Teaching Family Business: The Case for a Paradigm Shift in UK Business Schools

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Family business, enterprise, education, business schools, duality, paradigm

Abstract

Objectives: This conceptual paper argues that a new paradigm is needed for UK Business Schools which embraces an oft neglected, yet economically vital, stakeholder group, namely family business.

Prior Work: Builds on discussions in the extent literature about failures of Business Schools to address modern needs.

Approach: A stakeholder approach, building on nominal stakeholder theory to justify a change to the teaching paradigm in business schools.

Results: Not applicable.

Implications: Business Schools in the UK need to begin to engage with family businesses through embracing the next generation from families in business. Policy needs to be developed that will support the next generation in a positive way by teaching about the family in business.

Value: Stimulate discussion about key stakeholder and prompt review of neglect of this key area of business study in UK.
Introduction

This conceptual paper argues for adopting a new focus for teaching business in UK Business Schools and explores how changing paradigms of university stakeholders make this a necessity. The stimulus for the paper came from a discussion with Martin Stepek, CEO of the Scottish Family Business Association. The notion of reconsideration of the Business School paradigm was further informed by Joe Astrachan, Wachovia Eminent Scholar Chair of Family Business and Professor at Kennesaw State University, USA who stated in his keynote address at the International Family Enterprise Research Academy Annual Conference in June 2010 that we ‘should only teach about family business in business schools since they are the predominant business form in the world.’ In fact it was as long ago as 1998 that Patricia Frishkoff posed the question ‘could a university business school be entirely built around family business’ (1998: 361). Recent findings by the European Commission, Enterprise and Industry Directorate-General, Family Business Expert Group (2009) state that the challenges related to educational aspects, which have an impact on both the business environment and on family firms’ internal matters, have been a lack of entrepreneurship education and family-business-specific management training and research into family-business-specific topics, plus effective coordination with education systems to ensure proper follow-up. The realization by the authors that family business seems to be a lost subject in UK Business Schools was further impetus for bringing this discussion to the fore and to the attention of those who determine what is taught in our schools.

From the latest data available, in the academic year 2008/09, 1 in 7 of all students was studying business and management. This represents 248,000 full-time equivalent (FTE) students at all levels of Higher Education: from Foundation Degree, through traditional three and four year undergraduate courses, specialist Masters, MBAs and Doctorates (http://www.the-abc.org.uk/?cat=13; date accessed 10 July 2010). Very few of these students have access to modules or programmes which address the practical and theoretical aspects unique to family businesses, that is, governance, succession and family dynamics. There is no data available which states how many of the students currently studying business or management come from families in business. The unique characteristics of the family business provide the key to the development and sustainability of businesses and are fundamental to ensuring that businesses transition and survive. It is oft stated that 30% of family businesses make it to the second generation, 10-15% make it to the third and 3-5% make it to the fourth generation (Arnoff, 2001). In one business school it is estimated that as many as 14% of all business school students (Collins, 2009) are from families in business, and approximately 75% of all students have direct experience with a family that is in business, yet few business schools feature family businesses either in terms of specialist courses or embedded as part of their mainstream curriculum.

This paper takes a stakeholder approach to set out the argument that a paradigm shift has occurred and what is required now is to address fundamental gaps in current business education and to establish a multi-rational educational paradigm that accepts the manner in which the family and business rationales inter-twine. The paper discusses the changing paradigm needed to inform a modern approach to academic curricular for students from families in business. It recommends a radical shift in focus in business studies education at undergraduate and postgraduate level.

Recent developments

Recent developments in the manner in which business schools teach and their approaches to the inclusion of enterprise as a key priority are considered here in light of recent research that highlights the importance of family businesses to economies and communities in the UK and worldwide. The primary question posed is around the need for the dualities inherent where a family and a business intertwine to be acknowledged within curricula. In raising this area for discussion, however, a broader debate around the nature of business school teaching and the balance of professional education and research-focussed academic specialism becomes key and is acknowledged here.

As an initial stage within the debate, some acknowledgement of the status quo is appropriate. The predominant teaching paradigm in business education has primarily developed as a mono-rationalist approach that fundamentally assumes that ‘business is a machine’, which can be made to work “better” i.e. earn more profit, export more goods, increase turnover by technical improvements, through manipulation of functional aspects and the consideration of human resources issues which require “soft skills.” By viewing business and hence business education through a mono-rationalist paradigm which focuses directly on the needs of the business, it is argued,
the social context in which business exists remains largely invisible. Mono-rationalist teaching paradigms are, it is argued, out of date because they fail to recognise the emotional and relational aspects of the majority of businesses where a family and a business combine. Accepting some debate around the definition of a family business (Sharma et al, 1990), consistent estimates indicate that in the UK family firms account for 65% or 3 million of the total 4.6 million private sector enterprises in the UK economy (FFI 2008). However, very few of the 234,000 full-time equivalent (2007-2008 FTEs)(ABS, 2009) students at all levels of Higher Education in the UK have access to modules or programmes which address the practical and theoretical aspects unique to family businesses, that is, governance, succession and family dynamics (ref). These unique characteristics of the family business provide the key to the development and sustainability of businesses and are fundamental to ensuring that businesses transition and survive and suggest that business education should more reasonably be viewed through a multi-rationalist paradigm which accepts the inter-twining of the family and the business.

If family businesses represent the predominant form of business in the UK, they are of importance to business graduates whether as family members or employees. Efforts over the past 20 years have been focused on encouraging graduates to start their own businesses. However it is generally accepted that new businesses have a 90% failure rate. The effort to start is immense and for most businesses started by graduates it is difficult to prove a model before launch. Our contention is that these initiatives have missed the mark significantly by not focusing on the businesses which are already in place and which with additional support would transition and survive to second and third generations. Further, if we accept that entrepreneurial families offer the backdrop to a surviving family business, the support and space they can create would be the ideal breeding ground for the creation of new enterprises. There is growing evidence to suggest that many new businesses are being generated by family business (Dibrell & Craig, 2006; McConaughy, Matthews, & Fialko, 2001). Furthermore it is both young family entrepreneurs and older generation entrepreneurs who are the founders of new firms which are spun-out of family businesses. The extent to which so-called third age entrepreneurs are rooted in enterprising business families is an area where more research would be justified in its own right. The contribution of family businesses to business start-up also merits further research, but the key argument presented within the current paper is that the development of sustainable family businesses through multiple generations would be better supported if a multi-rational teaching paradigm that reflects the inter-twining of family and business in many enterprises were adopted.

A recent study of undergraduates at Bristol Business School found that 14% of students came from families in business while a further 14% were already running their own businesses and in some cases have been running the business for 2 years (Collins, 2009). This highlights two issues. One is that students from family businesses spend three or four years in business school without ever having had the opportunity to explore or understand what exactly what it means to be ‘a family in business.’ Secondly, many university undergraduates have already started their businesses before they arrive at university and so don’t need start-up tuition but more importantly need to know how to grow a small business. Again this training is seldom widely available to business undergraduates, but there are good reasons why it would be appropriate. The reasons include: the high numbers of family businesses represented in their population; their importance to economies and communities and the relatively low number of successful successions despite an apparent wish that the businesses be retained within the family.

Table 1. FTE’s in Higher Education

<table>
<thead>
<tr>
<th></th>
<th>2007-08</th>
<th>2008-09</th>
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</thead>
<tbody>
<tr>
<td>Students in Higher Education</td>
<td>2,306,105*</td>
<td>2,396,055*</td>
</tr>
<tr>
<td>Potential number (75%) of students from families in business from entire HE population – based on data from Collins (2009)</td>
<td>1,729,578</td>
<td>1,797,041</td>
</tr>
<tr>
<td>Students studying business and management (Source: ABS)</td>
<td>234,000</td>
<td>248,000</td>
</tr>
<tr>
<td>Estimated number (14%) of students studying business and management from families in business based on data from Collins (2009)</td>
<td>32,760</td>
<td>34,720</td>
</tr>
</tbody>
</table>
Developing a multi-rational teaching paradigm that considers the needs, views and inputs of all stakeholders is one key part. By approaching the need to consider the family in the business from a Business School perspective, educators would effectively also be educating the next generation of professional and business support advisors, those who will go on to be part of trade, industry and professional bodies and some who will go on to play roles in local, regional and National Governments. It is this broad approach to raising the awareness of business students to the ‘family in the business’ that marks the current paper out from more localised calls for detailed training. By adopting a multi-rational teaching paradigm that considers the manner in which the family and business rationales inter-twine, it is argued, awareness of family business issues would be raised at a National and International level. Specific courses or training materials might also be very appropriate as short-term responses to individual issues – but raising awareness in the minds of all those whose actions create the space for successful family businesses is a more strategic approach of critical importance to the development of sustainable businesses and economies. If only the students from families in business who are studying at Business Schools were targeted it is estimated some 34,720 (see Table 1) might be better informed.

Acknowledging Stakeholder Approaches

While the view of the efficacy of our Business Schools has been contested extensively in the past few years (Ivory, Miskell, Shipton, White, Moeslein, Neely, 2006) and they have faced serious challenges both nationally and internationally, we fundamentally characterise them as ‘businesses.’ They are in the business, albeit contested, of providing management training to corporate managers. Recent literature on the current state of business education in universities, in the US at least, indicates there is a crisis (Pfeffer and Fong, 2002). In fact, damming reports about the veracity of MBA education in particular are legion and from the late 1980s questions have been raised about its relevance (Constable and McCormick, 1987; Port and McKibbin, 1988). Some authors have gone on to criticize the curricula of top-ranked US Business Schools as being ‘functional silos’ where there is a lack of emphasis on multidisciplinary integration and a lack of focus on ‘soft skills,’ ‘information technology,’ ‘globalization’ and ‘corporate social responsibility’ to name but a few (Navarro, 2008). Other authors have dismissed these critiques for their over simplistic critique of both management practice and relationship between management education and management practice (Hay and Hodgkinson, 2008).

If the past few years have taught us anything, they have reminded us that models are not reality and that free markets are not so easily captured by mathematical equations. By contrast, the ethical, social, and cultural values that give meaning to the organizations and institutions where we spend our working lives seem to have defied attempts at quantification (Blount, 2010). These values are crucial to helping business people achieve a deeper understanding of markets and their own organizations. Values guide us to the non-monetary worth and meaning of our work, along with the civic obligations that come with it. Values guide successful leaders in the way they interact and communicate with employees, customers, civil servants, investors and others who surround them. It could be argued that values are largely neglected in the business school curriculum.

Regardless, a business school is a business with a social purpose and as such it has stakeholders. If this is accepted then the question becomes who are the legitimate stakeholders of business schools? In the UK where most business schools are publically funded the answer is straightforward. The firm-as-contract view of legitimacy would hold that legitimate stakeholders are identified by the existence of a contract, expressed or implied, between them and the business school. According to Donaldson and Preston (1995) direct input contributors are included but environmental interests like communities also have at least quasi-contracts and often times very specific ones with business schools. Is it not the case that parents and families are direct input contributors to the business school and university? The measure of whether or not parents and families are stakeholders in the business school environment is whether or not the school has some impact on their environment which they clearly do, yet these actors have no specific stake in the school itself. That is they don’t stand to gain any particular benefit from the business schools successful operation.

Taking the normative view of stakeholder theory (Donaldson and Preston, 1995) to its ultimate managerial implication it is accepted that business school managers should acknowledge the validity of diverse stakeholder interests and should attempt to respond to them within a mutually supportive framework, because that is a moral requirement for the legitimacy of the management function. While business relationships with environmental ‘communities’ may be quite vague and so not constitute in any way what might be conceived of as a contract, it is implicit in the process of choice and selection and induction of students into university which typically requires the involvement and acquiescence of parents and nuclear family. Given the increased financial commitment required

*Source: [http://www.hesa.ac.uk/index.php/content/category/1/1/161/](http://www.hesa.ac.uk/index.php/content/category/1/1/161/)
from students and parents alike to attend university, it would be difficult to argue that parents and families are not university stakeholders. It might also be difficult to argue that the business school does not have a moral obligation to them as stakeholders. Stakeholder theory provides a vehicle for exploring these larger extended relationships. Donaldson and Preston (1995) argue that the normative base of the theory including ‘identification of moral or philosophical guidelines for the operation and management of the corporation’ is the core of stakeholder theory. It is the view adopted for this paper.

**Shifting paradigms**

It was Thomas Kuhn (1962) that gave *paradigm* its contemporary meaning when he adopted the word to refer to the set of practices that define a scientific discipline at any particular period of time. A paradigm shift can be characterised as a ‘movement away from old explanations that no longer explain reality, resulting in a redefinition of taken for granted boundaries due to the emergence of a new model or way of thinking, valuing and perceiving the world’ (Rosado, 1997:1). It has been argued that as society moves further into the 21st century that it can no longer carry on business as usual by making small incremental changes to the way things are done. As Depree (1989) states, ‘we cannot become what we need to be by remaining what we are’. Furthermore, we are warned that it is dangerous to believe that we will remain successful simply by doing the same things that once brought success. This is true only if the world stays the same, which it clearly has not. As long as an action, policy or structured situation satisfies our needs, we will not change, so most of us, organisations and individuals alike, choose not to change unless forced to. But without doubt societal change in the last 100 years has been immense. Table 2 below outlines these changes.

**Table 2. Societal Change (1850 – Future)**

<table>
<thead>
<tr>
<th>STAGES OF SOCIETAL CHANGE</th>
<th>OLD* (1850s)</th>
<th>MODERN* (1950s)</th>
<th>POST-MODERN* (1950s)</th>
<th>FUTURE-MODERN</th>
</tr>
</thead>
<tbody>
<tr>
<td>SOCIETY</td>
<td>Agrarian</td>
<td>Industrial</td>
<td>Information</td>
<td>Knowledge</td>
</tr>
<tr>
<td>ECONOMY</td>
<td>Agricultural</td>
<td>Manufacturing</td>
<td>Service</td>
<td>Co-creation</td>
</tr>
<tr>
<td>WORK TIME</td>
<td>Nature</td>
<td>Clock</td>
<td>Flexitime</td>
<td>Anytime</td>
</tr>
<tr>
<td>TRADE CENTER</td>
<td>Mediterranean</td>
<td>Atlantic</td>
<td>Pacific</td>
<td>China/India split</td>
</tr>
<tr>
<td>FORM</td>
<td>Tribe</td>
<td>Town</td>
<td>Technopolis</td>
<td>Community</td>
</tr>
<tr>
<td>TRAVEL</td>
<td>Walking</td>
<td>Driving</td>
<td>Flying</td>
<td>Redundant</td>
</tr>
<tr>
<td>WORLDVIEW</td>
<td>Familial</td>
<td>National</td>
<td>Global</td>
<td>Universal</td>
</tr>
<tr>
<td>ORIENTATION</td>
<td>Past</td>
<td>Present</td>
<td>Future</td>
<td>Past</td>
</tr>
<tr>
<td>ETHNIC VIEW</td>
<td>Conformity</td>
<td>Uniformity</td>
<td>Diversity</td>
<td>Humanity</td>
</tr>
<tr>
<td>POWER/SOURCE</td>
<td>Family/Muscle</td>
<td>State/Money</td>
<td>Individual/Mind</td>
<td>Group/Collective Mind</td>
</tr>
<tr>
<td>EDUCATION</td>
<td>Grade School</td>
<td>High School</td>
<td>College/Grad.School</td>
<td>Lifelong</td>
</tr>
<tr>
<td>LEARNING</td>
<td>Kinaesthetic</td>
<td>Auditory</td>
<td>Visual</td>
<td>Holistic</td>
</tr>
<tr>
<td>LOYALTY</td>
<td>Family</td>
<td>Institution</td>
<td>Individual</td>
<td>Collective</td>
</tr>
<tr>
<td>OPTIONS</td>
<td>Minimal</td>
<td>Many</td>
<td>Multiple</td>
<td>Multilevel/Complex</td>
</tr>
</tbody>
</table>

*Source: (Rosado, 1997)

This chart is not the only way of describing how society has changed and it reflects a sociological perspective. It serves to show that the paradigm shift that has taken place since the 1950s when many UK business schools were formed is significant.

**Who are the stakeholders in Business Schools?**

The UK university business school has three main types of stakeholders: internal, interface and external stakeholders (Figure 1):
• **Internal stakeholders** are those groupings of people who operate entirely within the boundaries of the organisation, e.g. students, staff, administrators, support staff.

• **Interface stakeholders** are those who function both internally and externally in relation to the organisation. The major categories of interface stakeholders include the board of directors and the governors.

• **External stakeholders** fall into three categories in their relationship to the organisation:
  o Those who provide inputs to the organisation – alumni, third-party payers, and equipment and material vendors.
  o Those who compete with the organisation for members, students and resources.
  o Those with a special interest in how the organisation functions – the Chamber of Commerce or economic development organisations.

Figure 1: UK Business School Stakeholders

Why is it time to consider a different paradigm for business schools - Universities in Flux

Before giving consideration to how business schools might adapt their curriculum to engage with family businesses, some contextual insight into their development and current standing is warranted. University based business school are said to have a dual mission: to educate practitioners (current and aspirant managers) whilst also creating business/management knowledge through research. Whist laudable, such aims are often brought into question in terms of their validity and actual contribution to business practice. Accusations leveled at business schools often centre upon their abstract and irrelevant research, failing to meet the needs of practicing managers. This, coupled with teaching that is too theory based, lacking sufficient focus upon actual managerial problems, bring their real purpose into some doubt by various stakeholders. There however some conflicting themes in the debate and these are presented in Table 2 below: From a family business perspective, a case could well be made to support such accusations.

Table 4. The Paradox of the Business School Debate

<table>
<thead>
<tr>
<th></th>
<th>Debate 1</th>
<th>Debate 2</th>
<th>Family Business Debate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Research</td>
<td>Business school research is too abstract and irrelevant to the needs of practicing managers.</td>
<td>Not enough business school research is grounded in the methodological rigour of the social sciences, it is often too case based and discursive.</td>
<td>Not enough business school research grounded in family businesses; not enough case based and discursive research; not enough quantitative research.</td>
</tr>
<tr>
<td>Theory</td>
<td>Business school teaching is too</td>
<td>Business school teaching is too</td>
<td>Business school teaching is not</td>
</tr>
</tbody>
</table>
It is important to appreciate the means by which many of today’s university business schools emerged. Pre-1992 there were some 40 traditional universities in the UK, most having some form of business school/faculty. The other sector providing higher education was via polytechnics. These institutions were founded to provide vocational programmes of study, including management focused education, with a practical orientation. In 1992 their status changed to that of ‘universities’, creating what became known as ‘new universities’. Within the UK there are currently over 100 university based business schools. The dual mission of business schools still prevails in terms of management education and knowledge creating business research. In practice all business schools undertake teaching around both undergraduate and post-graduate programmes, whilst also engaging in research. The issue is to what extent they focus upon each. The case is often made that ‘new universities’ are much more ‘teaching’ orientated and the ‘old’ established universities are ‘research’ focused.

Whist being an over-simplified interpretation of the distinction between the two categorisations, UK business schools are not homogeneous and they differ in their predominant activities and areas of interest. The sector is a good deal *more diverse and healthy than some of its critics would have us believe* (Ivory et al. 2006: 9). We would however point out that at the moment there are only two schools in England and 3 in Scotland who have any kind of formal teaching about family business. The concern for the advancement of ‘family business’ as a body of knowledge, and development of managers, is that it represents an area of business management which remains relatively under researched and taught within the vast majority of UK business schools. There are similarities here in respect to the current status of ‘family business’ research and that of ‘entrepreneurship’ research until comparatively recently, to which the paper now turns its attention.

**Conclusions: The Longer Term Impact of the Paradigm**

The longer term impact of this new paradigm is profound. When the attitudes, behaviours and professional development needs of a wide variety of business professionals are discussed, the lack of acknowledgement of the duality of family business needs is a common theme. This theme, however, tends to be discussed in terms of a collection of awareness and training needs amongst specific professional groups. This paper puts forward the proposal that a far more fundamental shift in the paradigm in which business education is developed would build a longer term awareness which would act as a foundation for professional development training but which would underpin this with an attitude/awareness shift.

At present, very few professional bodies – in areas such as law or accountancy – have CPD on advising the family business. In addition, business support organisations and those involved in economic development tend to work from the paradigm that business is a machine, which can be made to work “better” i.e. to earn more profit, export more goods or to increase turnover by technical improvements. This is not an accurate analysis of a family business system which is an inseparable combination of very deep, often unconscious emotions and business structures. Thus what is taught, advised, expected is often utterly inappropriate for the family business and may result in worse not better performance. The culture clash that potentially develops between those seeking and those giving advice is potentially damaging – and anecdotal evidence suggests it is far from unusual. The family business does not, as experts may advise, separate the family entirely from the business. Rather, in

| Output | MBAs, and business degrees generally, do not produce well rounded managers with leadership qualities. | MBAs are, or for a long time were, seen as a passport to career progression and greater earning power. | MBAs and business degrees do not prepare managers to work in family businesses. |
| Impact | Business education has made almost no impression on practicing managers, and has failed to impact business performance. | Business schools are partly culpable for recent corporate scandals, and therefore have had a negative impact on business performance. | Business schools don’t know how family businesses work because a fraction of the research conducted is on family businesses and it is ipso facto unlikely that they will have any impact. |
| Scale | There are too many business schools. Many of those taking degrees in management are unlikely to get much benefit from their studies. | There are not enough business schools. UK firms simply cannot rely on the University sector to supply the training/education that their managers need. | There are not enough business schools that train and educate managers to work in family owned businesses. |

Adapted from source: (Ivory et al. 2006)
acknowledging the multiple rationalities and duality inherent in family business, it seeks to achieve a stakeholder-focused balance.

Further, Britain is very diverse country with large swathes of rural and low population density, where family businesses are usually the predominant form of employment and wealth creation. In this sense the existence and remarkable persistence of family businesses act as a social glue which holds together thousands of communities in the UK and may be disproportionately important in rural communities. PLCs may tend to move towards the best distribution routes or the locus of political and economic power but family business tend to remain where the family founded the business because the family ties remain – friendships, schools for their children, a love of the land or the community, a sense of duty and loyalty to place and people. Moreover research from across the globe shows that family business are quiet but substantial philanthropists, often doing so in secret because they consciously wish to separate acts of duty from marketing or PR activity. This is exactly the opposite of most CSR policies delivered by PLCs for whom the activity is a necessary evil and used as a marketing tactic, very often explicitly located in the marketing department and its budget. The qualities inherent in a family business are the essential features of strong community. Strategically considered such strengths can be further nurtured to by making these strengths public knowledge and thus leveraging family businesses to give and be more for their community.

In developing the debate within this paper, the aim is not to put forward one specific route by which all Business Schools should develop. Rather, by opening and acknowledging the debate that exists between business schools as a collection of related academic disciplines and business schools as a source of professional education and by accepting the diversity of businesses they associate with, the aim is to stimulate debate. The routes, channels and methods by which that debate develops will be diverse and the conclusions are likely to vary between university business schools with very different histories. In acknowledging the role of family businesses in the economies in developed countries and in accepting that this should be reflected in the teaching provision of business schools, the manner in which specific stakeholders become aware of different niches in the business environment is opened as an area of debate.

In essence, therefore, the topic for debate is relatively straightforward: the proposal here is that family businesses are a key type of business the importance of which is not fully reflected in business school teaching. Any paradigm shift, however, should be heralded by robust research and whilst there is some evidence that this is beginning to develop more is certainly required. Early stage research at Bristol Business School and the Scottish Forum for Family Business Research at Queen Margaret University in Edinburgh is developing, but the need for further and broader research remains.

**Policy Implications**

For government, university governors and policy makers the implications are significant. Offering training to a new generation of family business owners/managers/members will require funding, development of teaching frameworks and pedagogies, professional development of educators, in the same way that the move towards the embedding of entrepreneurship education in universities required. Identification of which university students are from families in business may be the logical starting point. Developing a comprehensive picture of the number, size and nature of the families who are in business is a necessity.

**References**


