



Australian Institute for Social Research

**Towards an understanding of the
significance of family business closures in
South Australia**

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Executive Summary

While there is a significant body of research focusing on the reasons for family business closures in Australia, little is known about the specific impacts of these closures. This study seeks to focus attention on this under-researched area of family business. It does so in the context of concerns about family business capital depletion and the potential for this to accelerate as the age profile of family business owners increases over the next 10 years in line with population ageing.

The family business sector in Australia is highly significant. The 1997 *Australian Family Business Survey* found that family businesses employ around 3 million people or more than 50 per cent of the private sector workforce. The overall wealth of Australian family business was approximately \$3.6 trillion in 2002.

The report reveals that South Australia is poised to experience an unprecedented rate of business transfer over the next ten years as the baby boom generation approaches retirement. Currently the average age of family business owners is around 56 and the median age around 53. It is estimated that nearly half of all family businesses intend to sell their business within the next 10 years. There is a risk that a significant increase in the number of family businesses being sold might reduce the returns that owners seek from sale as the supply of businesses for sale outpaces demand.

The case study analysis undertaken for this report reveals that the failure of family businesses to survive generational change can result in economic and other losses to the wider community. The magnitude of these losses is likely to have been contained by the favourable economic circumstances in 2005 in which the closures took place. It is also clear from the case studies that closures can have beneficial outcomes for the families involved. These included improvements in lifestyle, in particular the ability to better balance work and family responsibilities; emotional and financial relief; and the ability to deploy capital on other ventures.

The losses identified in the cases studies include a loss of entrepreneurial capital and entrepreneurial opportunity. Furthermore, proceeds from business closures are often deployed on assets or expenditure that has fewer beneficial productive economic and employment outcomes. The division of proceeds among a number of beneficiaries may dilute the capacity to re-invest in new productive enterprises. Other losses identified were employment losses, losses to suppliers of materials and services, financial losses, losses in relation to customers, of intellectual property, of business efficiency related to the establishment of trust and 'social capital', of entrepreneurial capital and opportunity, as well as unquantifiable benefits to the community and to those directly affected in terms of personal fulfilment. It is clear that family business closures have an impact beyond those directly involved.

Concerns about high rates of business failure take on new significance when the social and economic impacts of family business closures are better understood. This study has identified a range of impacts from closures that enrich our understanding of the contribution that family businesses make to the economy and society. A comprehensive investigation of the impacts of family business closures appears warranted in light of this evidence. In addition there is a pressing need, in the context of the ageing of family

business proprietors, to better understand what role government might play in helping to ensure that as many family businesses as possible survive generational change and prosper.

1. Introduction

This report was initiated by the executive committee of the SA chapter of Family Business Australia and endorsed by the Small Business Development Council. The preparation of the report was made possible by funding from the Department of Trade and Economic Development, South Australian Government.

The report investigates the significance of family businesses closures in South Australia and is designed to inform future research and policy development related to family business closure and development. It seeks to identify what the range of economic and community impacts from the closure of family businesses are, recognising that these impacts can be both negative and positive.

The family business sector in Australia is a highly significant yet relatively under-researched sector of business. The 1997 *Australian Family Business Survey*, conducted by Monash University, found that family businesses employ around 3 million or 50 per cent of the private sector workforce. Despite the size of the family business sector little is known about the impacts of family business closures on families, the economy and the community.

The report reviews recent literature on family business formation, succession and the impacts of closures. While there is an increasing interest in family business issues in the literature, there is a significant gap in the literature on the effects of the closure of the large number of family businesses that do not survive to a second or third generation. Family businesses often have a short life. Between two-thirds and three-quarters of family businesses either die out or are sold out of the founding family during the first generation, and only 5 to 15 per cent continue into the third generation (Smyrnios *et al.* 1997). This report seeks to help fill a significant gap in our knowledge about the economic and social significance of family business closures.

Background

Like other businesses, family businesses face the challenge of adapting successfully to changing economic and industry conditions Gersick *et al.* (1997) identified three major phases in the firm's organizational life cycle: start-up, expansion/formalization, and maturity. Over the past century, the product life cycle has decreased from 60 years to 20 years or less, depending on the industry. As a result, the organizational life cycle of the firm, of necessity, has become less tightly coupled to the product life cycle. In the face of constant change and competitive pressure, family businesses have had to learn to reinvent themselves regularly in order to survive beyond the life cycles of their current products and services. In doing so, they have some natural advantages to exploit, such as being able to respond quickly when decisions need to be made, building strategies around sustained relationships, and investing on a long-term basis. However, family firms sometimes fail to adapt and thrive because of internal resistance to change, overspecialisation, and lack of successor leadership, among other reasons (Ward, 1997). Those that fail to adapt confront the prospect of closure. Others that successfully adapt, may also choose to close for a range of reasons. We know more about the reasons for family business closures that we do about the impacts of closures.

There is however a debate about the significance of family business closures. One school of thought claims that the total proportion of businesses in the economy that are family owned, tends to be stable and that a high closure rate is consistent with competition and vitality and should not be cause for alarm. This is justified by claims that for every closure there is

another new business established. The elimination of less successful businesses creates room for new businesses with new ideas, products, services, technologies and processes that respond to changes in the marketplace. Therefore, although business exits often involve negative outcomes, they also have a number of positive economic effects such as:

- Productivity growth is enhanced when inefficient and unprofitable businesses are replaced by efficient and profitable ones;
- Exits may be the result of longer-term structural changes that provide an opportunity for resources in the economy to be configured in new and better ways; and
- The learning experience gained by entrepreneurs involved in exits will assist them in doing things differently next time around. Some families combine generations of experience and succeed in turning it into a positive experience by re-creating a new family business venture.

These positive outcomes suggest that exits may play an important role in the economy, ensuring that the pool of existing businesses is both productive and efficient. An alternative view is that a high incidence of failure is a serious waste of resources and there are not only economic, but also human and wider social costs associated with failure. The Beddall Inquiry into small business in Australia accepted the latter argument and concluded that in Australia “the failure rate in small businesses is a matter of concern” (Beddall 1990). The failure of businesses to survive generational change may result in economic and other losses to the community. There may be losses of employment; lost orders to suppliers of materials and services; of taxes; of net profit; product or service related losses to customers; of intellectual property; of business efficiency related to the establishment of trust and ‘social capital’; of entrepreneurial capital and opportunity; as well as unquantifiable benefits to the community and to those directly affected in terms of personal fulfilment.

While business exits are positively correlated with business entry, with more businesses entering a market where there are a high proportion of exits, a significant increase in the number of exits could have significant negative economic consequences if the prevailing economic, social and political environment impedes the growth of a pool of viable, efficient businesses. In this context there is a need to better understand the direct and indirect economic and employment consequences of an increase in exits. There is also a need to understand what role public policy plays in helping or hindering business growth and survival in differing contexts.

File and Prince (1996) indicate that the consequences of family business failure are not just felt by the affected family, but also by the businesses’ employees and their families. Businesses exits and in particular business failures involve costs. These may include costs to government of organizing and regulating orderly exits such as administration of the Bankruptcy Act, losses to creditors, personal costs to employees and owners, search costs as people look for new jobs including welfare payments, and costs of re-organizing resources generally. There is also the likelihood that government policy premised on allowing businesses to fail, will sometimes condemn struggling businesses that might have been economically viable in the long run.

Accordingly, in the case of insolvent businesses, it is important for governments to weigh the possible economic benefits of their exit against possible economic or social reasons for facilitating their survival. Relevant economic objectives centre on improving the efficiency

of businesses and markets, while social objectives include the protection of social values and rights.

A combination of many business failures at once may have knock-on macro implications (contagion) which governments might be concerned about. The sudden and rapid spreading of business failures was witnessed across some Asian economies during the 1990s.

The impact of a business closure may be more or less adverse depending on the location of the business and the economic circumstances in which the closure takes place. Concerns about the magnitude of these impacts has promoted policy makers to carefully weigh up the costs and benefits of closures in order to develop an appropriate public policy response to either prevent some closures taking place or attempt to manage the consequences of a closure through the introduction of a structural adjustment package.

This chapter concludes with a discussion of definitions of family business and family business closure. Chapter 2 provides an overview of the size and significance of the family business sector, key demographic trends in the sector, employment and income trends and business exits and entries. Chapter 3 presents the findings of five case studies of family business closures in South Australia. These provide some insights into the range of impacts that arise from closures. Finally, Chapter 4 provides some concluding thoughts on the importance of developing a better understanding of the significance and impact of family business closures. The need for further research is identified.

Family Business Definitions

Whether utilizing a broad or narrow definition of family business, it is clear that family businesses comprise a very significant proportion of business throughout the world. Family businesses can range in size from a small corner store to a large multinational corporation (Birley and Godfrey, 1999). When asked to categorize themselves as either family or non-family businesses, businesses responding to the 2003 *Australian Family and Private Business Survey* found that 67 per cent of Australian firms consider themselves to be family businesses (Smyrnios *et al.*, 2003). The application of a broad definition of family business in the United States resulted in approximately 92 per cent of American businesses being classified as family businesses. These businesses accounted for 50 per cent of national GDP and employed 59 per cent of the workforce (Shanker and Astrachan, 1996). A family business owner-manager resides in approximately one out of every ten American households according to another US study (Heck and Trent, 2002).

The prevalence of family businesses in Australia is unclear due to a lack of consensus on the definition of family business. The *Australian Family and Private Business Surveys* of 1997 and 2003 utilise different definitions. In 1997, the survey classified a business as a family business when any one or more of the four following criteria were met:

- More than 50 per cent of the ownership was held by a single family;
- More than 50 per cent of the ownership was held by more than one family;
- A single family group effectively controlled the business; or
- The majority of senior management was drawn from the same family.

In contrast, the 2003 survey used a self-identification method, asking businesses to nominate whether they thought they were either a family or non-family business (Smyrniotis *et al.*, 2003).

Shanker and Astrachan (1996) note that the criteria used to define a family business can include:

- Percentage of ownership;
- Voting control;
- Power over strategic decisions;
- Involvement of multiple generations; and
- Active management of family members.

They argue that a broad definition of a family business should incorporate some degree of control over strategic decisions by the family and the intention to leave the business in the family (Shanker and Astrachan, 1996). In an effort to resolve the definitional uncertainty surrounding family business research, Litz (1995) suggests that a business can be defined as a family business when its ownership and management are concentrated within a family unit. Furthermore they argue that to be considered a family business, the business' members must strive to achieve, maintain, and/or increase intra-organizational family based relatedness.

In the absence of consensus on what defines a family business, research in the field often relies on a number of operational definitions of family business, like those used in the 1997 and 2003 *Australian Private and Family Business Survey*. The utilisation of differing operational definitions by different researchers makes it difficult or impossible to compare different family business studies. However, recent work by Astrachan *et al.* (2002) on the creation of the F-PEC scale seeks to resolve this problem. The scale is a standardized instrument that enables the measurement of the amount of influence a family has on a business. The method enables the assessment of family influence on a continuous scale.

The F-PEC scale is comprised of three subscales that Astrachan *et al.* (2002) deem to be important dimensions of an enterprise. These are power, experience, and culture. Through the power dimension, the family can influence the business through ownership, governance, and management. Via the experience dimension, family influence is categorized as the generation in charge, with the greatest gains in experience through succession processes made during the transition from the first to second generation. The culture dimension manifests itself through family and business values, with the F-PEC scale measuring how much the family and business values overlap. The idea behind the F-PEC scale was not to determine a precise definition for a family business, but instead to provide a measurement allowing for comparisons between studies to be made based on a standardized instrument.

One reason that there are still definitional issues in family business studies is that the field itself is still relatively new and unresearched (Sharma, 2004; Litz, 1997). The words 'family business' only occasionally appeared in the literature before the 1980s, and it was not until 1988 that the first journal devoted to family business studies, the *Family Business Review*, was published (Astrachan, 2003). But while the field is in its early development stages, family business research is becoming increasingly empirical and more rigorous (Bird *et al.*, 2002).

The ABS definition of family business was adopted for this study to guide the choice of family business case studies reported in chapter 4. A family business closure in the context of this study means either:

- a family business that ceases operation;
- a family business that has been sold and ceases to be a family business.

2. Family Businesses: Trends

This section provides an overview of key family business trends including the size and significance of the family business sector in Australia; demographic trends including the ageing of family business owners; employment and income; business exits and entries; business transfers and closures and exit strategies.

Size and significance

The family business sector in Australia is highly significant in terms of the number and proportion of businesses that are family owned and/or controlled. Around 27 per cent of firms listed on the Australian Stock Exchange are family controlled (Mroczkowski, 2002). The overall wealth of Australian family business has tripled between 1996 and 2002. It was approximately \$3.6 trillion in 2002 (Smyrniotis *et al.*, 2003) compared with \$1.2 trillion in 1996 (Smyrniotis *et al.*, 1997)¹. Figure 2.1 provides estimates of the wealth of first, second and third generation family businesses. The estimated wealth of first generation businesses in 1996 was \$690 billion in 1996. It had grown to \$1.98 trillion by 2002. It grew from \$293 billion in 1996 to \$1.02 trillion in 2002 for second generation businesses, and for third to fifth generation, estimated wealth grew from \$170 billion to \$592 billion over the period.

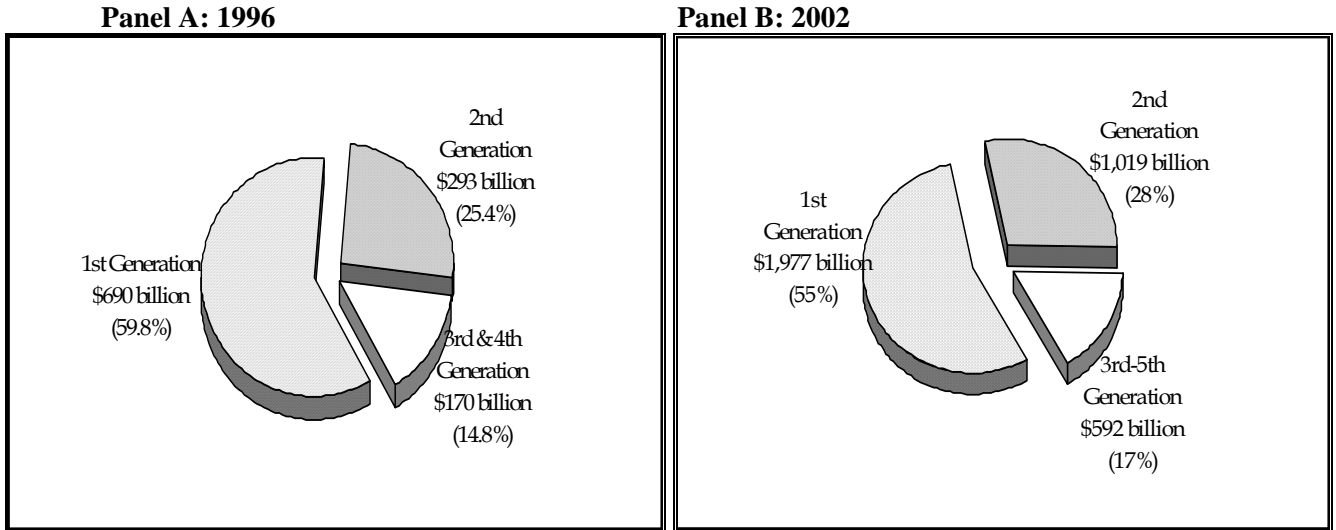
Over 96 per cent of all business in Australia are small businesses and according to the 12th National Small Business Survey around 60 per cent of small businesses are family businesses (Hockey, 2003). The 1997 Australian Family Business Survey found that family businesses represent 83 per cent of all private sector firms, and employ more than 59 per cent of the workforce (Smyrniotis *et al.*, 1997).

A survey conducted by Certified Practising Accountants (CPA) Australia in 2004 (CPA, 2004) found that 10 per cent of business owners took over the current business from family, while 60 per cent started a new business and 30 per cent took over an established business. Thirty per cent of respondents work alone in the business, but of these 43 per cent were informally supported by family members. Of the 70 per cent of businesses that employed, three quarters employed at least one family member.

The average value of first generation businesses increased from \$3.1 million in 1996 to \$7.7 million in 2002. The average value of second-generation businesses increased from \$4.4 million to \$8.6 million and for the third generation it increased from \$5.8 million to \$10.9 million, over the same period.

¹ The overall wealth of family business sector was estimated using owners' estimates of the value of their business and estimates of the number of employing family businesses (N=319,292 in 1996 and N=362,000 in 2002).

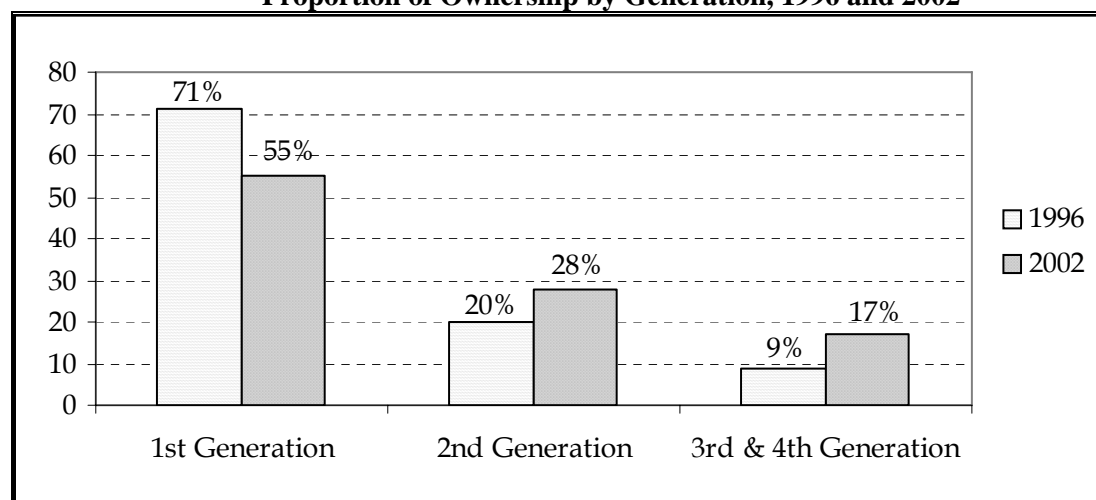
Figure 2.1
Total Estimated Wealth by Generation, 1996 and 2002



Source: Smyrnios *et al.* (1997) and Smyrnios *et al.* (2003)

The life cycle of the family business has been described as the one where the first generation establishes it, the second generation develops it and the third one destroys it. Evidence suggests that some first generation businesses do not become multi-generational enterprises because they failed to do so but because they were never intended to be so. Around 32 per cent of businesses are passed on to the second generation, and of these less than 50 per cent make it to the third and subsequent generations (Smyrnios *et al.*, 2003: 13). Figure 2.2 shows that 28 per cent of businesses surveyed by Smyrnios *et al.* (2003) in 2002 were second-generation businesses, while 17 per cent were third to fifth generation. This phenomenon is global in nature. In the United States fewer than 30 per cent of successful family businesses make it to the third generation, and fewer than 15 per cent make it through that generation (Ward, 1987: xxiv). In the United Kingdom, 14 per cent make it to the third generation (Leach, 1990). The Federal Business Development Bank of Canada (1993) reports that 10 per cent make it to the third generation.

Figure 2.2
Proportion of Ownership by Generation, 1996 and 2002



Note: Figure for 3rd & 4th Generation for 2002 only, also includes estimate for 5th Generation.

Source: Smyrnios *et al.* (1997) and Smyrnios *et al.* (2003)

Demographic Trends

Australia's population is ageing and this is reflected in the increasing average age of small business owners. This may, in turn, create a bubble in the number of business exits, as an increasing number of owners reach retirement age.

According to the Australian Bureau of Statistics, 33 per cent of small business owners are over 50 years of age. This group is increasing each year at an annual rate of 3.7 per cent². Strategies for succession will be required as the owners of nearly half a million enterprises nationally are over 50 years of age, and their ranks are growing by 10 per cent annually³.

The retirement rates of family business owners/managers are set to increase over the next ten years as the baby boom generation approaches retirement age. A Monash University Survey of family businesses in 1997 found that 47.4 per cent of the first, 39.2 per cent of the second and 25.6 per cent of the third and fourth generation owners are planning to sell their business in the next 10 years (Smyrnios *et al.*, 1997). A subsequent survey conducted by RMIT University in 2002 found that 54.1 per cent of the first, 68.7 per cent of the second, and 55.6 per cent of third to fifth generation owners planned to sell their business in the next 10 years (Smyrnios *et al.*, 2003). Significantly, around 76 percent of owners in the 2002 survey indicated that they would consider selling their business if approached. It should be noted that the two surveys cited above utilised different definitions of family business and that this is likely to account partially for the increase in the proportion of family businesses reporting an intention to sell over the period. The reported increase in intention to sell warrants further investigation in the context of other data showing an increasing proportion of family business owners approaching retirement age. For the 2002 survey Smyrnios *et al.*, (2003) estimated the value of the wealth transfer associated with this wave of sales to be around \$1.6 trillion in assets over the ten years to 2012.

² Australian Bureau of Statistics (2004), "Characteristics of Small Business", Cat. No. 8127.0, ABS Canberra.

³ CPA Australia (2004), "Get Out While You Still Can", 31 August 2004.

Succession and exit become critical issues for owners in their late 50s and early 60s, therefore those in their early 50s should consider appropriate strategies. Successful succession occurs when a business is transferred as a going concern, while failure occurs when the business is diminished by the transfer. Successful approaches to succession are particularly important in employing firms, as the fate of large numbers of employees are often at stake. According to the Productivity Commission, the economic impact of business exits represents around 3-4 per cent of GDP and around 10 per cent of total annual job losses (Bickerdyke *et al.*, 2000). However, these impacts are currently more than offset by business start-ups and growth, with the business entry rate being two-thirds higher than the exit rate. The survey conducted by the CPA indicated that almost 40 per cent of business owners are planning on leaving their businesses in the next five years. A better understanding of the likely social and economic impact of this is urgently required.

The CPA (2004) argues that there is a need for action to deal with the likely increase in exits resulting from the ageing population. It is likely that it will be more difficult to sell businesses if a large number of businesses come on to the market at the same time.⁴ The likely impact of this has not yet been the subject of investigation. The CPA further argues that it is important to identify the variables that contribute to succession failure to ensure that those wishing to transfer ownership are able to do so efficiently.

This presents a major challenge for the sector and policymakers seeking to minimise demographically driven family business closures. It is possible that the rate of family business exits will significantly outnumber the rate of family business start-ups as the full impact of the retirement of the baby boom generation is felt.

Employment and Income Changes of Family Businesses

In 2002 the number of employees in family businesses ranged between 1 to 2092 employees. The median number of full-time equivalent employees was 25. Third and fourth generation family businesses employ the largest number of full-time employees – around 37 in 2002 (Smyrnios *et al.*, 1997, 2003).⁵

It appears that employment increased at around the same rate in family and non-family businesses during the mid to late 1990s. However, the proportion of businesses with declining employment is generally higher for family businesses compared to non-family businesses over the period (Table 2.1).

⁴ Defined as “CPA Public Practitioner Certificate holders or Managing Partners in a CPA Practice”.

⁵ 2002 figure includes fifth generation as well

Table 2.1
Employment Change Categories for Family and Non-Family Business: All Business
1997-98
(per cent)

	Decreasing employment	Static employment	Increasing employment	All businesses
		1995-96		
Family business	25.3	48.9	25.8	100.0
Non-family business	19.2	54.9	25.9	100.0
		1996-97		
Family business	20.0	59.0	21.0	100.0
Non-family business	17.0	60.0	23.0	100.0
		1997-98		
Family business	19.0	62.0	19.0	100.0
Non-family business	16.0	61.0	23.0	100.0

Source: Australian Bureau of Statistics, Small and Medium Enterprises: Business Growth and Performance Survey, various editions

There was only a slight difference in the proportion of businesses increasing employment between family and non-family business in 1996-97 (21 per cent and 23 per cent). However, 20 per cent of family businesses recorded decreasing employment compared to only 17 per cent for non-family businesses.

In 1997-98 small family businesses were less likely to record increasing employment than small non-family business- 19 per cent compared to the 23 per cent. Also, family businesses were more likely to record decreasing employment - 19 per cent compared to only 16 per cent for non-family businesses (Table 2.3). A similar pattern can be seen for all sizes of business, with differences more marked in the larger size groups (Table 2.2 – 2.4).

Table 2.2
Employment Change Categories for Family and Non-Family Business: Micro Business
1995-98
(per cent)

	Decreasing employment	Static employment	Increasing employment	All businesses
		1995-96		
Family business	18.5	56.2	25.3	100.0
Non-family business	10.9	66.8	22.3	100.0
		1996-97		
Family business	14.0	67.0	19.0	100.0
Non-family business	14.0	63.0	23.0	100.0
		1997-98		
Family business	13.0	69.0	17.0	100.0
Non-family business	9.0	73.0	18.0	100.0

Source: Australian Bureau of Statistics, Small and Medium Enterprises: Business Growth and Performance Survey, various editions

Note: Micro business is defined as those business employing less than five people

Table 2.3
Employment Change Categories for Family and Non-Family Business: Small Business
1995-98
(per cent)

	Decreasing employment	Static employment	Increasing employment	All businesses
		1995-96		
Family business	24.8	49.2	26.0	100.0
Non-family business	18.4	55.8	25.8	100.0
		1996-97		
Family business	19.0	60.0	21.0	100.0
Non-family business	16.0	60.0	24.0	100.0
		1997-98		
Family business	18.0	63.0	19.0	100.0
Non-family business	16.0	62.0	23.0	100.0

Source: Australian Bureau of Statistics, Small and Medium Enterprises: Business Growth and Performance Survey, various editions

Note: Small business is defined as those businesses employing five or more, but less than 20 people

Table 2.4
Employment Change Categories for Family and Non-Family Business: Medium Business, 1995-98
(per cent)

	Decreasing employment	Static employment	Increasing employment	All businesses
		1995-96		
Family business	37.1	41.0	21.8	100.0
Non-family business	27.9	45.3	26.8	100.0
		1996-97		
Family business	28.0	45.0	27.0	100.0
Non-family business	23.0	58.0	19.0	100.0
		1997-98		
Family business	38.0	48.0	14.0	100.0
Non-family business	17.0	57.0	26.0	100.0

Source: Australian Bureau of Statistics, Small and Medium Enterprises: Business Growth and Performance Survey, various editions

Note: Medium business is defined as those businesses employing 20 or more people, but less than 200

Table 2.5 shows that in 1996-97 a slightly higher proportion of family businesses increased their income compared to non-family businesses (32 per cent compared to 30 per cent). Family businesses were also more likely to report decreasing income than non-family businesses. Around 23 per cent of family businesses and 18 per cent of non-family businesses had decreasing income. This trend continued in 1997-98 with a slightly higher proportion of family businesses showing increasing income than non-family businesses – 35 per cent compared to 34 per cent, while 21 per cent of family businesses and 20 per cent of non-family businesses reported decreasing income.

Table 2.5
Income Change Categories for Family and Non-Family Business: All Business, 1995-98
(per cent)

	Decreasing income	Static income	Increasing income	All businesses
		1995-96		
Family business	27.2	37.1	35.7	100.0
Non-family business	23.2	45.3	31.5	100.0
		1996-97		
Family business	23.0	45.0	32.0	100.0
Non-family business	18.0	52.0	30.0	100.0
		1997-98		
Family business	21.0	44.0	35.0	100.0
Non-family business	20.0	46.0	34.0	100.0

Source: Australian Bureau of Statistics, Small and Medium Enterprises: Business Growth and Performance Survey, various editions

A similar pattern can be observed among micro and small businesses (Tables 2.6 – 2.7). Family businesses of micro and small size had a higher proportion of increasing income during both 1995-96 and 1997-98, while in 1996-97 they had the same proportion of increasing income as non-family businesses of similar size. On other hand, there were a higher proportion of medium sized family businesses with increasing income compared to non-family businesses of same size (Table 2.8). Over the following two years this trend reversed with a smaller proportion of medium sized family businesses increasing their income compared with medium non-family businesses.

Table 2.6
Income Change Categories for Family and Non-Family Business: Micro Business, 1995-98
(per cent)

	Decreasing income	Static income	Increasing income	All businesses
		1995-96		
Family business	29.1	32.5	38.5	100.0
Non-family business	24.7	44.3	31.0	100.0
		1996-97		
Family business	23.0	42.0	35.0	100.0
Non-family business	23.0	42.0	35.0	100.0
		1997-98		
Family business	25.0	42.0	33.0	100.0
Non-family business	21.0	51.0	28.0	100.0

Source: Australian Bureau of Statistics, Small and Medium Enterprises: Business Growth and Performance Survey, various editions

Note: Micro business is defined as those business employing less than five people

Table 2.7
Income Change Categories for Family and Non-Family Business: Small Business, 1995-98
(per cent)

	Decreasing income	Static income	Increasing income	All businesses
		1995-96		
Family business	27.6	36.7	35.7	100.0
Non-family business	24.0	44.8	31.2	100.0
		1996-97		
Family business	21.0	44.0	35.0	100.0
Non-family business	20.0	44.0	35.0	100.0
		1997-98		
Family business	23.0	44.0	32.0	100.0
Non-family business	19.0	53.0	28.0	100.0

Source: Australian Bureau of Statistics, Small and Medium Enterprises: Business Growth and Performance Survey, various editions

Note: Small business is defined as those businesses employing five or more, but less than 20 people

Table 2.8
Income Change Categories for Family and Non-Family Business: Medium Business
1995-98
(per cent)

	Decreasing income	Static income	Increasing income	All businesses
		1995-96		
Family business	18.7	46.9	34.4	100.0
Non-family business	15.6	50.5	33.9	100.0
		1996-97		
Family business	10.0	47.0	42.0	100.0
Non-family business	16.0	41.0	44.0	100.0
		1997-98		
Family business	12.0	61.0	27.0	100.0
Non-family business	12.0	40.0	48.0	100.0

Source: Australian Bureau of Statistics, Small and Medium Enterprises: Business Growth and Performance Survey, various editions

Note: Medium business is defined as those businesses employing 20 or more people, but less than 200

Exits and Entries

There is little data available on business exits and entries that distinguish between small business and family business in Australia. For this reason it is only possible to draw general conclusions from aggregate studies of small business exits and entries. One such study is the Productivity Commission Report on Business Failure and Change (Bickerdyke *et al.*, 2000). Although some of the data in this report relate to the mid-1990s, it still provides some indication of the extent of business failures and the employment and capital implications of these failures. While the Productivity Commission report does not focus on family businesses it does provide useful insights into the impact of business failure in Australia, which are relevant to developing a better understanding of the impact of family business closure.

Bickerdyke *et al.* (2000) report that most Australian businesses survive for a considerable time. Around 66 per cent of businesses are still operating after five years and around 50 per cent are still operating after ten years. Furthermore, around 7.5 per cent of businesses exit each year, and of these exits, cessations account for around 80 per cent and changes in ownership account for the remainder, but importantly, most exits are not firm failures.

Bickerdyke *et al.* (2000) estimate that in 1994-95, 26,000 businesses operating at the start of the year had exited by year's end while in 1995-96 over 34,000 businesses exited by years end (Table 2.9). The exit rate presented in Table 2.9 is the number of exits to the total pool of business for each survey year. It should be noted that these statistics relate to employing businesses only and as such would underestimate the total number of business exits.

Table 2.9
Exits of Employing Businesses, 1994-95 and 1995-96

	1994-95	1995-96	Average
Business Exits (no.)	26,234	34,158	30,196
Exit Rate ^a (%)	7.2	8.0	7.6 ^b

Note: ^a The number of exits by employing businesses as a proportion of the number of employing businesses.

^b Weighted rate of exit calculated as $c.a/(a+b) + d.b/(b+a)$ where a is the total number of employing businesses and c is the rate of exit in 1994-95 and b is the total number of employing businesses and d is the rate of exit in 1995-96.

Source: Australian Bureau of Statistics, "Business Exits", Australia, Cat. No. 8144.0.

To better understand business exits, Bickerdyke *et al.* (2000) examined the type of exit for employing businesses (Table 2.10).

Table 2.10
Exits of Employing Businesses by Type of Exit, 1994-95 and 1995-96^a

Type of Exit	Business exits (No.)	Proportion of total exits (%)	Exit rate ^b (%)
Sold	4,858	16.1	1.2
Takeover/merger	1,583	5.2	0.4
Total changes in ownership	6,441	21.3	1.6
Company liquidations ^c	830	2.8	0.2
Other cessations ^d	16,528	54.7	4.2
Untraceable	6,073	20.1	1.5
Unknown	324	1.1	0.1
Total cessations	23,755	78.7	5.9
Total exits	30,196	100.0	7.6

Note: ^a Averages for two years. ^b The number of exits by employing businesses as a proportion of the number of employing businesses. ^c Includes receiverships. ^d Includes closures due to, for example, retirement, sickness, death and bankruptcy.

Source: Australian Bureau of Statistics, "Business Exits", Australia, Cat. No. 8144.0.

Of the total business exits reported in Table 2.10, 21 per cent relate to changes of ownership and 2.8 per cent are company liquidations. Over half (54 per cent) are described as other cessations while a further 20 per cent are categorised as untraceable. More recent figures from the ABS for August 2004 show that only 20 per cent of business exits result in changes in ownership through sales, management buyouts and succession by family members while the remainder are cessations, voluntary or catastrophic closures.

Bickerdyke *et al.* (2000) also estimated the employment and capital losses associated with business exits. They found that direct job losses resulting from business cessations are likely

to account for between 9 to 10 per cent of total annual job losses. Using 1994-95 and 1995-96 data they estimate maximum losses of approximately 160,000 employees per annum. Bickerdyke *et al.* suggest that a further 38,000 proprietors might also have been put out of work.

The annual value added accounted for by business cessations represents between 3 and 4 per cent of GDP, which is estimated to be worth \$17,646 million (3.7 per cent of GDP) (Bickerdyke *et al.*, 2000). Bickerdyke *et al.* suggest this estimate should be regarded as illustrative rather than definitive. They add that the estimate is not meant to imply that up to 3.7 per cent of GDP is 'lost' as a result of business cessations as this estimate ignores the response by existing businesses and new entrants, whose growth displaces cessations to varying degrees.

Bickerdyke *et al.* (2000) also examine the extent of new businesses entries (excluding agricultural business entries). They found that the average business entry rate for 1994-95 and 1995-96 was 12.6 per cent. The average exit rate for the same two years was 7.6 per cent indicating that business entries were around two-thirds higher than exits (Bickerdyke *et al.*, 2000).

Clearly, the capital and employment implications of business exits are significant, as are the implications of the start-up of new businesses. The relevance of this research flows from the fact that a significant proportion of the businesses reported in the above study are likely to be family businesses.

Transfers and Closures

Around 25 per cent of businesses surveyed in the *Small Business Succession and Exits Survey* conducted by the CPA (2004) indicated they were aiming for a family succession (although only 21 per cent believed they had children willing and able to takeover the business); 19 per cent were opting for trade sales (within the industry); 7 per cent were planning to sell to management or staff; 26 per cent expect they would advertise the business for sale without identifying a buyer while only 17 per cent expected to liquidate. The remaining 5 per cent did not know.

Exit Strategies: Sale

The CPA survey indicates that although 61 per cent of owners want their businesses to continue operating after they leave, 50 per cent plan to use their business as the primary source of funding for their retirement (CPA, 2004). Of those expecting to use their business to finance their retirement, 43 per cent aim to realise a lump sum benefit from the business and 31 per cent expect an income stream. Despite the significant numbers of business owners aiming to sell their business, 84 per cent of respondents claimed their business is totally or significantly dependent on the owner, and 30 per cent expected to have difficulty finding a buyer.

According to the CPA survey around 40 per cent of business owners intend to leave their business in the next five years. For around 30 per cent of these, finding a buyer is likely to prove difficult. Perceived difficulties among owners in finding a buyer is more common among smaller businesses within the sector, particularly among businesses with total sales less than \$500,000 per year. The majority of small businesses (84 per cent) are very

dependent on the owner, yet despite this, only 28 per cent felt it would be difficult for someone else to take over the business. The need for particular skills, lifestyle or personality types to run business are the most common reasons for owners believing they will have problems finding a buyer.

Common reasons identified by owners for a lack of buyers include: limited number of interested purchasers with the appropriate skills, expertise or specialisation to run the business and a perception that the business is in a declining industry. Similarly, relatively common barriers to sale identified by CPAs include:

- The business was deemed too dependent on the owner;
- Owners have unrealistic expectations about the value of the business;
- Processes not being documented;
- A lack of potential buyers.

Less common barriers reported by CPAs include business costs being too high, out of date technology and the business not achieving a reasonable return.

When questioned about steps they would take to maximise the sale of their business, 38 percent of owners responding to the CPA survey indicated they would restructure their business, 36 percent indicated they would spend three to five years preparing for a sale and 26 per cent indicated they would put on more staff. This seems to accord with responses obtained from CPAs who indicate that 45 per cent of their small business clients are “not too keen” to invest in their business to maximize its’ sales potential. That is, while around 60 per cent of businesses are prepared to document processes and 53 per cent are prepared to upgrade relevant technology to improve the sale prospects, less than 40 per cent of small business would be prepared to restructure, put on more staff or spend three to five years working on a sale. The most popular exit strategy aside from keeping the business in the family is to advertise the business for sale without identifying a buyer.

Meeting expectations of a reasonable financial return through the sale of a business may prove difficult for owners over the next ten years if a large number of businesses come on to the market around the same time. As indicated earlier this is a likely consequence of the ageing of business owners. Given that a significant proportion of business owners expect some difficulty selling their business, it may prove difficult for many businesses owners to realise their expectations of funding their retirement through the sale of business assets. Furthermore some businesses will not be able to adapt or be suitable for sale.

3. Family Business Closure Impacts

This chapter of the report identifies the range of likely impacts of family business closures drawing from previous studies of family and non-family business closures. Notably, after an extensive search of the literature, only one study specifically related to the significance and impact of family business closures has been identified. Given the paucity of literature available, a review of the wider literature on the impact of business closures was undertaken. Much of this literature was written in the late 1980s and early 1990s when the impact of economic recession resulted in an increase in business closures. The review of studies undertaken has resulted in the identification of a wide range of positive and negative impacts of business closure. These are described in the following sections and have been used to inform the preparation of a semi-structured interview schedule for the case studies that follow in chapter 4.

Serial Business Families

The only major research on the impact of family business closure focuses on serial business families or families that have closed one family business and opened another. Kenyon-Rouvinez's (2001) points to the potential for positive outcomes to arise from family business closures under certain conditions. The study focuses on nine serial business families who have succeeded in turning a negative experience involving the sale of their business into a positive experience involving the establishment of a new business venture. Kenyon-Rouvinez points out that the families involved were able to make the decision to sell their existing business before the business suffered and denied them the finance or the motivation to pursue other opportunities.

Kenyon-Rouvinez found that a number of families bought back the businesses they sold. They did so after either, the new owner had made investments that the family could not afford, the new owner had a subsequent problem making the business profitable, the new owner wanted to divest itself of the business, or when the new owner failed to run the business and the business was declining.

An examination of the business and governance structure of the new family businesses established by the nine families revealed that they had learned and implemented lessons from previous family business experiences in their new businesses. Families in the sample had learned to work in a family business – nine out of nine had a mixed board, and a majority had family council or regular family meetings. They had learned to fix problems that occur in each of the family business subsystems, set rules where there were no rules in the original business, put efficient governance tools in place, and work together. By re-creating new family business, families involved in Kenyon-Rouvinez's research found a unique way to combine tradition and generations of expertise with strong motivation and entrepreneurial drive characteristic of a new venture. Moreover, the changes involved new job creation in six of the nine cases.

Business Closure Impact Studies

The literature identifies a range of potential impacts from business closures which fall into the following broad categories:

- Economic

- Employment
- Suppliers
- Psychological
- Population
- Taxation
- Housing and real estate

Economic Impacts

Business closures can have significant economic impacts with large scale or mass closures having the potential to significantly reduce economic output and value added in an economy. The extent to which closures result in net negative economic impacts depends on the existence of compensating factors such as new business or government investment.

Studies of the estimates of the economic impact of closures in South Australia by Spoehr and Morrision (2002) and Spoehr, Wilson and Morrision (2003) illustrate the potential impacts of large scale business closures on economic output and value added. The closure of the Mitsubishi Lonsdale plant and downsizing of Tonsley Park plant operations was estimated to reduce output by around \$370 million at the business itself and have flow on effects in the wider economy which reduce output by a further \$230 million. In addition the changes were expected to result in the loss of around \$79 million in value added directly from the business and a further \$98 million in value added as a result of flow on effects throughout the wider economy.

The closure of the Port Stanvac Oil Refinery was estimated to result in the loss of around \$23 million in direct value added from the state economy and a reduction in flow on value added in other sectors of the state economy of around \$50 to \$80 million.

Spoehr, Wilson and Morrision (2003) indicate that a significant number of businesses linked contractually to the Mobil Oil Refinery expected negative sales and production impacts. They identify other potential economic impacts including increased demand for Federal and State income support arising from an increase in unemployment.

The economic impact of closures on owners is an under-researched topic. Closures are likely however to result in a range of impacts including financial hardship and bankruptcy or alternatively, significant financial gain and freedom to invest in new more profitable ventures. The economic impact of closures on employees can include a significant reduction in income, particularly arising from unemployment or under-employment but also as a result of reduced pay and poorer conditions associated with alternative employment (The McDowell Group 2004).

Employment Impacts

A wide range of employment impacts can be expected to flow from business closures. The magnitude of these impacts will be mediated by economic and industry conditions, the location of the plant and the state of the labour market at the time of closure. Business closures during periods of economic downturn or significant turmoil within an industry sector often generate significant unemployment and long-term unemployment. One consequence of this can be the out-migration of individuals and families from one region to another in the search for work. Closures during periods of strong economic and employment

growth will often have fewer negative employment impacts, though this is dependent upon the quality and the suitability of the employment that is available. Harris (1984) has found that the industries and geographic regions in which businesses are generating new jobs can differ markedly from those losing jobs through plant closings and major layoffs. This mismatch in the location of growth and decline can be a source of considerable social and economic distress.

Yoder and Staudohar (1985) find that plant closures have a range of impacts on employees including job loss; difficulty in transferring existing skills to new jobs and a reduction in pay and benefits from previous levels. While it is common for plant closures to lead to higher unemployment and under-employment, a consequence of plant closures can also be the entry of a new business or new investment which generates employment.

The potential direct and indirect employment impacts of plant closures is illustrated by Spoehr and Morrision (2004) who estimate the potential employment impacts of the closure of the Mitsubishi Motors Limited Lonsdale plant and downsizing of the Tonsley Park Plant in South Australia. Spoehr and Morrision estimated the likely impact of a reduction in the scale of Mitsubishi's operations on employment levels and economic output. They found that the reduction in operations would result in the loss of approximately 1,170 full-time equivalent jobs at Mitsubishi directly and around 1,000 jobs in other sectors of the state economy. Flow-on employment effects were estimated to be greatest in the property and business services, other manufacturing, trade, and other motor vehicles and parts manufacturing sectors. The study notes that the results do not take account of potential offsetting positive impacts flowing from reductions in the scale of the Mitsubishi's operations. These include employees gaining alternative employment, income transfers from State and Federal Governments associated with re-training, unemployment and general adjustment assistance that may flow to South Australia if there were a significant reduction in the scale of the automotive industry in the State.

A further study by Spoehr, Wilson and Morrison (2003) estimates the likely economic impact on the South Australian economy of the closure of the Mobil Port Stanvac oil refinery. Employment loss was estimated to be approximately 350 full-time equivalent jobs at the oil refinery directly and between 450 and 740 jobs lost in other sectors of the state economy. Flow-on effects were estimated to be greatest in the utilities, other manufacturing, business services and transport sector. Large firms with significant contracts with Mobil indicated that they would reduce employee working hours or cut staff. Businesses that were dependent on Mobil for a majority of their turnover indicated that a third of their staff would have to be laid off as a result of the closure. Furthermore, one owner/manager indicated that the closure of Mobil would force him into semi-retirement.

The McDowell Group (2004) estimated that the closure of the Agrium Kenai Nitrogen Operations on the Kenai Peninsula Borough and the Alaskan economy would lead to the loss of around 685 direct and indirect jobs in Alaska. They also warned that the closure of such a key plant in the region would lead to the out-migration of young people seeking employment.

In a study of the impact of the closure of the Geelong based Sterling Clothing Company plant in 1985, Kriegler and Sloan (1986) focus on the significant employment losses flowing from the closure. The majority of employees made redundant were able to secure alternative employment almost immediately. This is likely to have been due to the relatively favourable economic climate prevailing at that time. Most of the employees were able to find work in

with other clothing firms, reflecting strong demand for machinists in Geelong at the time. The study found that re-employment was related to the timing of undertaking job search. Those who started to look for work either before the announcement of the plant's closure or between the announcement and the actual closure were much more likely to have jobs than those who had not started their job search until after the plant had closed. One-fifth had left the labour force at the time and a further one-fifth were unemployed. Those who had withdrawn from the labour force tended to be older than those who had found new jobs. They were also more likely to be foreign-born, married, and long-standing employees.

Wooden and Sloan (1987) examined the employment impacts of the closure of the Hoadleys Adelaide confectionary factory in early 1985. They found that 72 per cent of employees found alternative employment and a large proportion of the remainder withdrew from the labour force. A sizeable minority of employees spent prolonged periods looking for work. Again the timing of the closure was likely to have had a significant positive impact on the re-employment prospects of employees.

Psychological Impacts

Business closures can have a range of psychological impacts for both owners and employees including increased anxiety and depression. It should also be noted that closures may generate feelings of relief and happiness, particularly for business owners who see the closure resulting in an improvement in their financial circumstances, working lives or lifestyle.

In a study of the closure of General Motors and Ford plants in California in the mid 1980s, Yoder and Staudohar (1985) found that employees and their families experienced high levels of anxiety and stress as a result of the closures. They indicate that poor management of the closure and the lack of job placement support services available to employees generated high levels of anxiety among workers. They report that employees experienced physical and psychological problems that led to a number of suicides. Spoehr and Morrision (2002) indicate that closures resulting in job loss may result in an increase in family stress levels, increase in domestic violence and child abuse and increased drug and alcohol abuse.

Community Impacts

Business closures can result in the loss of cash and in-kind donations and support to community organisations and programs. Spoehr and Wilson (2003) indicate that the closure of the Mobil Oil Refinery would have a significant impact on local schools and community organizations, which were beneficiaries of \$600,000 in donations from Mobil over a six years period. The loss of corporate financial support from the oil refinery was expected to intensify the pressure on organizations to seek support from alternative sources. Similarly the McDowell Group (2004) found that the closure of the Agrium Kenai Nitrogen plant in Kenya would result in substantial losses to the community. The plant contributed around \$195,000 to 43 non-profit organisations or programs while a further seven organisations received in-kind support. Agrium was active in a wide range of industry and businesses support organisations.

Population Impacts

Large scale business closures can result in significant population impacts including the out-migration from a region of people seeking employment elsewhere. The McDowell Group (2004) argue that the loss of an important business might result in both immediate population loss and gradual, long-term population decline.

Taxation Impacts

Significant reductions in economic output, income and demand flowing from business closures are likely to result in a decline in revenue to government. This is likely to be most profound where significant out-migration to other regions arises from closures. Any reduction in revenue is likely to increase the tax burdens on residents and businesses that remain and/or result in a reduction in services provided. The McDowell Group (2004:2) found that the closure of the Agrium Kenai Nitrogen Plant in Alaska would result in the loss of around \$2 million in industrial property tax and \$0.2 million in residential property tax from Agrium's employees' houses.

Revenue impacts flowing from business closures in the Australian context might include reductions in revenue streams from property tax, payroll tax, local government rates, Goods and Services Tax, business tax and employee income tax.

Housing Impacts

There are potential housing impacts flowing from large scale business closures. The McDowell Group (2004) suggest that business closures and layoffs might result in a weakening of the housing market where a closure results in significant unemployment and population outflow. Spoehr, Morrison and Wilson (2003) suggest that closures could result in an increased demand for low cost housing and housing assistance from employees who become unemployed or underemployed.

Conclusion

While there is a paucity of literature directly related to the significance and impact of family business closures, an examination of the wider literature on the impact of business closures provides some useful insights into what the range of positive and negative impacts of family business closures are likely to be. These are summarised in table 3.1.

Business closures can result in a wide range of impacts on employees, business owners, families, suppliers, local communities and governments. While the range of impacts arising from family business closures are likely to be similar to those identified in this chapter the family based ownership and management structures of family businesses will give rise to a number of impacts that are specific to the family business sector.

The range of impacts identified here, have informed the preparation of a semi-structured interview schedule which guides a series of interviews with family business owners on the likely impacts of family business closures. The case studies discussed in the following chapter shed some light on the gap in present knowledge on the range and significant of impacts that are likely to flow from family business closures.

Table 3.1
Summary of Potential Impacts Identified in Literature

Potential Impacts	Description of Potential Impacts
Employment	<ul style="list-style-type: none"> • Direct and indirect job losses • Withdrawal from labour force • “Forced” retirement • Heavy burden on limited job placement services • The old job experience are not readily transferable to new jobs in growing industries • Costs of retraining and adjustment • The impact on the States skills and revenue base of significant out-migration to other regions in search of employment
Income	<ul style="list-style-type: none"> • Financial hardship • Declining average wages as jobs are not replaced in the local economy or are replaced by lower-paying service sector jobs • Increased demand for Federal and State income support • Increase in consumer debt flowing from reduced incomes
Psychological Impacts	<ul style="list-style-type: none"> • Personal hardship • High levels of anxiety and stress among workers and their families • Increase in the number of suicides • Increased domestic violence and child abuse • Social and health impact of increased drug and alcohol abuse
Sales and Production Impacts	<ul style="list-style-type: none"> • Reduced demand for goods and services flowing from a decline in average weekly incomes
Community Impacts	<ul style="list-style-type: none"> • Loss of corporate financial and in-kind support
Support Sector Impacts	<ul style="list-style-type: none"> • Employment losses in the support sector • Declining sales and production for those with considerable links to closing firm
Export and Value-Add Impacts	<ul style="list-style-type: none"> • Decline in exports • Lower value added to resources before they are exported
Population Impacts	<ul style="list-style-type: none"> • Immediate population loss as well as gradual, long-term population decline • Out-migration of young people who cannot find viable employment
Taxation Impacts	<ul style="list-style-type: none"> • Declining sales tax revenues due to lower business sales • Declining property tax base (in particular manufacturing facilities typically require high levels of investments in taxable plant and equipment) • Increased tax burdens on residents and businesses that remain and/or cuts in local government services • Declining revenue base due to the significant out-migration to other regions in search of employment
Housing and Real Estate Impacts	<ul style="list-style-type: none"> • Increased demand for low cost housing and housing assistance • Weakening of the local housing market

4. Case Studies of Family Business Closures

This report has demonstrated that there is a paucity of literature and data available on the significance and impact of family business closures on family owners, employees, the economy and society in general. It is this deficiency that this chapter seeks to address in a preliminary way.

Five case studies are presented to illustrate what the range of impacts of family business closures are likely to be. The case study interviews were undertaken using a semi-structured interview informed by the review of literature undertaken in chapter 4 and expert advice from members of the project reference group.

The results of the five case studies are intended to be indicative of the range of potential impacts flowing from family business closures. A more comprehensive survey and series of case studies is necessary in order to be able to obtain a picture of the full range of impacts and the magnitude of these impacts.

The family businesses involved in the case studies were South Australian based. They differ in size and are from a number of industry sectors. The case studies are based on interviews with one representative of the family business who was either an owner or manager. It was not possible given the scope of this study to seek the views of other family members, employees and suppliers.

It should be noted that the case study interviews were undertaken during 2005 at the end of a period of strong economic and employment growth in South Australia. Much of the literature on business closures relates to closures that have occurred during periods of economic downturn, recession or significant instability within an industry sector. The experiences of those who are involved or might be affected by business closures will be mediated in important ways by the state of the economy, labour market and industry sector at the time of closure.

4.1 Case Studies Analysis

Characteristics of Businesses

The characteristics of each of the five case study businesses are summarised in Table 4.1. In addition to the identification of common characteristics and the main reasons for business closure, changes in the businesses were discussed in the context of the industry sector in which the businesses were located. Annual turnover, the number of employees and any problems that have arisen between family members were also identified. Additionally, changes in ownership were explored including the number of family owners, the number of family members involved in the daily operations of the business and the relationships between owners. Changes in governance were explored including the composition and roles of boards of management and shareholding structure. This included some examination of governance structures, rules and clarity of expectations and roles.

Of the five cases examined, four businesses were located within the manufacturing sector (case 2, 3, 4 and 5), and one within the retail sector (case 1).

The annual turnover of the businesses ranged between \$3.5 million and \$15 million while the number of employees ranged between 15 and 130.

Two of the case studies had 4 generations involved in the business and in the ownership (case 1 and 2), while one case (case 3) had 4 generations involved in the business and 3 generations in business ownership. Another two cases (case 4 and 5) had 2 generations involved in daily operations but only 1 generation had the ownership of the business.

The businesses involved were closed through either sale as on-going concerns (case 1, 3 and 4) or through liquidation (case 2 and 5). Interestingly, four out of the five cases described the state of their business at the time of closure as growing (cases 1, 3, 4 and 5). Only one case described their business as static (case 2).

Table 4.1
Characteristics of Family Businesses

Case Number	Number of Generations Involved	Number of Generations in Ownership	Type of Industry	Type of Closure	Annual Turnover	The State of Business	Number of Employees	Reason(s) for closure
1	4	4	Retail	Sold as on-going concern	\$6-7 million	Growing	50	<ul style="list-style-type: none"> ▪ Over-borrowing problems due to the payout of other family stakeholders ▪ Family pressures/conflicts
2	4	4	Manufacturing	Liquidation	\$ 3.5-4 million	Static	30	<ul style="list-style-type: none"> ▪ Fierce competition from abroad including lower price and a better quality ▪ Hiring/Human resource problems ▪ Late payments from clients ▪ Lack of marketing skills ▪ Administration problems ▪ Life-work balance
3	4	3	Metal	Sold as on-going concern	\$10 million	Growing	130	<ul style="list-style-type: none"> ▪ Higher resource prices ▪ Higher borrowing rates as company identified at risk ▪ Non-supportive government policies ▪ Lack of knowledge/training in the business operations ▪ Lack of expertise/human resource problems ▪ Expired patents ▪ Reduction in tariff protection leading to the higher competition from overseas ▪ Late payments by clients including big companies and government ▪ Occupational health damage payouts ▪ Family conflicts

Table (continues)
Characteristics of Family Businesses

Case Number	Number of Generations Involved	Number of Generations in Ownership	Type of Industry	Type of Closure	Annual Turnover	The State of Business	Number of Employees	Reason(s) for closure
4	2	1	Manufacturing	Sold as on-going concern	\$12-15 million	Growing	85	<ul style="list-style-type: none"> ▪ Industry strategically unsound needing structural change ▪ Cheap imports competition pricing business out
5	2	1	Manufacturing/ Retailer	Liquidation	\$1.5 million	Growing	15	<ul style="list-style-type: none"> ▪ Human resource problems/managing staff ▪ Higher competition from abroad ▪ Life-work balance ▪ Family tensions ▪ General bureaucracy

Reasons for Closure

This section examines the reasons for closure of the five family businesses.

Business Rationale: In three cases, the business was sold for a business reason. This indicates that the proprietors had sound business judgement in that they did not prevent their business from growing by keeping them private (case 3), handing them over to successors who were too young, inexperienced and uninterested (case 2), or hanging on to them until they went bankrupt (case 1).

These businesses analysed the business environment and made a strategic decision not to continue. Kenyon-Rouvinez (2001: 184) indicates that in the family business world, this is rather unusual: “observation of the day-to-day reality in family business tends to indicate that families have difficulties accepting that they cannot strategically revitalize their business, in accepting “the shame” of having to sell the business, or in accepting the change that selling the business would make to their lives”.

In most cases when the businesses analysed their options including sale, they took account of the economic circumstances that prevailed. The South Australian economy was in an expansion phase at the time. This appears to have been an important determinant of the timing of the business closures. In this context the decision to close and sell reflects good business acumen designed to maximise the financial return for owners. The more buoyant labour market also increased the employment prospects of employees (as will be discussed later).

Staff Management: In three cases, staff management problems have been identified as one of the adverse factors affecting the business (case 2, 3 and 5). This was mainly due to inadequate recruitment practices:

“My father had interesting resources and recruitment policies, and often ended up with four or five members of the same family, all ripping us off at the same time...” (case 3).

Additionally, one study (case 3) identifies the lack of medical tests of employees at the start of their employment with the business, making it difficult to assess whether injuries were due to current or previous employment. The business was required to make significant payouts to former employees for injury, placing additional financial pressures on the business. This additional financial burden contributed to the business closure.

Administration Issues: In two cases, businesses struggled with the demands of “general bureaucracy” as they described it and reported considerable administrative problems (case 2 and 5). These owners believed that they were required to spend too much time on “paperwork” preventing them from using their skills more efficiently in other areas of business.

Competition: Increase in competition, either from domestic or overseas businesses, was consistently identified as a major reason for family business closure (case 2, 3, 4, and 5). In some cases this was combined with the loss of important clients:

“...and those two factors made our business probably not viable. Losing two big customers within a space of a couple of weeks. That is why we decided to shut down.” (case 2).

This observation is consistent with the theory that globalization, combined with the current economic environment of shorter product life cycles, might lead to an increasing number of families facing the sale of their business.

Work-life Balance: In two cases, business owners found it extremely difficult to balance working responsibilities and their personal life, especially those with younger children (case 2 and case 5):

“Certainly the family side was a big reason for closure. My daughter said to me at one point when I had not seen her for about nine days: ‘Are you still living here?’ That really hit home because she would be in bed when you got home and she was in bed when you go to work and that is hopeless. You can not do that...” (case 5).

Family Issues: Three businesses were sold for combined reasons: family reasons and business reasons; or a combination of family, business and ownership reasons. Three families (cases 1, 3 and 5) realized that the interaction between the family and the business and/or ownership was problematic. These family owners were able to see the situation for what it was and made the decision to sell before the business suffered too much from family circumstances. One case identifies the inability of family members to separate personal life from working life leading to heightened family tensions (case 5).

Payment Delays: Interestingly two of the case studies identify late payments by their clients as a detrimental factor for their businesses (case 2 and 3). Larger companies and government were in particular recognized as a type of clients that did not make payments promptly. The businesses also reported that they did not have a choice but to keep supplying their clients despite late payments. In one case, the payment delays coincided with the bankruptcy of their major clients, causing significant financial distress for business (case 2).

Marketing Skills: Although few of the businesses recognize that they possessed management and vocational skills, they believed that lack of marketing skill was detrimental to the success of their business (case 2).

“...we are not good marketing people and that is what has let us down... To sell it, you have got to have somebody out there all the time, you have to pay a sales person, you have got to have somebody who is really keen to do it, we were busy running our day to day affairs to get out and really sell. None of us are sellers! We tried, but we are not marketing, pushy salespersons.”

Government Assistance: A number of the businesses indicated that government was not sufficiently supportive:

“...The government did not help, they paid only a little bit of management consultancy...” (case 2).

“...I believe the government policies were certainly not supportive, particularly for manufacturing... They were not prepared to give us any real help...” (case 3).

In another case, family business owner believed that federal government failed to develop appropriate industry policy, which contributed to the unsoundness of industry sector (case 4).

High Gearing: In one case, the business went from having no borrowings to being heavily geared. Following the collapse of the financial institution from which business borrowed heavily, the terms of the loan were arbitrarily amended. The business subsequently experienced considerable difficulties in meeting its borrowing repayments. This ultimately led to the business closure (case 1):

“... they made a whole program so impossible to pay them and make a profit. They demanded proper audits every three months that we had to pay for. And, obviously, they wanted out. We just could not keep it up. So we sold the business... and that was the end of our business.”

The business increased its leverage in order to pay out other family shareholders and ease its financial requirements for dividend payments.

Unsound Industry: In one case, the business operated in an industry that was structurally unsound and needed substantial structural change across the whole industry (case 4). The manufacturers within this industry were not familiar with their cost structure, which led to significant undercutting and subsequent profit margin erosions. The family believed that operating from South Australia was not feasible due to pricing of products available from Asia.

Difficulties Experienced during the Closure

There were significant emotional and organisational impacts flowing from the decision to close for the majority of cases. The process of closure proved stressful and drawn out for most cases.

In each of the cases examined, the choice to close the business was a mutual decision made by all of the family members. In most cases, families expressed their surprise that the closure process took much longer than they initially anticipated. For example, in one case the closure process took around 18 months (case 5).

In one case, following liquidation, the business experienced difficulties selling parts of their machinery due to lack of interest from buyers (case 2). The business prepared environmental reports, surveys and other work as part of sale preparation on their property. However, they indicated that this expenditure has had limited returns. The owners were in no rush to settle the sale and were comfortable with a longer period to finalize the closure.

Two of the cases also identified problems with redundancy payouts during the business closure. One case reported employee dissatisfaction and protest in relation to redundancy packages (case 2).

Specific Impacts of Closure

The five case studies reveal a range of impacts consistent with the findings of the literature review undertaken in chapter 3. They also reveal impacts which are not documented in the literature and warrant further investigation.

The following sections provide an overview of the family business owner/mangers perspectives on the impact of the closure on the financial and emotional position of the families involved; the experiences of employees; the impact on trading partners and suppliers; impacts on customers and the wider community.

Family Impacts

The impact of family business closures on the families involved is of central importance to this study. As indicated earlier the literature is silent on this and many other questions relating to the impact of family business closures.

The case studies reveal that the loss of potential earnings and loss of the family business for next generation were regarded as among the most significant impacts of closure upon the families involved. However, in most cases the closure appears to have provided financial freedom and significant emotional relief:

“Well financially we were not in debt any more, and that was a huge worry to us. My brother had taken out a lot of personal guarantees. I refused to take out personal guarantees for anything... financially and emotionally we are a lot better off...” (case 3).

The majority of owners appear to have realised a better quality of life including the ability to spend more time with their family (case 5).

As indicated earlier the timing of the closures was conducive to favourable financial outcomes for the families involved. A more extensive investigation of family businesses is required to make any judgement about how generalised this experience might be within the family business sector in South Australia.

Asset Distribution

The case studies revealed that all of the families were generally content with the financial outcomes associated with closure. There were no family disputes over asset distribution.

In three cases, new business ventures were embarked upon (case 1, 3 and 5), but in two of these cases (case 1 and 3) the new business was not successful and closed. In one case, the family invested in their children’s new ventures (case 3). They believed that the fourth generation should at least share in the proceeds of the sale. They also invested the sale proceeds in shares, properties and property developments.

In one case, the interviewee expressed that there was no interest in either re-creating or starting a new venture as they felt that they lacked the energy, good health and ideas. They placed a higher value on the time they could now spend with their family (case 2). They also indicated that the hectic nature and complexity of their business operations prevented them from securing any alternative investments. Age was also regarded as a barrier to starting a new venture (case 2).

In one case, the family involved had diversified its investments to include property and real estate (case 4). This acted as a buffer against any adverse financial impacts from closure.

In one case, the sale proceeds were distributed into property, agricultural and share portfolio investments, but those proceeds were not re-invested in a business:

“...Too many people I think feel obliged to cling to a family business... I am more of an advocate of family wealth succession rather than family business succession, but my whole outlook is rather than actually selling the business and distributing that wealth or dying and

distributing wealth, is to actually embody that wealth into a corporate structure and let you try to set a vision for that money rather than for a business and that you try to manage that wealth so that future generations can all benefit from it...if it goes down a couple of generations it is just completely dissipated and what I am advocating – keeping it in a corporate structure, not letting the capital deplete, and essentially trying to get families – successive generations – to understand about wealth management and trying to get them to make a number of both active and passive – depending on their skill sets – investments, to try and manage that and that really only dividends can be disbursed and so that is what we have been trying to do for the last couple years...” (case 4).

Employment Impacts

In one case (case 4), 60 employees lost their jobs following takeover by new management including the senior sales person, the head of R&D and the IT logistics officer. The marketing officer was transferred from the retail division into the commercial division. The interviewee was of the opinion that those employees in executive positions did not have problems securing alternative work, as their vocational skills were highly valued in the labour market. However, they thought that the trades staff might have had greater difficulty finding new employment as their skills were not as highly demand. Other employees were of retirement age.

In all other cases the interviewees claimed that the former employees were able to secure work with either a competitor or with other organizations, mostly within their area of specialty. The impact of business closures on the employment of staff appears to be minimal for each of the other four cases. This could be a reflection of the economic circumstances at the time of closure with more vacancies being available during the expansion cycle. Had the businesses closed during an economic downturn the employment impacts would have been less positive than those described. This finding was recognised by many of the families interviewed:

“... They do not employ as many people in South Australia any more, but that is probably going to change...they kept the same bank on, the same insurers. I suppose there is a sense of continuity. If we had closed (liquidated) I think there would have been far more drastic implications...” (case 3).

In one case, the business identified a fall in training provision bringing about an adverse impact on employment conditions:

“Well I think when the training guarantee stopped I think that was really detrimental...we were heavily into training” (case 3).

Noteworthy is that a sale condition of one of the businesses was that all of their staff should remain employed under the new management (case 1), therefore no employee lost their job as a result of the closure.

In one case, the family believes that at least 95 per cent of their former employees found alternative work following the closure (case 2). The business employed a human resources officer to assist their employees with resume writing and assistance with job applications. Similarly, other businesses have also provided references and used their networks to assist their employees with securing alternative work:

“...Most of them found work...we rang around and networked. We did a huge amount of legwork to help our people, so I do not think there was any ever real distress individually” (case 3).

A more thorough investigation of the employment impacts of the closures is warranted including interviews with employees and unions.

Impact on Trading Partners/Suppliers

There were significant impacts on trading partners and suppliers from two of the closures. In one case, after the family business was sold, the new management switched to new product suppliers (case 1). In case 4 the network of suppliers to the family business was abandoned altogether after the new management took over.

In two cases, businesses reported some adverse impacts on suppliers but they were not able to quantify these (case 3 and 5) though concern was expressed that regular suppliers dependant upon long-standing relationships with the family business would be significantly disadvantaged.

One of the businesses reported minimal impact on their trading partners as they re-directed their trading to their competitors (case 2).

Impact on Customers

A range of impacts on customers were reported in the case studies. These focus largely on changes to product availability and service standards.

Remarkably a number of the businesses experienced an increase in orders following the announcement of closure (case 2 and 5). According to the interviewees this reflected strong customer support for the businesses involved.

One family business interviewee reported:

“I could not physically write the orders quick enough. You would say to people ‘I do not know when you are going to get it’, they would answer ‘That’s alright, as long as we get it’, and ‘Would you like us to pay for it now?’” (case 5).

Additionally, the case studies have revealed that customers often highly valued the businesses. One of the interviewees indicated that following the announcement of the closure a customer reported that “... she had been crying all morning” (case 5). The interviewee believed that this was partly due to their customer orientation, which many other businesses lack. This “really friendly good” service combined with the high quality of products was the basis for their successful business they claimed.

In one case, a loyal customer base was affected by a change in management. The quality of the product deteriorated and the new business was targeting a new customer base (case 1).

In two cases, the interviewees were not sure about the impact on customers but they believed that customers would have switched their consumption to other businesses due to the availability of products and services from a range of competitors (case 3 and 4). Similarly,

another interviewee reported that there were no adverse impacts on customers as they switched consumption to products produced by their competitors (case 2).

Community/Cultural Impacts

In one case, the business was actively involved in sponsorships, philanthropy, education, provision of English as a second language for its employees, provision of work experience, VET in schools and structured workplace learning programs, and health and safety training for its employees (case 3). The interviewee believed that the new management had abandoned many of those community, workplace and cultural activities.

Similarly in two cases, businesses were long-term sporting sponsors. They believed that the closure would have an adverse impact on the recipients (case 1 and 5). Both businesses also had a preferred charity to which they would donate on regular basis. They believed that closure would have an adverse impact on the charities, as they perceived that there would be less funding for them at least in the short term until alternative funding was secured. However, they were not able to quantify these impacts.

In one case, the business reported it had insufficient funds to be involved in community activity. In their opinion, their business closure had a minimal community impact (case 2).

One business had a program in place involving the employment of people with disabilities (case 4):

“...from a macro perspective I think there is a whole pile of really talented people who at the moment, a lot of them are sitting at home with most of them with nothing to do and we pay them money to sit at home whereas they want jobs and they can do the job. When you actually give them a job they are very grateful. They are very loyal. They nearly always do a better job than somebody without a disability. They are totally reliable. They come every single day. They just want that routine...I thought that organizations have a social responsibility to try and address that problem and they could do it at really no cost to them so therefore it was a win-win. So I really tried to push that and I think they have probably scaled that program down somewhat...” (case 4).

Furthermore, this business was active in the implementation of an enterprise bargaining agreement with its employees regarded as a case study by the Commonwealth Department of Industrial Relations.

Additionally, a review of the case studies revealed that there are some possible environmental implications of business closure. For example, in one case the new management uses synthetic materials whereas the old business recycled natural materials for use in their production process (case 2).

Policy Issues

The interviewees identified a number of family business development policy issues related to succession planning; education and training; the profile of family business; role of government, industrial relations, wealth preservation and mentoring.

Succession Planning

The provision of succession planning support to family businesses was identified as a priority:

“...lots of founders treat the business as their baby and often spoil it because they are too emotionally tied and not very rational about the future. Giving up control is huge issue and may don't know how to get out gracefully. This change over is a critical time. Perhaps there could be body set up to assist with the transition, a third party, at arms length to damp down the inevitable emotions, feelings of loss and grief. I think private business is the largest employer in Australia so it is not just the family fortune at risk but all those employed and those companies doing business with them as well.”, (case 3).

Education and training

An increase in funding for vocational education was advocated:

“We have got a skill shortage now because they have stopped the training guarantee. They should have put so much money into apprentices, but it all went to universities...” (case 3).

A compulsory management course was proposed as a way of stimulating entrepreneurial activity and fostering business leadership (case 4).

Profile of family business in the community

A program to promote the significance of family business in South Australia was proposed (case 4):

“...they (family businesses) have got some social reasons for being here as well and I think over the longer term they have probably got more patient capital than what some of the bigger multi-nationals have got and they have probably got some greater social responsibility and I think that is what South Australia really needs so I really feel that ... one program that I have advocated is that we need to set up... like a transformation program within government.”

Role of government

One interviewee argued that there should be greater government support for family businesses. They suggested that government should adopt a long-term approach to family business problems rather than “wait until issues become an urgent matter and turn into a serious problem and then find only a short-term solution for it”.

Investment in existing businesses was regarded as more important than investment in new businesses argued another interviewee:

“... to be more understanding and protective of the businesses that are already here rather than throwing millions of dollars to bring something here...and three or four years down the track they can't do it anyway...there probably needs to be more care when a company puts up it's hand and says look can you help us... So a more integrated approach, maybe there should be an emergency contact for businesses where you've got real experts who can sit down...” (case 3).

Industrial relations

One interviewee argued for more uniform industrial laws and regulations:

“I think the fact that we had to work under so many different awards – federal awards, state awards, different situation in each state. My desire would be that there would be federal labour laws, which would make life extremely easy for us...” (case 3).

Wealth preservation and entrepreneurship

Attention to wealth preservation and development of entrepreneurial skills through the successive generations was identified by one interviewee as important for family business survival:

“...my big message to people is simply that you can not cling to something that is structurally unsound and that people need to feel that it is right to sell a family business from time to time. They should not feel guilty or that they have been a failure and I think that it is a good decision but then my second part of that is that you really need to really think carefully about what you do with the proceeds of the business sale and that the whole concept of wealth succession has to be something that people at least consider. It might not be practical for every family but I really think that this whole concept of managing that money for future generations is good and in passing on those skills to the next generation – entrepreneurial skills to future generations – otherwise we just lose those skills” (case 4).

Mentoring

Mentoring of start-up businesses within existing infrastructure rich businesses was suggested by one interviewee (case 4).

Conclusion

The case studies presented in this chapter provide an insight into the range of impacts that might flow from family business closures. The impacts identified include many of those identified in the literature relating to business closures in general. In addition a range of impacts relating specifically to family businesses have been identified. These include the complex financial and emotional impacts of closures on families.

The nature and magnitude of the impacts identified in the case studies appear to be have been greatly influenced by favourable economic and labour market conditions in South Australia. Less favourable conditions in the future are likely to produce less favourable outcomes, particularly if a large number of family businesses were to come on to the market for sale at the same time, as the data and surveys reported in this study suggest.

5. Conclusion

While the family business sector forms a significant part of the Australian economy there is surprisingly little known about the economic and wider impacts of family business closures. Putative forms of loss arising from closures include those relating to entrepreneurial capital and entrepreneurial opportunity, employment, suppliers of materials and services, financial, relationships with customers, intellectual property, business efficiency related to the establishment of trust and 'social capital', entrepreneurial capital and opportunity, as well as unquantifiable benefits to the community.

The case study analysis undertaken for this project reveals that the failure of family businesses to survive generational change can result in direct and indirect economic and other losses to families, the economy and the community. Family business closures can also have beneficial impacts, most particularly those related to balancing paid work and family responsibilities. The nature and extent of impacts flowing from family business closures is mediated by the particular economic and industry context in which particular closures take place. It has not been possible with the scope of this study to quantify, in some generalised way, what the impact of family business closures is, but rather to identify what the range of impacts might be so that policymakers are in a better position to make more informed judgements about the significance of family business closures.

The case studies reveal that the proceeds from closing businesses are often deployed on assets or expenditures that are likely to have fewer direct and indirect economic and employment spin-offs. Other losses identified were employment losses, losses to suppliers of materials and services, financial losses, losses in relation to customers, of intellectual property, of business efficiency related to the establishment of trust and 'social capital', as well as unquantifiable benefits to the community and to those directly affected in terms of personal fulfilment. Family business closures clearly have an impact beyond those directly involved.

An analysis of the age profile of the family business sector suggests that it is particularly important at the moment to develop a better understanding of the likely impact of family business closures as more owners approach the age of retirement over the next ten years.. As a larger proportion of family business owners reach retirement age, more family businesses will face the challenges of intergenerational change. Many others will put their businesses on the market for sale. As this intergenerational shift of wealth gathers momentum, an estimated \$1.6 trillion is expected to change hands over the next decade or so (Smyrnios *et al.*, 2003). The problem for owners seeking to sell is that it is likely to be more difficult to achieve desirable financial outcomes from closure.

While demographic change and ageing presents wider challenges for the nation, it presents specific challenges for the family business sector in South Australia and Australia. The retirement rates of family business owners/managers are set to increase over the next ten years as the baby boom generation approaches retirement age. The research cited in this report indicates that 50 per cent of all family business owners in 2002 planned to sell their business over the decade. The value of wealth transfer associated with this was estimated to be around \$1.6 trillion in assets.

This presents a major challenge for the sector and policymakers seeking to minimise demographically driven family business closures. It is possible that that the rate of family business exits will significantly out number the rate of family business start ups as the full

impact of the retirement of the baby boom generation is felt. The successful management of these challenges will require a greater awareness of the wider significance and contribution of the family business sector to our economic and social prosperity.

Further research

Given the size, contribution and age profile of the family business sector in South Australia it would appear prudent to consider what the social and economic implications of a potential sharp rise in the sale of family businesses might be for South Australia. When a family business fails to survive generational change there is risk of losses to the economy and community where the proceeds from sale are invested in less productive activities.

Bearing in mind the high rate of family business closures and transfers and the demographic trends that are likely to underpin higher rates of closures and transfers in the near future, it is timely to undertake a more extensive investigation of the significance of family business closures in South Australia. A key aim of such a study would be to identify the ways in which the entrepreneurial capital/wealth of families in business can be most effectively deployed for the benefit of its members, employees, the state and the community.

Future research might address a range of questions including:

- how great is the contribution of family businesses to our economy?
- what are the implications of the ageing of the family business sector for economic and employment growth in South Australia?
- what actions can governments take to sustain family businesses, in particular, to help forestall undesirable or unplanned closures?
- what can be done to help ensure that 'entrepreneurial capital' is perpetuated for redeployment in ventures of benefit to its owners and the community?

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Appendix A: Family Business Closure Case Studies – Semi Structured Interview Schedule

Characteristics of the Business

When was the business established and when did it close? Where was it located?

What goods/services did the business produce?

Which generations were involved in the business?

- In the day-to-day operation of the business
- In the ownership of the business

How many family members:

- Worked in the business in a management capacity prior to the closure
 - Of these, how many also had an ownership stake?
- Worked in the business as general employees
 - Of these, how many also had an ownership stake?

How many shareholders were there?

- Family shareholders
- Non-family shareholders

What was the annual turnover of the business over its last three years of operation?

What qualifications does each member of the executive management team possess?

Was there a formalised board of directors? If so, were there non-family directors appointed?

How many non-family employees were employed by the business? (full-time and part-time)

Did the business operate out of SA? If so, where?

Did the business export? If so, where to and what was the annual value of the exports?

What was the annual value of goods and services purchased from other firms?

At the time of closure, how would you describe the state of the business? (i.e. Growing, Static, Declining) How did this change over the time?

Reasons for Closure

What were the main reasons for the closure?

Was there any thought given to transferring the business within the family, to another family member or another generation of the family? If so why did this not occur?

(i.e. was it a choice or forced decision)?

If the transfer within the family was not considered, stated reasons why?

If the decision was made by choice, how was that decision made?

Did all family members involved in the business mutually agree to the decision or was it majority vote?

In what ways, if any, did the family structure of dynamics influence the closure?

If the business was sold, was it sold as a going concern?

What were main difficulties encountered during the closure?

- In relation to the business?
- In relation to the family?

Specific Impacts of Closure

Family impact

What impact did the closure have on owners and other family members financially?

What impact did the closure have on family members future prospects for employment, start-up of new business, financial independence?

Employment

How many employees have lost a job as a result of the closure?

Have any of these former employees found alternative employment after the closure?

What type of employment have former employees been able to find? (i.e. whether changed employment status, from full-time to part-time or casual, or whether changed from higher paid job to a lower paid one)

The Significance of Family Business Closures in South Australia

Trading Partners/Suppliers

How many trading partners/suppliers did the business have?

What was the impact on trading partners/suppliers?

Impact on Customers

What impact did the closure have on your customers?

Community/Cultural Impacts

Did the closure result in wider losses to the community support (if so describe) such as the loss of in-kind support, donations and/or sponsorships?

Asset Distribution

During the settlement of assets did any disputes arise between family member and/or others?

How were assets distributed? Were outstanding debts settled after the closure?

Was a new business established or purchased in association with the closure? If so what type of business? (turnover, how many employees and location)

Were other investments/business ventures made possible by the closure?

Have other businesses been commenced using the assets? If so, what is the nature and location of these?

If established/purchased new business did this involve re-employment of staff previously employed?

If not, do you plan to establish or purchase a new business in the near future?

Property Rights

Has there been any infringement of the property rights business had at the time of closure?

General

What other impacts of the closure are you aware of?