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Celebrating women in family-owned businesses: Does gender make a difference?

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In August 2003 Babson College/Mass Mutual released its report, "Women in Family-Owned Businesses." In this groundbreaking study, data from a previously completed family business survey was more closely analyzed, comparing and contrasting the family businesses owned by women versus men to determine what makes women-owned family businesses different.

This unique research was led by the Center for Women's Leadership at Babson College, "the first academic center at a leading school of management dedicated to the advancement of women in business and entrepreneurship." Though there have been numerous follow-up articles and columns in the national press about the report, an update is long overdue.

This remarkable study suggested women-owned family businesses are almost two times as productive as those owned by men. The study outlined the major differences in management and leadership styles between the genders that appear to contribute to the success of women-owned family firms. In addition, the study looked at other characteristics such as employee turnover, use of debt, family and business alignment, charitable giving levels, succession planning and board composition.

From 1998 to 2003, leading up to the date of the study, women-owned businesses in the United States had increased by 14 percent. In the same period, the number of family firms owned by women had increased 37 percent.

The Center for Women's Business Research reports that as of fourth quarter 2006, there are an estimated 10.4 million majority women-owned firms, employing about 12.8 million workers and generating $1.9 trillion in sales. Between 1997 and 2006, the percent growth in the number of majority women-owned firms was nearly twice that of all U.S. firms, 42.3 percent versus 23.3 percent. Moreover, the number of women-owning nontraditional businesses such as landscaping and construction enterprises has increased significantly. Although there are no updated statistics reported yet, one can only assume the number of family firms owned by women has increased as well in the last four years.

Although the 2003 study indicated owners of family businesses are similar in age (59 was the average age of male owners, 58 for their female counterparts), on average, women owners take on ownership of the business five years later. For first-generation women owners, this may be due to their starting their firms after childbearing and rearing years

are over or due to the death of a spouse. Within the last four years, younger women have been stepping into leadership positions in family businesses. Examples on a larger scale are Christy Hefner, Carrie Schwab Pomerantz and, more recently, Ivanaka Trump. In San Diego, examples include Kathy Olsen at RCP Block and Brick, Jennifer Pesqueria at El Indio Shops and Shandon Harbour at SDA Security Systems.
The 2003 study also indicated women-owned family firms are more than twice as likely as their male-owned counterparts to employ women family members full-time and nearly three times as likely to employ more than one female family member full-time. The report suggested that perhaps women-owned firms have higher expectations regarding female family members' active participation, and a female founder role model might encourage other female family members to enter the business on a full-time basis.

This is certainly the case with Nora Jaeschke and her three daughters, Eleanor, Elizabeth and Christine. All three daughters worked with their mother early in their careers and after Nora sold the firm almost three years ago, Christine and Eleanor still remain in leadership roles at NN Jaeschke, a local property services company.

On the productivity level, the study stated women-owned family businesses had average annual revenues of $26.9 million in 2002, compared with $30.4 million of their male-owned counterparts. However, even though they are somewhat smaller in size and generate lower revenue than male-owned family businesses, female-owned family firms generated their sales with fewer median employees, employing 26 individuals compared with 50 at male-owned firms. Thus, female-owned firms were reported as 1.7 times more productive as male-owned family firms, in that they do more with less.

Other extraordinary findings detailed in this study on women-owned family businesses:

- Women-owned family firms have a 40 percent lower rate of family member attrition.

- Female-owned firms have focused carefully on CEO succession planning, and 49 percent of women owners have named a successor compared with 40 percent of male owners.

- Female-owned firms place greater proportionate emphasis on philanthropy directed toward educational and community organizations.

Additional current insights come from the Center for Women's Business Research in its in December 2006 biennial update on information on women-owned businesses under the section titled "Exit Strategies of Women-Owned Businesses":

- Women business owners in nontraditional industries are more likely than men to have inherited their business from their mothers (17 percent versus 2 percent) and more likely to plan to pass it on to their daughters (30 percent versus 11 percent).

- Eighty-five percent of both women and men rank price as the most important factor when planning on selling their business. However, women are more concerned than men with the buyer's plans for the business (79 percent versus 52 percent) and the buyer's plan for current employees (86 percent versus 61 percent).

- Women business owners are nearly twice as likely as men business owners to intend to pass the business on to a daughter or daughters (37 percent versus 19 percent).

This last statement is encouraging. Joseph Astrachan, director of the Cox Family Enterprise Center at Kennesaw State University in Atlanta, said the stereotypical view that family businesses are always passed to the first-born son is not quite correct these days. "Daughters typically do not need to compete with their fathers to get approval. Rather, they can help without the fathers (feeling) pushed aside," Astrachan said.

What lessons can family-owned firms learn from this landmark study? Perhaps male founders should not be overly concerned with grooming a competent daughter as their successor, and brothers shouldn't worry about their sisters taking over at some point. If the daughter/sister is interested, intelligent and capable, she can ascend to a leadership position based on her ability, not her gender. Learning from female management approaches is important for families in business, as there appears to be higher levels of productivity, employee loyalty and family involvement and satisfaction.

New studies are being done on gender differences as they pertain to business management skills. Juli Ann Reynolds, president and CEO at management guru Tom Peters' consulting and training firm, is leading a study to determine which traits characterize women-led businesses. Early results suggest the culture of women-led companies tends to be collaborative and team-driven. Previous studies of businesses headed by men, Reynolds said, have found widely varying cultures. The question is whether women-led companies will show a greater commonality. These findings will likely be similar in both family-owned and non-family-owned enterprises.

Even women-owned family businesses led by widows of founders appear to be thriving, due to these positive differences in female leadership and management styles.

Widowed in middle age, one renowned woman entrepreneur had to take over her deceased husband's company with the help of her son, Tim, age 21. To quote Gert Boyle, CEO and chairwoman of Columbia Sportswear Co., "I always tell people that running a business is a little like running a household, only much more so. My son's ambition is to become a billion-dollar company immediately. My theory is that growth is OK if you have the people to back it up."

The unique 2003 study emphasized that women-owned family businesses are thriving and productive, which will only help improve the future of family business in America. In family-owned firms, gender does indeed make a difference.