



Factors Affecting Perceived Business and Family Success

Diane Masuo¹, Grace Fong¹, and John Yanagida²

Departments of ¹Family and Consumer Sciences and ²Natural Resources and Environmental Management

The purpose of this publication is to introduce two success-estimator tools that can be used by business and household managers to identify ways in which they can increase business and family success. These tools are most appropriate for households in which two different individuals perform the roles of business manager and household manager.

There is growing evidence in the family business literature⁽¹⁾ that work and family life are intertwined and that the perception of success of the family affects business success, and vice versa. When work is located in the home, it is even more important to pay attention to the interactions between the family and business spheres because of the potential conflict in these businesses over space, shared resources (e.g., car, telephone) and human capital (e.g., time, energy, member's attention)⁽²⁾. A 1992 study⁽³⁾ of home-based workers pointed out how business outcomes were influenced by worker and family characteristics and especially by family demands for the care of dependent family members. In order for the business to succeed, family as well as business demands need to be met.

Formulas for success

Useful lessons for present and future home-based family businesses can be drawn from analysis of data from the 1997 Family Business Survey (NFBS). One finding from that study of 239 home-based businesses was that business and family success is influenced by an interaction of manager, business, and household characteristics. In most of those households where different individuals performed the roles of business manager and household manager, the study showed that family success affects business success, and vice versa. Both success-estimator tools incorporate the effects of characteristics in all three categories. However, the prediction

equations used in the tools each use different information for the interacting characteristics to measure their respective success scores.

To estimate a business success score, factors that affect business success were entered into a prediction equation. The equation includes business manager characteristics (age, marital status, gender, education, health status, business experience), household characteristics (home ownership, rural or urban residence, perception of family success), and business characteristics (profit, number of full time employees, common business goals).

Family success was scored with an equation consisting of household manager characteristics (age, marital status, gender, education, health status), household characteristics (number of teenagers and young children, household income, common family goal), and business characteristics (perception of business success).

Tools for predicting business and family success

Business success and family success can be estimated by two tools. Tool 1 is completed by the business manager, and Tool 2 is completed by the household manager. To account for the influence of family success on business success and vice versa, the household manager's family success score must be entered into the business estimator, and the business manager's business success score is entered into the family success estimator. Since exchange of the information is needed, both managers should work together to complete these tools.

How the tools work

Tool 1—Business success estimator

Here is a hypothetical case to explain how Tool 1 works. Charlie and Mary Lee own a home-based business called

Food Works. Charlie is the business manager. He is 54 years old, married, male, has 2 years of education beyond high school, is in average health, has been in business for 16 years, owns his home, lives in the city, has no office outside the home, reported profits of \$28,000, and has no full-time workers. Charlie and Mary do not agree on the most important goal for the business. Mary rated her family satisfaction as a 4 on a 5 point scale, which means successful. Based on Charlie's profile, his estimated business success score is 3.86.

Tool 2—Family success estimator

Mary, the household manager, is 49 years old, married, female, has a bachelor's degree, is in average health, has no young children or teenagers, and has an annual household income of \$60,000. Her spouse, Charlie, is the business manager. Mary and Charlie do not agree on the most important goal for the business. Charlie rated his business as a 3, midway between very unsuccessful and very successful. Based on Mary's profile, her family success score from Tool 2 is 4.07.

How can business and family success be increased?

Based on the business success equation that underlies Tool 1, profit and likelihood of managers having common business goals are the statistically significant explanatory variables. Thus one way that Charlie can increase business success is to increase profits. If business profits increase by \$10,000, business success will increase by 0.5422. Since increasing profits by \$10,000 may be difficult to achieve, one alternative is for the business manager to work on his health. By improving his health status from average to excellent, Charlie could increase business success by 0.41.

For the family success equation that forms the basis for Tool 2, age of the family manager and likelihood of excellent health are statistically significant factors. If Mary's health improves from average to excellent, family success would increase by 0.40.

Another way to approach increases in business and family success is to remember that an increase in one will result in an increase in the other. The reason is that family success is an explanatory variable in the business success estimator, and vice versa. For businesses, this finding means that there are several strategies available for increasing business and family success.

Measure your own perceptions of business and family success

To use the success estimators, refer to the questions in the example tools at the end of this article to prepare your answers. Then download a computer spreadsheet from the CTAHR web site. Go to www.ctahr.hawaii.edu/freepubs and look under Entrepreneur's Toolbox. Open the downloaded file using Microsoft Excel. To estimate business success, enter the business manager's answers into the Tool 1 spreadsheet. To estimate family success, enter the household manager's answers into Tool 2. By changing the data you provide for the estimator tools to calculate, you can see how different answers to the tools' questions might affect your success estimator results.

Notes

¹The articles offering this evidence include the following:

- Danes, S.M., V. Zuiker, R. Kean, and J. Arbutnot. 1999. Predictors of family business tensions and goal achievements. *Family Business Review* 12(3):241–252.
- Lambert, S.J. 1990. Processes linking work and family: A critical review and research agenda. *Human Relations* 43:239–257.
- Masuo, D., G. Fong, J. Yanagida, and C. Cabal, (2001). Factors associated with business and family success: A comparison of single manager and dual manager family business households. *Journal of Family and Economic Issues*, 22, 55-74.
- Winter, M., M.A. Fitzgerald, R.K.Z. Heck, G.W. Haynes, and S.M. Danes. 1998. Revisiting the study of family businesses: Methodological challenges, dilemmas, and alternative approaches. *Family Business Review* 11: 239–252.

²Fitzgerald, M.A., and M. Winter. 2001. The intrusiveness of home-based work on family life. *Journal of Family and Economic Issues* 22(1):75–92.

³Rowe, B.R., and M.T. Bentley. 1992. The impact of the family on homebased work. *Journal of Family and Economic Issues* 13:279–297.

Tool 1. Example business success estimator tool—Charlie’s responses.

Business manager characteristics

| | |
|---|----|
| 1. What is your age? | 54 |
| 2. Are you married? 1 = yes; 0 = no | 1 |
| 3. What is your gender? 1 = female; 0 = male | 0 |
| 4. What is the highest level of school you have finished? | |
| 4a. Community college. 1 = yes; 0 = no | 1 |
| 4b. Bachelor’s degree or higher. 1 = yes; 0 = no | 0 |
| 5. How would you rate your health? | |
| 5a. Good. 1 = yes; 0 = no | 0 |
| 5b. Excellent. 1 = yes; 0 = no | 0 |
| 6. How many years have you been in business? | 16 |

Household characteristics

| | |
|--|---|
| 7. Do you own a home? 1 = yes; 0 = no | 1 |
| 8. Do you live in an urban area? 1 = yes; 0 = no | 1 |
| 9. Do you have an office outside of your home? 1 = yes; 0 = no | 0 |

Business characteristics

| | |
|---|-------|
| 10. What was your business profit for 1996? | 28000 |
| 11. How many of your employees work full time? | 0 |
| 12. Which of the following is the most important long-range goal for your business? 1 = adequate financing, 2 = profit, 3 = a positive reputation with customers, 4 = long-term growth, 5 = growth, 6 = other Does your spouse agree that the goal you identified above is the most important goal for your business? 1 = yes; 0 = no | 0 |
| 13. What is your spouse’s (household manager) rating for family success? 1 = very unsuccessful, 2 = unsuccessful, 3 = mixed, 4 = successful, 5 = very successful | 4 |
| Your calculated score: | 3.86 |

Tool 2. Example family success estimator tool—Mary’s responses.

Household manager characteristics

| | |
|---|----|
| 1. What is your age? | 49 |
| 2. Are you married? 1 = yes; 0 = no | 1 |
| 3. What is your gender? 1 = female; 0 = male | 1 |
| 4. What is the highest level of school you have finished? | |
| 4a. Community College. 1 = yes; 0 = no | 0 |
| 4b. Bachelor’s degree or higher. 1 = yes; 0 = no | 1 |
| 5. How would you rate your health? | |
| 5a. Good. 1 = yes; 0 = no | 0 |
| 5b. Excellent. 1 = yes; 0 = no | 0 |

Household characteristics

| | |
|--|-------|
| 6. How many children between 15 and 18 do you have living in your home? | 0 |
| 7. How many children under age 5 do you have living in your home? | 0 |
| 8. What is your annual household income? | 60000 |
| 9. Which of the following is the most important long-range goal for your family? 1 = good family relationships, 2 = balance between work and family, 3 = adequate family income, 4 = secure future for younger family members, 5 = secure retirement resources Does your spouse agree that the goal you identified above is the most important goal for your family? 1 = yes; 0 = no | 0 |

Business characteristics

| | |
|--|------|
| 10. What is your spouse’s (business manager) rating for business success? 1 = very unsuccessful, 2 = unsuccessful, 3 = mixed, 4 = successful, 5 = very successful | 3 |
| Your calculated score: | 4.07 |