



Where Have All the Families Gone – Is There a Future for Family Businesses?

Gibb Dyer*

Brigham Young University, United States of America

Commentary. Received: 2022-08-29

JEL CLASSIFICATION
L20, L26

KEYWORDS
Business families,
Family businesses,
Family size, Family
structure

Abstract In this essay, the author describes some of the trends regarding the family that he has witnessed over his lifetime as well as raise some questions concerning family formation, structure, and size that may influence the creation and sustainability of family businesses. Moreover, he makes some suggestions for those who, like himself, would like to see family businesses survive and thrive in the future.

CÓDIGOS JEL
L20, L26

PALABRAS CLAVE
Familias
empresarias,
Empresas familiares,
Tamaño familiar,
Estructura familiar

¿Adónde se han ido todas las familias? – ¿Hay futuro para las empresas familiares?

Resumen En este ensayo, el autor describe algunas de las tendencias con respecto a la familia que ha presenciado a lo largo de su vida y plantea algunas preguntas sobre la formación, estructura y tamaño de la familia que pueden influir en la creación y sostenibilidad de las empresas familiares. Además, hace algunas sugerencias para aquellos que, como él, quisieran que las empresas familiares sobrevivieran y prosperaran en el futuro.

<https://doi.org/10.24310/ejfbefb.v12i2.15295>

Copyright 2022: Gibb Dyer

European Journal of Family Business is an open access journal published in Malaga by UMA Editorial. ISSN 2444-8788 ISSN-e 2444-877X
This work is licensed under a Creative Commons Attribution-NonCommercial-ShareAlike 4.0 International License (CC BY-NC-SA 4.0).

*Corresponding author:

E-mail: w_dyer@byu.edu

1. Introduction

In 1932 Aldous Huxley published his acclaimed novel, *Brave New World*. In his novel, he describes a dystopian society, devoid of families, inhabited by people conceived in artificial wombs and engineered to stay in distinct social classes to serve the needs of the state. Children “born” into such a society are raised and controlled by the state. Happiness in this society is derived from ingesting “Soma” which creates a drug-induced euphoria for the populace. No joy is derived from family relationships since there are none.

Huxley published his novel as a satire of certain science fiction works that appeared during the early 20th century. A society without families would be unthinkable in 1932, and for many, unthinkable today. However, given recent trends in family life, we are seeing fewer family units being created and maintained—fewer marriages, fewer children, and more instability in family ties. If these trends continue, we may experience a semblance of Huxley’s dystopia and find ourselves in a society with few familial attachments. There will likely be other types of “family-like” associations, but traditional family relations may be the exception rather than the rule.

As I started my career studying family businesses over forty years ago, I focused most of my attention on the business and the question: How do we make family *businesses* more effective? Over the past decade, however, I have turned my attention to studying families and how owning and managing a business affects them and addressing the question: How do we make *families* more effective? Moreover, I have become somewhat of a demographer as I have tracked family structure and dynamics over the years. The changes have been dramatic and given such changes we might ask ourselves: Will there be any family businesses to study in the future? In this essay, I will describe some of the trends regarding the family that I have witnessed over my lifetime as well as raise some questions concerning family formation, structure, and size that may influence the creation and sustainability of family businesses. Finally, I will make some suggestions for those who, like myself, would like to see family businesses survive and thrive in the future.

2. What Is a Family?

Since the focus of this essay is on “the family” we should have a working definition. The Merriam-Webster dictionary¹ defines a family as: “a group of people who are related to each other.” Other definitions describe a family as containing a parent or parents and children who are related to them by birth or adoption. In my own work with family firms, I have seen a variety of family structures, so I have come up with my own broad definition of family:

“A family is comprised of individuals who identify themselves as a family unit, are recognized by others as a family, and share a common biological, genealogical, and/or social history.” (Dyer, 2019, p. 15)

This definition suggests that those in a family identify with that family—using various criteria—and others in the family see them as family members, and such identification takes place in the context of a society which also deems certain social arrangements as a “family.” There are also legal obligations (e.g., inheritance rights) typically associated with family membership. With this definition in mind, I will now describe the factors that are influencing the formation of families in today’s world. These factors include marriage rates, cohabitation rates, and fertility rates.

2.1. Marriage rates

One event that universally signifies the formation of a family unit is marriage. While marriage is typically signified by a legal contract recognized by the state, it is also recognized by the community since most weddings are public. In addition, in many cases marriage is seen as not only a contract between two consenting parties but is seen as a contract with deity and a faith community that prescribes marriage rites. Society also recognizes marriage as a social good, thus affording married couples substantial societal benefits. The marriage rate is a signal within a community that families are (or are not) being created.

In many countries throughout the world, including the United States, marriage rates are at historic lows². In 1920, in the United States, there were 12 marriages per year for every 1000 people. Marriage declined during the Great Depression but bounced back after World War II and peaked at 16.4 mar-

¹ Information is available on the website <https://www.merriam-webster.com/>

² The following statistics on marriage, cohabitation, fertility rates and out-of-wedlock birth rates are taken from: OECD.stat; Horowitz, J. M., Graf, N., & Livingston, G., *The landscape of marriage and cohabitation in the U.S.*, Pew Research Center, November 6, 2019 (<https://www.pewresearch.org/social-trends/2019/11/06/marriage-and-cohabitation-in-the-u-s/>); Brown, A., *Growing share of childless adults in U.S. don’t expect to ever have children*, Pew Research Center, November 19, 2021 (<https://www.pewresearch.org/fact-tank/2021/11/19/growing-share-of-childless-adults-in-u-s-dont-expect-to-ever-have-children/>); <https://ourworldindata.org/marriages-and-divorces>; DePaulo, B., *How many Americans want to be single?: Results of 5 studies*, Psychology Today, September 20, 2017 <https://www.psychologytoday.com/us/blog/living-single/201709/how-many-americans-want-be-single-results-5-studies>).

riages per 1000 people. However, marriage began a slow decline in the 1970s and currently there are now about 6 marriages per 1000 people. Marriage rates also differ by race and ethnicity in the United States and in most parts of the world. For example, in the United States, 63% of Asian-Americans and 57% of whites 18 and older are married. However, fewer than half Hispanics are currently married (48%) and only 33% of African Americans are married. Thus, race and ethnicity, which often reflect cultural values concerning marriage, have had a dramatic impact on marriage in America. Marriage rates are at historic lows in other countries as well. Here is a sampling of a few other countries' marriage rates per 1000 people: South Korea (5), Australia (4.8), United Kingdom (4.2), Italy (3.2), Argentina (2.8), and Bolivia (2.2). However, in a few Asian countries and in some parts of Africa, marriage rates have stabilized or are slightly increasing. We also find that marriages are being significantly delayed worldwide. For example, 83% of the men in England and Wales born in 1940 were married by age 30. Only 25% of men born in 1980 were married by age 30 in those countries. Women are also marrying later in life. The average age for women marrying is over 30 in countries such as Sweden, Norway, the United Kingdom, and Portugal. In the United States, it is about 27 years of age (it is 29 for men). It is clear that marriage is not as popular as it used to be. Moreover, the future of marriage in the United States does not bode well with several studies reporting that about 1 out of 7 Americans do not plan to ever get married and this trend is prevalent in many parts of the world.

Mara Hvistendahl's book *Unnatural Selection* (Hvistendahl, 2011) and Valerie Hudson's and Andrea Den Boer's book *Bare Branches* (Hudson & Den Boer, 2004) highlight another a very troubling fact that will affect future marriage rates in Asia. Due to selective abortions and female infanticide (mostly in India and China), there are well over 100 million fewer women than men in Asia. Thus, the reality is that many young men in Asia will not be able to find a mate to marry. The "one child" policy in China may have caused irreversible damage to China's future families since parents were more likely to abort girls than boys.

2.2. Cohabitation rates

"Cohabitation" is typically defined as an unmarried couple living together in an emotionally and/or sexually intimate relationship with or without children. It is most often viewed as a stepping-stone toward marriage, but some see it as an alternative to marriage. While more people in the United States are married than cohabit, among people ages 18 to 44 a larger percentage have cohabited at some point than have been married

(59% versus 50%). About 50% of cohabitators in the United States are raising children. Cohabitation rates vary worldwide with the highest rates in Europe (Sweden, 24% and France, 26%) and the lowest in Asia (China, 1% and Taiwan, 2%).

Early research on cohabitation indicates that cohabitation fails to provide couples with the benefits of marriage. When cohabiting couples are compared to married couples, cohabiters have poorer physical and mental health (Waite, 1995), lower happiness (Stanley et al., 2004), a lower quality relationship with their partners (Brown et al., 2014), decreased productivity at work (Korenman & Neumark, 1992), and shorter longevity (Lillard & Waite, 1995). Current research shows similar trends (Graff, 2019; Marripedia, 2019; Rapp & Stauder, 2020; Stanley & Rhoads, 2018). Couples in a cohabiting relationship also tend to have poorer relationships with their parents (Amato & Booth, 1997) and are not as connected to the larger community (including in-laws, churches, etc.) as are married individuals (Waite, 1996). Moreover, cohabiters are also less likely to pool their resources and work together to meet financial or career goals (Larson, 2001). In essence, they act more as individuals than as a married couple. Other studies have found that children of cohabiting parents have more behavioral and emotional problems and lower school attainment than do children of married parents (Brown, 2004; Marripedia, 2019).

Cohabitation also reflects stability between partners. Although cohabiters marry about 50% of the time, early research by Paul Amato on cohabitation indicated that they are 59% more likely to divorce than those couples who marry without cohabiting (Amato, 1996) and subsequent research supports Amato's findings (Stanley & Rhoads, 2018). When compared to married couples, cohabiters end their relationships more frequently with married couples staying together 2.5 times longer than cohabiting couples do.

These findings raise two questions: 1) Will cohabiting couples, with or without children, start "family businesses?" and 2) If cohabiting couples start a business will they continue ownership of their firms across generations at the same rate as those families whose parents are married? While I do not have good data to answer these questions definitively, the likely answer is "no" for three reasons. First, those in a cohabiting relationship (with or without children) are less likely to define themselves as "a family." When we see others as "family members", they are more likely to receive our support, both emotionally and financially. Cohabiting arrangements are less stable, and thus less likely to create the conditions that allow members to develop norms of reciprocity and trust, which are often critical to starting a family business (Dyer, 2019). Second, the children of cohabiting

couples, who may not be biologically related to both partners, may not receive the same attention and inheritance rights when compared to children that are related to both parents biologically or through adoption. Thus, they may be less likely be brought into the business or take over the business when succession is needed. Third, since cohabiters are reluctant to pool their resources as compared to married couples, they may be less willing to collaborate to launch a new enterprise. However, the question is open as to whether cohabiting couples can launch successful “cohabiting businesses” and should be the subject of future research to understand the impact cohabitation on family (or “cohabiting”) business formation and continuity.

2.3. Fertility rates

As I started my career in the field of family business in the early 1980s, the topic of “succession”—the transfer of ownership and management from one generation of the family to another—was the hot topic. I remember attending various meetings and conferences where we shared our research and consulting experiences concerning how to help family businesses deal with the succession issue. Today, however, due to the declining birthrates worldwide, family business owners may find few, if any, family members available and competent to take over their enterprises. In the United States, the fertility rate was 3.65 per woman in 1960. Today, it is 1.7 per woman. In other countries, we see similar declines with current birthrates below replacement level which is 2.1 per woman: Taiwan (1.1), Japan (1.5), Russia (1.5), Brazil (1.8), Chile (1.8), United Kingdom (1.9), and Australia (1.9). Only in the continent of Africa and parts of East Asia do we see fertility rates significantly over the replacement rate. Our world population (currently about 7.9 billion) is projected to grow for the next 80 years (reaching 10 + billion) due primarily to population growth in Africa but will then undergo a significant decline because of fewer births per woman today.

Another change regarding birthrates over the past 50 years has been the astounding increase in out-of-wedlock births. In 1960, most countries had out-of-wedlock birthrates at less than 10%. Today, in certain Latin American countries (e.g., Colombia, Chile, Costa Rica, and Mexico) the out-of-wedlock birthrate is between 84 and 70 percent. In several countries in Europe, the rate is between 50 and 60 percent (e.g., France, Denmark, and Netherlands). In the United States, it is about 40%. Only in Asia, in countries like Japan (3%), do we see out-of-wedlock birth rates still below 10%.

The out-of-wedlock birthrate affects family business formation for three reasons: 1) it reduces the amount of family capital available to family members since the family network is generally smaller

(e.g., the extended family of the father is often not connected to the children). Many children born out-of-wedlock grow up in single-parent homes where there are fewer resources to launch a business (Dyer, 2019). 2) Single-parent families tend to be more unstable (e.g., often multiple partners are involved over time), which causes children in such homes to grow up in a more uncertain world and with fewer long-term connections to adults who could help mentor them and provide opportunities for them to enter a family business (Cherlin, 2010). 3) Children born out-of-wedlock tend to have more emotional and behavioral problems and do poorer in school when compared to those children growing up in more stable environments (Dyer, 2019). Thus, they may be less prepared to handle the challenges of owning and managing a family business.

3. Race, Ethnicity, and Culture and Family Business Success

In the United States, Asian-Americans have been highly successful in starting and growing family businesses. Part of the reason for such success is that they have stable families, with high marriage rates, and low divorce, cohabitation, and out-of-wedlock birthrates compared to other racial and ethnic groups in the United States (Fairlie & Robb, 2008; Dyer, 2019). In contrast, African-Americans have the lowest marriage rate, and the highest divorce, cohabitation and out-of-wedlock birth rates of any racial/ethnic group in the United States (Dyer, 2019). Only 37% of all African-American children grow up with their biological parents (Wilcox et al., 2021). Those African-American children raised by their biological parents are wealthier and are significantly more likely to attend college and avoid incarceration than are African-American children raised in other family structures (e.g., single parent) (Wilcox et al., 2021). This true across all racial groups. While discrimination is also an important factor in family business success, African-Americans own fewer businesses and those businesses are less successful than any other racial/ethnic group in the United States (Fairlie & Robb, 2008). Slavery eviscerated the African-American family—prohibiting marriage, separating parents from each other and from their children—and unfortunately, African-American families continue to face significant challenges in attempting to become more stable. In contrast, Asian-Americans have faced discrimination (although not slavery) but, due to their stable family structures, have been able to rely on immediate and extended family to provide them with support to launch family businesses. However, in some sense, it is not race that is the key factor that distinguishes the various racial groups in terms

of family business success (for example, in many parts of the world, black communities have very stable families and successful family businesses). It is a community's assumptions about the family and family relationships that drive behaviors that are either amenable or detrimental to family formation and stability.

In other parts of the world ethnicity and culture also have a tremendous influence on family formation and structure. A number of years ago I was giving a seminar for family business consultants in Chicago. One participant raised his hand and asked the following question: "I am from Malaysia and have a family business founder as a client who has four wives and thirty-six children. How do I help him plan for succession?" I admit I was stumped by the question. In some parts of the world, polygamy is common thus family business succession is more problematic. In terms of birthrates, Africans, by and large, still value large families and thus their birthrates are fairly high, whereas in China, Japan, Korea, Singapore, and many other Asian countries, having children has not been a priority for many young couples. Work and economic prosperity seem to be more important. In Latin America birthrates are close to replacement rate, but out-of-wedlock births are the norm as is cohabitation. Given such differences, it is difficult to give a general description of what is happening to the family worldwide. A host of factors comes into play that influence family structure, size, and stability.

4. Social Narratives Regarding the Family

As I have tried to understand the reasons behind these dramatic changes regarding the family during my lifetime, I have concluded that there are several social narratives, primarily in Western cultures, that are carried in people's heads that seem to be influencing family formation (Dyer, 2019). I have heard these narratives from students at the universities where I have taught, and they are also found in various media sources. Here are a few of them: 1) "I don't think I would be a good wife/ husband or mother/father, so marriage and parenthood are not for me." 2) "Marriage is a risky proposition since many marriages fail and it imposes constraints upon my freedom." 3) "I should wait until I'm settled in my career and financially stable before considering marriage and having children." 4) "Raising children is time consuming, costly, and boring. Moreover, children may curtail my career options, and my career is more important and meaningful than having children." 5) "Cohabiting and relationships outside of marriage can be as meaningful, if not more meaningful, than a marriage relationship. Cohabitation is a good stepping-stone to marriage, and if we do

end our relationship, undoing our partnership will be easier than if we were married." 6) "Having a child out-of-wedlock is something that is condoned, if not supported, by my social group. If I were to have a child, I'd have someone to love and who loves me. That would make my life more meaningful."

Such narratives, when acted upon, lead to the fewer families being created, smaller families, and families that are less stable.

5. Questions Regarding the Family and Family Business

The statistics and trends regarding today's families suggest several questions to be explored empirically by those of us who are interested in studying and helping family businesses. They are as follows:

- 1) How do marriage, fertility, and cohabitation rates in a community affect the formation and continuity of family businesses?
- 2) How does family size affect both the formation of family businesses and the transfer of family businesses to the next generation?
- 3) How do out-of-wedlock birthrates in a community affect the formation and continuity of family businesses?
- 4) What type of family structure is most amenable to the formation of family businesses (e.g., nuclear family, extended family, blended family, same-sex, etc.)?
- 5) How do divorce rates (or separation rates between partners) influence the formation and continuity of family businesses?

By answering these questions, we may be able to better understand the impact of the various family trends on family business formation and continuity.

6. What Might we Do to Encourage the Formation of Stable Families?

While the trends regarding the family suggest that there will be fewer families in the future, there are certain activities and policies that might reverse this trend. These are as follows:

- 1) Eliminate marriage penalties in the tax codes.
- 2) Continue to provide government support for those cohabiting couples with children who get married. Some government policies create incentives for people not to marry because they will receive reduced government support if they marry.
- 3) Encourage couples before being married to take preparation for marriage training and en-

courage follow-up training for married couples. Hawkins (2015) describes many of the benefits of such training in his research.

- 4) Encourage childbearing by providing generous parental leave supported by the government and business. Many countries in Scandinavia already do this. Early bonding between parents and children is critical in child development. Moreover, government child support payments and access to quality childcare are also important to encourage childbearing and producing strong families.
- 5) Reduce out-of-wedlock births by encouraging well-developed sex education programs for youth. Research has shown that this can be an effective tool to reduce out-of-wedlock births (Dyer, 2019).
- 6) Encourage adoption by making it easier and less costly. In the United States alone there are tens of thousands of children waiting to be adopted. Through adoption, many children will have the opportunity to contribute to creating or building a family business.
- 7) Change the narratives. While family life has its challenges, the research findings regarding those in stable families is clear: they, on average, lead happier and more productive lives. We should extol the virtues of family life and suggest ways to strengthen families rather than focusing on the negative.

These are just a few suggestions. There are others as well. As someone who sees family business as the backbone of the economies of the world, I would like to see the family, and family businesses, flourish in the future. This essay will hopefully encourage those in the field to do additional research on the impact of family structure and size on family business formation and continuity as well as encourage consultants to family businesses to better understand how to help families in these turbulent times.

References

- Amato, P. R. (1996). Explaining the intergenerational transmission of divorce. *Journal of Marriage and Family*, 58(3), 628-640. <https://doi.org/10.2307/353723>
- Amato, P. R., & Booth, A. (1997). *A generation at risk: growing up in an era of family upheaval*. Cambridge, MA: Harvard University Press.
- Brown, S. L. (2004). Family structure and child well-being: the significance of parental cohabitation. *Journal of Marriage and the Family*, 66(2), 351-367. <https://doi.org/10.1111/j.1741-3737.2004.00025.x>
- Brown, S. L., Manning, W. D., & Payne, K. K. (2014). Relationship quality among cohabiting versus married couples. *Journal of Family Issues*, 38(12), 1730-1753. <https://doi.org/10.1177/0192513X15622236>
- Cherlin, A. J. (2010). *The marriage-go-round: the state of marriage and the family in America today*. New York: Vintage Books.
- Dyer, W. G. (2019). *The family edge: how your biggest competitive advantage in business isn't what you have been taught—It's your family*. Sanger, CA: Familius.
- Fairlie, R. W., & Robb, A. M. (2008). *Race and entrepreneurial success*. Cambridge, MA: The MIT Press.
- Graff, N. (2019). *Key findings on marriage and cohabitation in the U.S.* Pew Research Center. <https://www.pewresearch.org/fact-tank/2019/11/06/key-findings-on-marriage-and-cohabitation-in-the-u-s/>
- Hawkins, M. E. A. J. (2015). Does it work? Effectiveness research on relationship and marriage education. In J. J. Ponzetti Jr. (Ed.). *Evidence-based approaches to relationship and marriage education* (pp. 82-96). New York: Routledge. <https://doi.org/10.4324/9781315757353>
- Hudson, V. M., & Den Boer, A. M. (2004). *Bare branches: the security implications of Asia's surplus male population*. Cambridge, MA: The MIT Press.
- Huxley, A. (1932). *Brave new world*. New York: Harper & Brothers.
- Hvistendahl, M. (2011). *Unnatural selection: Choosing boys over girls, and the consequences of a world full of men*. New York: Public Affairs.
- Korenman, S., & Neumark, D. (1992). Marriage, motherhood, and wages. *Journal of Human Resources*, 27(2), 233-255. <https://doi.org/10.2307/145734>
- Larson, J. H. (2001). The verdict on cohabitation vs. marriage. *Marriage & Families*, 4(1), 7-12. <https://scholarsarchive.byu.edu/marriageandfamilies/vol4/iss1/3>
- Lillard, L. A., & Waite, L. J. (1995). Til death do us part: marital disruption and mortality. *American Journal of Sociology*, 100(5), 1131-1156. <https://doi.org/10.1086/230634>
- Marripedia (2019). The effects of cohabitation on children. http://marripedia.org/effects_of_cohabitation_on_children#
- Rapp, I., & Stauder, J. (2020). Mental and physical health in couple relationships: Is it better to live together? *European Sociological Review*, 36(2), 303-316. <https://doi.org/10.1093/esr/jcz047>
- Stanley, S. M., & Rhoads, G. (2018). *Premarital cohabitation is still associated with greater odds of divorce*. Institute for Family Studies. <https://ifstudies.org/blog/premarital-cohabitation-is-still-associated-with-greater-odds-of-divorce>
- Stanley, S. M., Whitton, S. W., & Markman, H. J. (2004). Maybe I do: interpersonal commitment and premarital or nonmarital cohabitation. *Journal of Family Issues*, 25(4), 496-519. <https://doi.org/10.1177/0192513X0325779>
- Waite, L. J. (1995). Does marriage matter? *Demography*, 32(4), 483-507. <https://doi.org/10.2307/2061670>
- Waite, L. J. (1996). Social science finds: "marriage matters". *Responsive Community*, 6, 26-36.
- Wilcox, W. B., Wang, W., & Rowe, I. (2021). *Less poverty, less prison, core college: what two parents mean for black and white children*. Institute for Family Studies <https://ifstudies.org/blog/less-poverty-less-prison-more-college-what-two-parents-mean-for-black-and-white-children>