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Women still struggling to break into family business: Report

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James Thomson



A new study of Australia's family business sector has revealed women are still struggling to break into family-owned firms, with just 11% of family businesses owned by women and sons five times more likely to become CEO than daughters.

The report, compiled by accounting firm MGI and Melbourne university RMIT, is the third study of the \$1.6 trillion family business sector conducted in the last seven years.

MGI Australia chairperson Sue Prestney says it is disappointing to see that the involvement of women in family business has not increased from the previous studies in 2003 and 2006.

The survey shows that the most common family member involved in the business is a spouse at 35.4% (the majority of whom are presumably female, given that 89% of businesses are owned by men), followed by sons (35.0%) and brothers (10.6%).

But daughters were only involved in 7.1% of businesses and sisters involved in just 2.0%.

In addition, family business owners said that sons would succeed them in 27.4% of cases, while daughters would take over in just 5.3% of cases.

"It's concerning that this hasn't changed over the last three surveys," Prestney says.

"I think what we are seeing perhaps is that women are happy in small or micro business, but they are not growing the businesses and they not taking over established businesses from their parents."

She says the reasons for the lack of female participation is not clear, although she says she has dealt with a number of family businesses where only the male side of the family are seen as business minded.

She also says the industries in which many family businesses are found – manufacturing, property and retail are the most prevalent, according to the study – could be a factor.

"They do tend to be in the more traditional industries such as manufacturing, retail and wholesale. Perhaps these are not industries that women feel drawn to."

Prestney also points out that the fact that family businesses appear to be less welcoming of female family members seems illogical – surely family businesses would provide a much more family-friendly atmosphere for female family members.

"You would expect there would be support mechanism in a family business that would be much stronger than in a non-family business. "

The lack of female family business members could also be related to the fact that family business owners continue to struggle to bring fresh ideas into their businesses.

Less than 25% of family businesses hire key non-family executives, more than 85% do not have non-family directors on their board and almost 60% of family businesses do not require family members to work outside the business before joining the family firm.

Even more worrying for Prestney is the fact that just under 60% of family businesses still do not have a family board.

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"One of the best tools for dealing with business issues and increasing professionalism is to put in place an independent board," she says.

"Whether the message is not getting through or whether there is just such resistance to it isn't clear.

"It's culture that makes them stable and secure, but it can also stagnate. They are not getting the fresh ideas in."

Succession also continues to be the looming challenge for family business owners.

While 45% of family business owners are actively planning the future sale of their business and 61.3% would seriously consider selling their business, economic conditions are such that 45.2% of family business owner managers see themselves working in the business beyond 65 years of age.

In addition, one third of business owners say it will not be feasible to implement a succession plan, mainly due to a lack of a clear successor.

Prestney says the GFC and the subsequent fall in business values and retirement funds means the crunch is coming for many business owners on the question of succession.

"Whether or not they like it, they do have to start succession planning and they do have to do it well or else their own financial future is on the line too."

*For more on how family businesses are struggling with the question of family business sales and succession, see today's feature, **No Exit for family business.***

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