make the decisions so that it does not make any difference who they are.

Administering the Family Business

The administration of family businesses in general requires additional attention to certain points; some are obvious and others not. When members of a family work together, there exists a certain psychological factor in the workplace, due to the historical emotional complexity of the family. Strategic and administrative matters must be faced day by day, like mitigating the tensión between family and non-family members compensating the nonfamily managers appropriately and suitably. Then there are deeper points that many times occur and are not addressed: The managers, much like the family members, have their own agendas, power, their own interpretation of the family values, maximization of the personal wealth at the cost of the health of the company, to name a few. These points can cause rivalries that can be exceptionally harmful and perhaps fatal for the family business.

Psychological Aspects

In agreement with study conducted by John Davis of the University of the South of California and Renato Tagiuri of the University of Harvard, the members of the family that work together have an emotional history that can work together in synergy with the organizacional goals or that can cause great disruptions with productivity. The former happens when emotional ties among family members create the following:

- They heighten the loyalty of each person and the company in general.
- A strong sense of mission motivates family members to give more to obtain results in the business.

- A strong sense of future profit to help the family business even though this may require personal sacrifice.
- A strong sense of confidence among employees.
- Understanding of the strengths of each member of the family and how to use them effectively.
- A real understanding of how to communicate with one another.

But family relations also have the potential to harm the way the business runs in a number of ways that we will discuss later in this paper.

Simultaneous Roles

The members of the family in a family business have two roles: one in the family and another one in the business. A potential problem exists if, officially, the hierarchy of the business is not similar to the hierarchy of the family. For example, it may be difficult for a father and daughter to assume equal roles when they pass through the door of the business. The most hoped for is that the daughter divests herself of the role she has played with her father since birth.

Searching for One's Own Identity

Many members of families involved in the family business carry their roles in their business with them into non-business family matters. But let's imagine a member of the family does not have any interest in how the business has or will run or who feels confined in his/her role in the business or simply it does not share the familiar values. This member of the family must take responsibility for forming his/her own identity. If that identity includes to work for the family business, all well and good. But if not, this can create a continuous fight with the family to manage a career outside the business or to be forced to work in the family business in spite of lack of interest, which is worse.

Family History

Family ties developed among family members are only well known by the members of the family. Growing up in the same house lets family members know each others' strengths and weakness; outsiders can not know these. Family members also have a series of behavior patterns that can complicate business dealings nowadays. It is a difficult challenge to break with family expectations, the patterns of behavior of family members or the expectations of individual profits.

On the one hand, if this knowledge is used well the family business can use the strengths of its members to help overcome weaknesses. On the other hand, by permanently identifying weaknesses, the manager of the family business can demoralize and desincentivize members of the family such that they do not try new things and to break the patterns. If all expect a member of the family to be

bad with the numbers, for example, the probabilities that that would occur are very strong.

Making Communication Happen

The common emotional background that families have sometimes allows for easy communication among themselves, far better than for partners of ordinary businesses. Subtle flexions, tone and what one member of the family says to the other can have a meaning that would be lost between partners of ordinary businesses. This can improve communication in the business, can complicate it, or can generate stress to the business relationship.

Similarly, the members of a family will be more apt to note the personal problems of family members. This lack of perceived privacy can create a significant source of tension. Even families with a strong and healthy relationship face a great amount of adversity, but united they push towards a common goal.

Keeping Separate Relations with the Family and the Employees

As help for avoiding confusion between family relations and business relations, systems must be in place where family members are by standardized objectives: Financial results, Specific Degrees of Education, Knowledge, are all objective criteria to evaluate the members of the family for promotional opportunities.

Some relatives who work in the family business can not see outside the business. We believe this is a sad state of affairs since these members lose the benefits of a healthy family relationship. The separation of family and business relationships greatly maintain a healthy company and a healthy family relationship.

Working with Non-Family Members

The relationship among members of the family employed in the business can have a profound emotional effect that may require attention. But the relationship with non-family employees also requires attention, although for different reasons. Sometimes non-family employees savor the opportunity to work in a family business because such businesses are focused mainly on values rather than on benefits.

And if the company is sufficiently small, these people feel like they're a part of the extended family. But independent of the benefits of working for a small company in general, the non-family employees in a family business face problems that management needs to be aware of and take responsibility for them.

In this sense, non-family employees can believe in what the company does and its values, but they are not in the same position of responsibility as family

members. They normally do not have the opportunity to participate in the executive management of the company, and they do not have participation in profit-sharing. Additionally, they do not become involved in the company's future direction.

At the same time, non-family management personnel usually demand more. Some managers of family companies are compensated by profit-sharing, although profit-sharing is mainly kept within the family. Other family businesses refuse to profit share with non-family management and try to compensate with suitable wages and bonus plans. Good non-family managers may leave the company because they do not have access to executive management positions. Creative alternatives such as stock options, positions on the board of directors and generous bonus plans may sometimes prevent the resignations.

Hidden challenges in the management of family businesses

Like in any small business, hidden agendas between the members of the management team exist, whether they are family or non-family members. Although this subject is not specific to family businesses, it is mentioned here because it is a fleeting challenge in family business where the members of the family are supposed to be all for one and one for all.

Obtaining power

Members of the family may want to assume a higher role in the company than the one they are presently carrying out, particularly in times of management transition. Improperly formulated succession plans are an invitation for a fight for power.

Individual interpretation of family values

Individuals have different interpretations of abstract concepts, even if the individual comes from the same family. Business decisions based on abstract ideals can vary greatly between persons. Therefore, it is advisable to stimulate discussion to not only define but also to write down the values of the company.

Timeline for the maximum of value

Many strategic decisions require the short and long term approaches. If a member of the family wishes to maximize value in the short term, then the decision will be different from a member who wishes to maximize value in the long term.

Maximizing personal risk

Equally, the acquisition of wealth by a family member can be against the best interests of the family business or other members of the family.

Relatives behind the scene

Members of the family can have their own relatives, particularly consorts, who influence decision making.

Transition of Control

Transitioning a family business from one generation of managers to the next is probably one of the most important and challenging aspects to ensure the continuous success of the family business. Two components exist: transition of management control and transitioning property. A successful transition can make the company more healthy and powerful than before. But transition can be a very problematic aspect.

The “Second Generation Syndrome”

When a member of the family is guiding the transition of the business from a previous generation, the successor has a strong incentive to maintain the company's success. The business that continues to be successful beyond its founder immortalizes that founder; the successor then feels a strong push not to drop the ball. This feeling is greater in the second generation, when the successor is the son or the daughter of the founder and has a closer tie to the dead or retired founder. We call this the second generation syndrome. In essence, building the company is analogous psychologically to the construction of a monument to the founder, with motivation and a more intense sense of purpose.

Succession of the difficult form

Building a successful company is the way for an entrepreneur to obtain immortality, but ironically, many entrepreneurs defer planning for the inevitable moment that they will not be in charge of the company. This makes succession planning a potentially difficult subject.

Studies have noted that there comes a time in the life of a manager when he is ready to accept the inevitable parting from the company and he is also psychologically prepared for this. This usually happens between the ages of 51-60. After this point, the entrepreneur tends to try to stay in the position. If he is younger, he does not feel the necessity to leave the company.

Dramatic statistics prove the difficulty of this challenge. Of all the family businesses, 70% stay only in the first generation; 30% survive to the second generation. The transference to the third generation is worse still; only 13%

survive. From another point of view, the life average of a family business is 24 years.¹

Rivalry between potential successors must be avoided to all cost, especially if it turns vicious and it involves several people with property and the right to vote. This confrontation can destroy the business and family relationships. In order to avoid this rivalry there is a need to ensure that all those who are involved in the company are satisfied with the successors.

Ceding control of property

There are various aspects that ought to be taken into account. Who must receive the net assets/inheritance and how much? Who has the right to vote on the policies of the company? The manager of the family business needs to decide the goals of the business and how they could be obtained better before dispersing the net assets of the business.

A listing of the goals of the net assets of the business aids in an understanding of the possible motivations behind yielding the control of the assets of the business.

The Purchase/Sale agreement

Many owners of companies wish to maintain close control of the company's assets. Consequently, that brings to light the subject of purchase/sale agreements. For example, what happens if one of the partners of the team passes away? Generally, the wife with no experience inherits the business. One of these two things happens: she decides to sell her part of the business or she takes an active role in the administration of company. The other partner, on the other hand, is not necessarily content with this situation. Therefore, many businesses establish a purchase/sale agreement. This agreement dictates that if one of the partners passes away, the heirs must offer to sell that part of the business back to the company. The value of that part of the business is determined by the valuation system established in the agreement. An insurance policy exists generally that allows the company to make the purchase. This assures that the appropriate people maintain the control of the company.

An expression of family values

When a company is administered well, the family business is fundamentally a strong and enduring institution. The values of the family are instilled in the company, simply because the members of the family grew up with them. Children with strong family values more easily understand the value of the family business and will be able to transmit those values to the company culture than those

¹ T. M. Blake and J. Klayman Goldman, "Valuing a Closely Held Business Can Be Complex" *Massachusetts Lawyers Weekly*, June 21, 1993, p. 57.

employees who are not part of the family. In this sense, family businesses are a way to fulfill family values.

Maintaining family unity

The family business offers an opportunity for family workers to work together towards the profit of common goals. The family business simply allows the family to be together for more time.

When all goes well

Given all these things, managing a family business can be a difficult business. Also, it can be a rich and satisfactory experience for all those involved. There are many well-known and lesser-known companies that have successfully passed from generation to generation without problem, with strong growth, and solid family relationships.

II. Methodology

2.1. Design of the study

The importance of this investigation is in its objectives and their implications for the future of family businesses.

This work, due to the time limitation in which it must be conducted: a month, consists of a frequencial and descriptive-analytical statistical study.

2.2. Limitations of the study

The central limitations of this study are fundamentally the following:

- The lack of collaboration of the business owners contacted.
- The time of the year in which the study took place: Summer (Many businesspeople were on vacation)
- The limit to the time: one month

2.3 Population of the study

Under study were businesses within the City of Santo Domingo, Dominican Republic. The population for the study was 5,000 small, medium and large companies.

Given the brevity of time in which the study could be conducted and to the most relevant social and economic family businesses within the population, the sample used for the study was 2,858 companies.

2.4 Design of the Sample

To calculate the sample we used the following formula:

$$n = \frac{4pqN}{E^2(N-1) + 4pq}$$

n= Sample
N= 2,858
4=Constant
p= 0.5 (successful)
q= 0.5 (failure)
E= Margin of error (5%)

n= 351 businesses

III. Study Instruments

For the processing of the study instruments we took into account variables and indicators tuned to the specific objectives of the study raised in the section on Data Collection Instruments.

The thrown data were analyzed in two slopes: statistic, determining frequencies and percentages for the answers given, as well as inferences made by crossing those elements with other important variables in the study; analytical, unravelling the possible implications of the statistical data at a qualitative level.

3.1. Data Collection Instruments

For collecting data we used instruments in accord with the study's objectives. Specifically, the questionnaire provided by the Grant Thornton Survey.

3.1.1. Surveys

The instrument provided by the contracting company was used in the study. The survey consisted of a prepared questionnaire divided into three parts.

These were the three fundamental parts of the questionnaire:

1. 14 questions about the owner and his business.
2. 15 questions about their business fears.
3. 20 questions about their families and the business.

To this basic guide were added two questions to evaluate the posible continuation of the business and other general questions about the business. (Name, address, telephone, etc.) Some business owners refused to give this information, leaving these sections blank.

3.1.2. Interviews

Not applicable

IV. Analysis of Data Obtained

Pro-forma Questionnaire

The family and the business
Grant Thornton Survey

This questionnaire is interested in the company and feelings about the family members in the company. We are interested in knowing your point of view although the members of their family are not involved in the company at this moment. Your answers will be completely confidential and results will be presented anonymously in the aggregate.

Sección 1- You and Your Business

TABLE 1

1 How man people founded the business?

Number of people	Frequency	Percentage (%)
1	85	24.2
2	161	45.9
3	60	17.1
4	10	2.8
5	15	4.3
6	10	2.8
7	5	1.4
8	5	1.4
No answer	0	0.0
Total	351	

The table shows that the formation of the major portion of businesses surveyed had been the responsibility of two people, reflected in the 45.9% of the total of those questioned, as opposed to 24,2% that those that have a single founder and the 17,1% of the total founded by three people.

TABLE 2

2. Of the family founders, how many are actively involved in the business?

Founding family members involved	Frequency	Percentage (%)
1	171	48.7
2	75	21.4
3	35	9.9
4	10	2.8
5	0	0.0
6	10	2.8
7	0	0.0
8	0	0.0
None	30	8.5
No answer	20	5.7
TOTAL	351	

This is an interesting table which shows that 48.7% of business have fewer than 1 of the founding members still involved in the business. This leads us to believe that they must still be young companies, still in the hands of the owner.

21.4% corresponde to businesses where other families and children have been involved in the productive process.

8.5% corresponds to family businesses where at this time the presence of the founders is not existent in the mechanics of the organization.

TABLE 3

3. In relation to the business, what generation do you belong to?

Generation	Frequency	Percentage (%)
Founder	185	52.7
Second	141	40.2
Third	5	1.4
Later	10	2.8
No member of the family was a founder	10	2.8
No answer	0	0.0
TOTAL	351	

This table confirms that which was illustrated in Table 2, that 52.7% of those survey were founders of the business and only 40.2% are of the second generation of the family.

If you are not one of the founders of the business or a member of one of the founder's families, please skip to question number 9.

TABLE 4.

4. If you are a member of the generation which is not the founding generation, what is your relationship with the founder?

Relationship with the founder	Frequency	Percentage (%)
Brother/sister	20	5.7
Son/daughter	151	43.0
Grandson/granddaughter	5	1.4
Other (specify)	40	11.4
No answer	135	38.5
TOTAL	351	

The second generation assumes an active role in family business, as confirmed by the 43.0% of those surveyed who report they are active in the business, as opposed to 5.7 and 11.4% who belong to the families of the founders.

The data reveals that only 1.4% of those surveyed belong to the third generation.

TABLE 5.

5 How many members of your family work in the business? Please write in the number.

Members	1	2	3	4	5	6+	Frequency	Percentage (%)
Brother/sister	56	25	25	5	10	10		
Children	55	45	16	15	0	0		
Grandchildren	10	5	0	0	0	0		
Other	60	20	10	15	0	0		
No answer							45	

TABLE 6.

6. Do you have children?

Children	Frequency	Percentage (%)
Yes	226	64.4
No	95	27.1
No answer	30	8.5
TOTAL	351	

No analysis needed.

TABLE 7.

7. If you answered yes above, what are the ages of your children and indicate whether or not they work in the business.

First child	Quantity	Frequency	Percentage (%)
1- 12 years	86		
13 –16 years	10		
17 –23 years	30		
24 – 28 years	15		
29 or older	30		

Second child	Quantity
1- 12 years	86
13 –16 years	5
17 –23 years	30
24 – 28 years	15
29 or older	20

Third child	Quantity
1- 12 years	45
13 –16 years	5
17 –23 years	20
24 – 28 years	10
29 or older	15

Fourth child	Quantity
1- 12 years	5
13 –16 years	5
17 –23 years	0
24 – 28 years	15
29 or older	5

Fifth child	Quantity
1- 12 years	10
13 –16 years	0
17 –23 years	10
24 – 28 years	0
29 or older	5

Children that work in the business

In the business	Yes	No	No answer
First child	45	121	
Second child	30	136	
Third child	20	75	
Fourth child	20	10	
Fifth child	15	10	
			165

TABLE 8.

8. If your children do not work in the business, would you like them to?

I would like my children to work in the business	Frequency	Percentage (%)
Yes	41	11.7
No	30	8.5
Only if they want to	145	41.3
No answer	135	38.5
TOTAL	351	

Parents who would like for their children to work in the family business is very low, 11.7%. The tendency is to let them make up their own minds (41.3%).

TABLE 9.

9. When you founded the business, when did you begin to work in it?

Quando comenzó en la empresa	Frequency	Percentage (%)
After secondary school	101	28.8
After the university	65	18.5
After profesional training	0	0.0
After working in another business	150	42.7
No answer	35	9.9
TOTAL	351	

42.7% began the business after working in another business, compared to 28.5% who started the business after finishing secondary school.

TABLE 10

10. If you worked in another business, how long did you spend working before beginning this business?

Time spent in another business prior to this.	Frequency	Percentage (%)
1 to 2 years	51	14.5
3 to 5 years	95	27.1
6 to 9 years	20	5.7
10 to 15 years	55	15.7
More than 16	15	4.3
No answer	115	32.8
TOTAL	351	

32.8% did not answer which could be an indication that these people came into the business after secondary school or after the university.

TABLE 11

11. What is your business's industry sector?

Sector	Frequency	Percentage (%)
Manufactura	25	7.1
Construcción	15	4.3
Servicios financieros	25	7.1
Detallista	121	34.5
Otros servicios	160	45.6
No contesto	5	1.4
TOTAL	351	

No analysis needed.

TABLE 12

12. How many full time employees work in the company

Full time employees	Frequency	Percentage (%)
1 a 10 employees	252	71.8
11 to 20 employees	20	5.7
21 to 40 employees	35	9.9
41 to 90 employees	20	5.7
91 to 2000 employees	5	1.4
201 to 500 employees	7	1.9
501 to 2000 employees	1	0.3
2001 or more employees	2	0.6
No answer	9	2.8
TOTAL	351	

No analysis needed.

TABLE 13

13. Do you regret having worked in the family business?

Regret	Frequency	Percentage (%)
Yes	221	62.9
No	120	34.2
No answer	10	2.8
TOTAL	351	

The data reveal that 62.9% regret having worked in the family business. This could be interpreted in several ways, depending on the economic situation at the time. Also, this could be a result of family conflicts with the persons being surveyed.

TABLE 14

14. Do you consider your business a family business?

Considered a family business	Frequency	Percentage (%)
Yes	296	84.3
No	50	14.2
No answer	5	1.4
TOTAL	351	

Section 2 – Your Nightmares

Please indicate on a scale of 1-5 where 1 (I sleep soundly) 3 (I worry) 5 (I have nightmares), your attitude about the following. Please circle only one answer per question.

TABLE 15

1 If I introduce outside shareholders, how greedy will they be?

I Sleep Peacefully	I Worry		I Have Nightmares			No Answer	TOTAL	
1	2	3	4	5				
95	30	141	45	15	25	351	Frequency	
27.1	8.5	40.2	12.8	4.3	7.1	100%	Percentage (%)	

The range here goes from 8.5% to the 40.2% who have worries about outside shareholders. This type of reaction is typical of those who have founded their own businesses, who do not understand the corporative process, who distrust the laws of business, or are small companies.

TABLE 16

2. Should you change from the way you presently are handling the company to external shareholders?

I Sleep Peacefully	I Worry			I Have Nightmares		No Answer	TOTAL	
1	2	3	4	5				
111	35	105	40	41		19	351	Frequency
31.6	9.9	29.9	11.4	11.7		5.4	100%	Percentage (%)

Just like in the previous table, answers range from 9.9% to 29.9% worry about this topic.

TABLE 17

3. How can I finance company growth and at the same time retain control?

I Sleep Peacefully	I Worry			I Have Nightmares		No Answer	TOTAL	
1	2	3	4	5				
121	75	85	29	21		20	351	Frequency
34.5	21.4	24.2	8.3	5.9		5.7	100%	Percentage (%)

This table emphasizes the fact that 34.5% of those surveyed feel calm about financing growth without losing control. It is possible to infer on the basis of the previous tables, that these people are not necessarily looking for investors

However, 21.4% and 24.2% say they worry, yet only 14.0% say they have nightmares when thinking about growth.

TABLE 18

4. All my money is in the business. What happens if I begin to have problems?

I Sleep Peacefully		I Worry		I Have Nightmares		TOTAL	
1	2	3	4	5	No Answer		
46	40	139	55	57	14	351	Frequency
13.1	11.4	39.6	15.7	16.2	3.9	100%	Percentage (%)

Como it is obvious that those surveyed are increasingly worried (11.4% to 39.6%) about uncertainty in the business where they have all their money. This data reveal that those survey do not separate their personal inheritance from their business inheritance which could be a significant point of confusion.

TABLE 19

5. Will I be able to take money out of the company?

I Sleep Peacefully		I Worry		I Have Nightmares		TOTAL	
1	2	3	4	5	No Answer		
173	79	75	10	0	14	351	Frequency
49.3	22.5	21.4	2.8	0	3.9	100%	Percentage (%)

TABLE 20

6. Should I sell the business?

I Sleep Peacefully		I Worry		I Have Nightmares		TOTAL	
1	2	3	4	5	No Answer		
124	32	71	52	35	37	351	Frequency
35.0	9.1	20.2	14.8	9.9	9.4	100%	Percentage (%)

This table does not need much analysis since most respondents do not worry about selling the business because they do not have the need to do so and only from 20.2% to 14.8% show they are worried about it.

TABLE 21

7. What is the value of the business?

I Sleep Peacefully		I Worry		I Have Nightmares		TOTAL	
1	2	3	4	5	No Answer		
171	64	47	26	0	43	351	Frequency
48.7	18.2	13.4	7.4	0	12.3	100%	Percentage (%)

48.7% feel calm about the value of their company, which is a sign of confidence and enterprise solidity.

TABLE 22

8. Do I need to grow the business?

I Sleep Peacefully		I Worry		I Have Nightmares		TOTAL	
1	2	3	4	5	No Answer		
84	51	123	43	15	35	351	Frequency
23.9	14.5	35.0	12.3	4.3	9.9	100%	Percentage (%)

Here we see that the range grows 14.5%, 35.0% and 12.3% for a total of 61.8% who get worried when thinking about the growth of the company. This can be bound to factors of organizational control.

TABLE 23

9. How much will my life change if I make the business grow?

I Sleep Peacefully		I Worry		I Have Nightmares		TOTAL	
1	2	3	4	5	No Answer		
125	71	78	36	10	31	351	Frequency
35.6	20.2	22.2	10.3	2.8	8.8	100%	Percentage (%)

Those surveyed do not feel they will be greatly affected in their lives if the business grows. 35.6% are calm while 22.2% show a bit of worry.

TABLE 24

10. What will happen if my business partner and I have a serious disagreement?

I Sleep Peacefully		I Worry		I Have Nightmares		TOTAL	
1	2	3	4	5	No Answer		
53	61	97	54	60	26	351	Frequency
15.1	17.4	27.6	15.4	17.1	7.4	100%	Percentage (%)

17.4% and 27.6% worry if they have disagreements, perhaps for the implications that will have in their business.

TABLE 25

11. What will happen if my wife and I divorce?

I Sleep Peacefully		I Worry		I Have Nightmares		TOTAL	
1	2	3	4	5	No Answer		
118	51	46	21	53	62	351	Frequency
33.6	14.5	13.1	5.9	15.1	17.7	100%	Percentage (%)

This table shows that for those surveyed, divorce is not a problem. 33.6% responded that they sleep peacefully. It would be interesting to note the difference in the men and women who answered this question, owing to the fact that to cultural and legal questions men receive more advantages in divorce settlements.

TABLE 26

12 Should I bring family members into the business?

I Sleep Peacefully		I Worry		I Have Nightmares		TOTAL	
1	2	3	4	5	No Answer		
137	62	71	5	42	34	351	Frequency
39.0	17.7	20.2	1.4	11.9	10.8	100%	Percentage (%)

This table shows that 39.0% of those surveyed are calm about bringing members of the family into the business. One of the reasons could be that, if these are young businesses, the generation that will be entering the business is the second generation and the founder is still in control of his dependents (sons and daughters). Others do not think this point to be of immediate interest to them.

TABLE 27

13. What I can do if my children do not do a good job within the company?

I Sleep Peacefully		I Worry		I Have Nightmares		TOTAL	
1	2	3	4	5	No Answer	351	Frequency
76	53	103	33	31	56	351	Frequency
21.7	15.1	29.6	9.4	8.8	15.9	100%	Percentage (%)

This table points out a relevant fact: 29.6 % of those surveyed have a level of worry about their children not doing a good job within the company. One of the reasons could be that those surveyed do not have sufficient information on the matter which limits them in the way they will eventually confront the problem.

TABLE 28

14 Should I give shares of the business to my key employees?

I Sleep Peacefully		I Worry		I Have Nightmares		TOTAL	
1	2	3	4	5	No Answer	351	Frequency
94	31	67	35	71	53	351	Frequency
26.8	8.8	19.1	9.9	20.2	15.1	100%	Percentage (%)

Contrast the 26.8 % of those that chose calm, with the 20.2 of those that stay awake with nightmares about this point. This reveals that or the problem does not interest them or that they do not clearly understand the problem with elevating employees to shareholders.

TABLE 29

15. If my children don't enter the business, how can I provide for them separately?

I Sleep Peacefully		I Worry		I Have Nightmares		No Answer	TOTAL	
1	2	3	4	5				
110	61	65	29	21	65	351	Frequency	
31.3	17.4	18.5	8.3	5.9	18.5	100%	Percentage (%)	

31.3% seem to not worry about this. This is rather worrisome data because it seems to emphasize a lack of planning for the future entry of the children into the business. Esto en si mismo es un dato preocupante ya que destaca falta de proyección, hacia como lograr integrar los hijos a la empresa. Also it could be that the children are very small and it's still too early to play the child's entry into the business.

Sección 3 – The Family and The Business

Indicate on a scale of 1-5 where 1 (I agree) 3 (neutral) 5 (I do not agree), your attitude about the following statements. Please circle the number that corresponds to your answer.

TABLE 30

1. Children should be introduced to the business at an early age.

I agree		Neutral		I do not agree		No Answer	TOTAL	
1	2	3	4	5				
157	46	83	31	24	10	351	Frequency	
44.7	13.1	23.6	8.8	6.8	2.8	100%	Percentage (%)	

44.7% believe that children should enter the business at an early age. The owners of family businesses maintain this point of view.

TABLE 31

2. The academic education of the children ought to be guided, taking into consideration the needs of the business.

I agree		Neutral		I do not agree			
1	2	3	4	5	No Answer	TOTAL	
56	26	77	18	168	6	351	Frequency
15.9	7.4	21.9	5.1	47.9	2.6	100%	Percentage (%)

A clear separation between the possible vocational interests of the children and those children entering the company exists.

TABLE 32

3. The successor managers of the company should belong to the family.

I agree		Neutral		I do not agree			
1	2	3	4	5	No Answer	TOTAL	
125	31	68	34	82	11	351	Frequency
35.6	8.8	19.4	9.7	23.4	3.1	100%	Percentage (%)

Although the majority (44.4%) agrees in conserving the direction of the company in the hands of family members, the opposition is very significant (33.1%) and 20% do not have a firm position on the matter, which makes us believe that half he would be open to management that is not part of the family.

TABLE 33

4. There should be formal criteria to decide when members of the family should enter and leave the business.

I agree		Neutral		I do not agree			
1	2	3	4	5	No Answer	TOTAL	
147	66	67	16	43	12	351	Frequency
41.9	18.8	19.1	4.6	12.3	3.4	100%	Percentage (%)

More than half the respondents favor formalization of rules for entry and exit from the business.

TABLE 34

5. It is important that the children are interested in the market in which the company competes and its products.

I agree		Neutral			I do not agree			
1	2	3	4	5	No Answer	TOTAL		
173	56	77	15	21	9	351	Frequency	
49.3	15.9	21.9	4.3	5.9	2.6	100%	Percentage (%)	

The results of this table partly contradict the results of table 31, since in this one 65% favor that the children be interested in the company. Notwithstanding, there may be a difference between the professional career selected by the child and the interest the child out to have in the business as his main source of income.

TABLE 35

6. Children should receive stock ownership when they enter into the business.

I agree		Neutral			I do not agree			
1	2	3	4	5	No Contesta	TOTAL		
137	41	83	31	49	10	351	Frequency	
39.0	11.7	23.6	8.8	13.9	2.8	100%	Percentage (%)	

The emphasis of this table is oriented to the consolidation of the familiar business via the participation of the children, that next to the following panel (Table 36), justifies the fact that if the son does not work no .

TABLE 36

7. Children who do not work in the business should not receive company stock.

I agree		Neutral			I do not agree			
1	2	3	4	5	No Answer	TOTAL		
84	21	129	15	86	16	351	Frequency	
23.9	5.9	36.7	4.3	24.5	4.6	100%	Percentage (%)	

Here we note that 36.7 % have no point of view about this statement, while 24.5% agree that those who do not work in the business should not receive company stock.

TABLE 37

8. There can only be one main general manager sucesor for the company.

I agree		Neutral		I do not agree			
1	2	3	4	5	No Answer	TOTAL	
73	21	76	41	128	12	351	Frequency
20.8	5.9	21.6	11.7	36.5	3.4	100%	Percentage (%)

No analysis is necessary since since this shows great diversity of points of view with emphasis in a 36.5% disagreement in those surveyed.

TABLE 38

9. Children must only receive shares in the business at the time of death of the previous generation.

I agree		Neutral		I do not agree			
1	2	3	4	5	No Answer	TOTAL	
41	6	94	25	172	13	351	Frequency
11.7	1.7	26.8	7.1	49.0	3.7	100%	Percentage (%)

Those surveyed demonstrate the desire to assume or be allowed to assume responsibilities in the company before the death of the founders.

TABLE 39

10. The founder and/or the founding generation, always ought to have a formal role in the business.

I agree		Neutral			I do not agree			
1	2	3	4	5	No Answer	TOTAL		
174	56	66	16	28	11	351	Frequency	
49.6	15.9	18.8	4.6	7.9	3.1	100%	Percentage (%)	

TABLE 40

11. Parents ought to retire when the children are ready to take over the business.

I agree		Neutral			I do not agree			
1	2	3	4	5	No Answer	TOTAL		
96	47	77	41	75	15	351	Frequency	
27.4	13.4	21.9	11.7	21.4	4.3	100%	Percentage (%)	

Variance in answers leaves shows great diversity; no analysis is needed.

TABLE 41

12. The business is stronger when members of the family are involved.

I agree		Neutral			I do not agree			
1	2	3	4	5	No Answer	TOTAL		
153	36	94	13	44	11	351	Frequency	
43.6	10.3	26.8	3.7	12.5	3.1	100%	Percentage (%)	

This table reveals the desire of the families of the founders and of the second generation in participating in the family business.

TABLE 42

13. The affairs of the family and those of the business ought to be separate.

I agree		Neutral		I do not agree			
1	2	3	4	5	No Answer	TOTAL	
279	16	36	0	5	15	351	Frequency
79.5	4.6	10.3	0	1.4	4.3	100%	Percentage (%)

Table 42 shows that 79.5% family affairs and those of the business must be separate, and this should be stated in the business criteria.

TABLE 43

14. Professional advisors understand the specific situations that confront family businesses.

I agree		Neutral		I do not agree			
1	2	3	4	5	No Answer	TOTAL	
65	61	135	23	52	15	351	Frequency
18.5	17.4	38.5	6.6	14.8	4.3	100%	Percentage (%)

This shows little understanding of the role that the professional can play in the development of the family business.

TABLE 44

15. When a child joins the business, he/she should begin at the bottom.

I agree		Neutral		I do not agree			
1	2	3	4	5	No Answer	TOTAL	
221	36	56	19	14	5	351	Frequency
62.9	10.3	15.9	5.4	3.9	1.4	100%	Percentage (%)

This is a very traditional way of thinking in family businesses.

TABLE 45

16. Children should receive equal share in the business.

I agree		Neutral			I do not agree		
1	2	3	4	5	No Answer	TOTAL	
117	21	82	40	81	10	351	Frequency
33.3	5.9	23.4	11.4	23.1	2.8	100%	Percentage (%)

These answers merit further investigation, due to the dispersión of answers.

TABLE 46

17. Shares only should be transferred to members of the family.

I agree		Neutral			I do not agree		
1	2	3	4	5	No Answer	TOTAL	
104	36	72	25	92	22	351	Frequency
29.6	10.3	21.9	7.1	26.2	7.1	100%	Percentage (%)

These answers merit further investigation, due to the dispersión of answers.

TABLE 47

18. Members of the family have the right to offer schemes of understanding with conditions different from the other employees.

I agree		Neutral			I do not agree		
1	2	3	4	5	No Answer	TOTAL	
74	25	142	29	66	15	351	Frequency
21.1	7.1	40.5	8.3	18.8	4.3	100%	Percentage (%)

TABLE 48

19. The business should offer pensions to all members of the family.

I agree		Neutral			I do not agree		
1	2	3	4	5	No Answer	TOTAL	
58	26	111	31	110	15	351	Frequency
16.5	7.4	31.6	8.8	31.3	4.3	100%	Percentage (%)

There is a clear tendency against the idea that the company provides pensions to the members of the family.

TABLE 49

20. Rivalry among family members is healthy for the business.

I agree		Neutral			I do not agree		
1	2	3	4	5	No Answer	TOTAL	
42	5	26	18	254	6	351	Frequency
11.9	1.4	7.4	5.1	72.4	1.7	100%	Percentage (%)

This table shows that most of those surveyed think conflicts between relatives damage the company, at a percentage of 72.4%.

TABLE 50

Is there any other aspect that we have omitted and that you would like us to consider? *Please elaborate.*

See recommendations

TABLE 51

Would you be willing to participate in a follow-up study

Willing to participate in follow up	Frequency	Percentage
Yes	87	24.75
No	96	27.4
Did not answer	168	47.9

TABLE 52

Would you be interested in a summary of results?

Interested	Frequency	Percentage
Yes	93	26.5
No	83	23.6
No answer	175	49.9

V. Conclusions

We believe that the study shows a great weakness of family businesses insofar as a true perception of themselves and an absence of services provided to such companies.

We propose a more in-depth study using an instrument adapted to the Dominican sociocultural reality, since the used one in this investigation was not validated and those surveyed had difficulties answering many of the questions.

Notwithstanding, accounting and consulting opportunities abound for family businesses and this demands immediate action.

VI. Recommendations

- To create an instrument that allows collection of more fundamental aspects of family businesses:
 - Generational conflicts
 - Transition to a different type of organization
 - Clarification and solution of conflicts
 - Interests, etc.
- To pursue the problem of absence of the third generation in family businesses
- To study the existing correlation between being sorry to enter the company with the variable economic crises or familiar disfunctions in the organization
- To conduct a deeper and more detailed investigation, with sufficient time to more thoroughly study the following the variables:
 - Children in the business Vs. Children not in the business
 - Financial fears Vs. Lack of business information
 - Indifference to risks Vs. Poor understanding of the business risks

Appendices