

**NC1030 Family Firms and Policy
North Central Region Regional Research Project
Description, History, Contributions, and Innovations**

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What is NC1030?

It is an inter-disciplinary, inter-university research project with faculty involvement from eleven landgrant universities interested in family business research from the perspective of family, business, or the interplay between the two systems. The landgrant universities with faculty representatives in the project are:

Iowa State University
Montana State University
North Dakota University
The Ohio State University
Oklahoma University
Purdue University
University of Hawaii at Manoa
University of Kentucky
University of Minnesota
University of Wisconsin-Madison
Utah State

Together, these universities combined financial resources to accumulate approximately \$700,000 to collect two waves of data. This data is unique to the family business field because it is a nationally, representative household sample of family businesses with responses from both business and household managers. The multi-disciplinary research group has been in existence for more than 10 years; its first two phases were as NE167.

What is the history of NC1030?

Starting October 1, 2006, the third phase of the project began. Prior to this phase, the project has been located administratively in the North Eastern Region. The following is a brief explanation of the first two phases and the primary contributions in each phase.

Phase 1 (NE167)

Focus: interaction of family and business

Primary contributions:

- (a) Development of the Sustainable Family Business Theory
- (b) Collected the first national, representative household sample of family businesses that provided the first prevalence data for U.S. family businesses
- (c) Estimated responses of family businesses to internal disruptions

Phase 2 (NE167)

Focus: sustainability of family businesses and their contributions to community

Primary contributions:

- (a) Developed the Economic Vulnerability Index (EVI)
- (b) Estimated community social contributions of businesses to communities
- (c) Estimated contributors to survival and success of family businesses from 1997 to 2000

Phase 3: Officially began on October 1, 2006 as NC1030

Focus: Family firms and policy

Primary contributions:

Receipt of NSF funding (funding external to the Agricultural Experiment Stations (AES) at the universities involved in the project which has been the funding source for the two previous project phases) to collect a third wave of the National Family Business Study and to support a segment of the work of the current research project. The focus of the NSF grant proposal is resiliency of family businesses in natural disasters (an external disruption) and federal disaster assistance. Please see the attached NSF proposal summary page for more details on the NSF grant proposal content.

The National Family Business Study (NFBS) Data Set

The two-wave data set is composed of 794 family businesses. The sample frame was households with a family business. The data set is a nationally representative sample of family businesses. Data was collected from the business and family manager within those family businesses. The first wave was collected in 1997, the second wave in 2000, and the third wave of data will be collected from the business manager in spring of 2007.

Productivity of the Project

Through mid 2006, when the last compilation of work of the total project group, the faculty produced:

- 5 special issues of academic journals
- 103 referred journal articles and book chapters
- 2 books
- 135 nonreferred articles, Extension publications, and conference proceedings
- 2 conferences

Scholarly Innovations of the Project

- First panel data on family businesses using a national household sampling frame. The Panel Study of Entrepreneurial Dynamics has patterned their study after ours using both our methodology and our questionnaire as guide.
- Developed the Sustainable Family Business Theory which is the first family business theory to acknowledge not only the equal emphasis on the business dynamic and the family dynamic, but the interplay between the two systems.

- The study had a 71.1% response rate, which is a remarkable rate achieved through very carefully planned methodological procedures
- Pooled funds from state AES stations to collect nationally, representative data
- Generated the human capital to collaboratively and successfully write a federal grant proposal
- Demonstrated the benefits of synergy and productivity that can be generated from an inter-disciplinary, inter-university research effort
- Development of the Economic Vulnerability Index which takes data from many other sources and ties that data to our NFBS data with FIPPS county codes

Recognition of Project Work by Others

(1) The Family Business Research Project received in 2001 the Northeastern Regional Agricultural Experiment Station Directors Research Award for Excellence

(2) The household sampling approach used to collect the 1997 NFBS data and its associated, more comprehensive, analyses of family businesses have been hailed by others as groundbreaking.

(a) Astrachan and Kurtz (1998) have described the 1997 NFBS as “...one of the biggest methodological breakthroughs since the founding of the family business field...(p. v)”.

(b) Katz (2000) states that it represents “the leading edge in data generation for secondary analysis, with carefully selected samples, carefully developed instruments and combined intellectual efforts of literally dozens of researchers across the country” (p. 3).

Astrachan, J.H., & Kurtz, T.A. (1998). Editors’ notes. *Family Business Review*, 11, v-vi.

Katz, J.A. (2000). Introduction. In J.A. Katz, *Databases for the Study of Entrepreneurship. Advanced Entrepreneurial Firm and Emerging Growth*, 4, JAI Press; Stamford, CT, 1-4.

NOTE: See NSF Project Summary on next page.

Family Business Response to Federal Disaster Assistance Project Summary
NSF Grant Received to Collect Third Wave of National Family Business Survey which is
part of the work of NC1030: Family Firms and Policy
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Hazard research has found that disaster assistance helps individuals recover, but not businesses. Family business sustainability is complex and multi-dimensional, and this research addresses one dimension of that complex dynamic. **The aim of the proposed research is to investigate the interaction of federal disaster assistance and family-business interface dynamics on family business sustainability when the firm experiences a natural disaster.**

To achieve the aim, the project has two objectives. **Objective 1** is to assess the effects of *county-level* Federal Disaster Assistance on family businesses from 1996-1999. **Objective 2** is to assess the effects of Federal Disaster Assistance *to the business* on family businesses over time using survey data from firms about Federal Disaster Assistance receipt from 1996 to 2006. Dependent variables for each objective are business survival and success. A major focus within these two objectives is the investigation of the interaction of Federal Disaster Assistance and resilience capacity at the family-business interface as it impacts family business survival and success.

This study will utilize two sources of existing data and collect a third. The first source, SHELDSUS, contains county-level natural disaster data from the Hazard Research Lab of the University of South Carolina. The second, the Family Business Research Group (FBRG) 1997 and 2000 surveys, will provide baseline business data and extensive data on resilience capacity within the family business; the data are a national, representative household sample of family businesses. These two existing data sources will be used to meet Objective 1. Utilizing the FBRG researchers' experience and expertise, supplemental business survey data will be collected in 2007 to update business outcome measures and measure direct disaster assistance to the businesses and their responses to the disasters. These data will be used to meet Objective 2.

The project's **intellectual merit** includes both a conceptual and methodological contribution. The project advances knowledge of business sustainability after natural disasters by adding to the conceptualization and measurement of resilience and resilience capacity for small family businesses. Methodologically, it further contributes to knowledge of business sustainability after natural disasters by following the businesses for 10 years, by having baseline firm financial data prior to the disaster, by having a national, representative sample of family firms, by including a range of disaster types, and by including data on non-survivors as well as survivors.

The project's **broader impact** contributes to the challenge in raising awareness of and mitigating natural disasters to gain the attention of potential victims and local officials before a disaster strikes. Both the sample and research results make that task easier. Heretofore, the self employed, home-based businesses, very small and small firms have not been included in business recovery studies after disasters. The National Family Business Survey data to be collected fill that void. The project explanatory variables broaden the audience for the results with direct implications for families, business owners, and disaster assistance officials. Previous results have indicated that owners are more likely to initiate mitigation practices that cost less, and increasing family resilience usually takes time and attention rather than money. Project graduate students will receive transferable research training and graduate students not working on the project will be able to participate in research practica where all Co-PI's will participate through web seminars. Results will be included in the investigators' undergraduate entrepreneurship courses. Findings will be disseminated on the FBRG website and used by members of this interdisciplinary research group.