

# Family Business and Its Longevity<sup>1)</sup>

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## Abstract

As a part of a global comparative study on the family firms' longevity, this empirical paper aims at analyzing the centuries-old family firms in the western hemisphere (Italy and Switzerland) with Japan as a benchmark. Longevity is certainly a keen interest of family firms, which however, has remained as a missing research spot. The current research responds a call for research on longevity, with a perspective and research method different from the literature. The paper first provides a bird's-eye view of the family business, followed by the definitions and the research method named as PIA (public information analysis), and its results. Ownership transfer to the outside of the family in the western hemisphere is contrasted to the intra-family transfer and the formation of *ie* or an extended family in Japan. Cultural and structural aspects of the family business in Japan are analyzed from the social capital perspective which is instrumental to the longevity of the Japanese family businesses. The paper presents several implications, both for academia and practitioners, before arriving at the conclusion.

**Keywords:** *family business, longevity, survival rate, ownership transfer, ie, dozokudan*

## INTRODUCTION

Family business is a relatively young academic research field with the first doctoral dissertation completed in 1953 (Hoy & Sharma, 2006: 12). Family business is broadly defined as any firm under the influence of a family, but the details of the definition is not determined yet. This paper defines a family firm as a business entity having more than two members from a family either as its top executives and/or shareholders, as an extension of Newbauer and Lank (1998) and other preceding works (Goto, 2012b:3). "Two members" can appear either sequentially or simultaneously. Sequential appearance means multiple family members participate in different generations such as a grandfather as a founder, followed by his son in the second generation. Simultaneous appearance means multiple family members (such as a husband and his wife) participate in the firm during the same time

period.

Despite its short history, family business has quickly gained considerable attention not only from the academia but also from the administrative bodies, both in the developing as well as in the developed countries. One of the main reasons for this trend is the major role family business plays in the national economy everywhere in the world. It is conservatively estimated that family business takes between 65% and 80% of all existing firms worldwide (Gersick et al., 1997). Literature analyzes Australia by Owens (1994), Germany by Reidel (1994) and Klein (2000), Italy by Corbetta (1995), The Gulf Region by Davis and Cormier (2000), Spain by Gallo (1995), Sweden by Morck and Yeung (2003), United States by Shanker and Astrachan (1996) and Astrachan and Shanker (2003), and overall comparison by Reynolds et al. (2003). Family business unanimously takes a majority of the total number of the business institutions, em-

ployment, gross domestic product (GDP), as well as the value added<sup>2)</sup>. Among the listed firms, family business also takes a significant share. In the United States, for example, 35% of the S&P firms (excluding financial institutions) are family business. It is also well known that family business outperforms other type of firms (ex., Anderson & Reeb, 2003).

Japanese family business has been left untouched up until recently, mostly because it did not get sufficient attention both in the academic circle as well as the business society. Goto (2006b: 36-37) indicates family firms take 96.9% of the total firms and 77.4% of the total employment in Japan<sup>3)</sup>. The magnitude of Japanese family businesses in the domestic economy, as suggested by this study, is comparable to those in many countries. Kurashina (2003) indicates that there are 1,074 family firms out of 2,515 listed firms on the stock exchange markets (excluding JASDAQ and OTCs) or 42.7%, which is elaborated by Allouche et al (2008). The resulting data resembles its counterpart in the United States as reported by Anderson and Reeb (2003) and others.

In contrast to such strengths, family business is often said to be notoriously short-lived (Neubauer and Lank, 1998). Ward (1987), as often quoted, posits that less than one-thirds survive the second generation and only 13% of successful family businesses last thorough the third generation (p.1). Similar but somehow different figures are shown in the literature: About half of all family firms fail to make it through the next generation (Ward, 2004: 3). Only about 20% of family businesses last beyond 60 years in the same family (Ward, 1987: 2, Ward, 2004:5). Only 30% of family firms reach the second generation (Beckhard and Dyer, 1983), while less than 16% survive to the third generation (Applegate, 1994).

Ward (1987: Appendix G), as one of the pioneering works in this field, estimates the life expectancy of successful family firms in Illinois, remarking in various limitations of the research. Most of the limitations are caused by the lack of the public records and with secretive attitude of family firms (Neubauer and Lank, 1998), which are also observed currently in Japan.

In the United States, the average life-span of a family firm is 24 years (Lansberg, 1983), while Goto

(2005) shows it is 52 years in Japan, significantly surpassing the United States. It is often said in the United States that shirt-sleeves to shirt-sleeve in the three generations to show the short life-span of the family business. Similar expressions can be founded elsewhere in the world: From rags to riches and back again in three generations. From rice paddy to rice paddy in three generations. Nonetheless, literature on the family business is rather scare as we'll soon review. Since longevity is a relative issue, some benchmark is required to assess the longevity of family business. Literature outside the family business field also neglects such a comparison<sup>4)</sup>. Without a viable benchmark, we cannot reach any viable conclusion. This is how the author of the present paper has been motivated to research the family business's longevity in a global comparative manner.

## LITERATURE REVIEW

Longevity has been a subject of keen interest for every family firm since the birth of a family business in every part of the world. The importance of the longevity was repeatedly emphasized, which explains by itself the importance as well as the difficulty for family firms to maintain longevity. Despite the importance of the longevity, this issue has remained unfocused for a long time, and a call has been made for the studies on the family firms' longevity (Chrisman et al., 2003).

Literature survey of *Family Business Review* since 1988 till 2012 identifies 71 articles using "longevity" and "family firm" or "family business" as key words, out of which only seven papers address longevity as the major subject. Expanding the targeted journals and books, additional 10 articles and books are identified. These 17 literatures in total are grouped into three categories, ie, individual level, national level, and global level. At the individual level, there are relatively large number of case studies of family firms of various countries. O'hara (2004) selects 20 oldest firms in different countries/industries and emphasizes common characteristics among those firms, which include: family unity, the business comes first, a product connected to the basic needs, the role of primogeniture, the influence of women, a commitment to continue the legacy, adoption to insure succession, community/cus-

tomers' relations, conflict management, written plans, and governance of the family enterprise (p. xxii).

At the national level, researches are limited in number. National surveys of long-lived family firms are conducted in Japan (Yokozawa, 2000), Lebanon (Fahed-Sreih & Djoundourian, 2006) and Finland (Koironen, 2002) independently. Yokozawa (2000) is one of the pioneering research on the long-lived firms in Japan at a national level, with a focus on management, marketing, values to name a few. Fahed-Sreih & Djoundourian (2006) survey the relevance of the effective succession planning on the longevity. Koironen (2002) explores the values and family characteristics of century-old firms in Finland. Top values addressed by the old family firms are honesty, credibility, obeying the law, quality, and industriousness. Literature of this category seeks to shed light on the characteristics of family businesses in the subject country or in general, but not to compare among countries.

At the global level, the author of the current paper has attempted a series of global comparative studies of the family business longevity in a quantitative manner (Goto, 2006a, 2011, 2013b). The author considers global comparative study as essential to advance the research of family firms' longevity, so that academia can contribute to the betterment of the family business. This attempt is an extension of his research on long-lived firms in Japan (Goto, 2000), using the "Public Information Analysis (PIA) method. There is no statistics available about the long-lived firms anywhere in the world. The situation as such, the author has kept building an original database by compiling publicly available data as many as possible.

PIA method is different from the conventional methods often used in the individual and national level researches. Case study method is mostly employed in the individual level researches. Its strength is the availability of information in depth, while its weakness is the generalization to make out of limited cases. Questionnaire method is mostly used in the national level researches. Its strength is the flexible design of the information collection, while its weakness is the limited data coverage. Compared to these two methods, the strength of the PIA method is its abundant database, while its weakness is its

dependence on the public information and, as its result, the inflexibility of the research design. PIA method has been developed through three phases, and looks very effective and promising to best fit the objective to prepare a bird's-eye view of the long-lived firms and the long-lived family firms, which is introduced in the next section in depth.

The next section presents the findings of the family business longevity research, starting with the definitions, PIA method development, research results, discussion of some factors contributing to the family business longevity.

## DEFINITIONS, RESEARCH METHOD AND THE RESULTS

### *Definitions*

This section defines the long-lived firm, the timing of the business startup, and longevity index in this order. First, a long-lived firm is defined as a firm which has been in operation since the foundation till present at least for a century, regardless of the changes of the line of the business and the location of the business. The paper focuses on the centuries-old firms which have been in operation for two centuries or longer till the present. As for the type of the firm<sup>5)</sup>, all business institutions are included as well as un-incorporated businesses. Non-profit organizations (NPOs) such as universities, museums, and hospitals are included, excluding the religious organizations. Farming and fishery business is included whenever they are institutionalized. Government-owned firms are excluded, whether they are owned at the national or municipal levels.

Second, the timing of the startup is defined as the time to start the business, and not the time to legally institutionalize the firm. The start of the business is practically not easy to determine in many occasions. The present paper accepts the startup timing as claimed by the subject firm unless there is any solid reason to negate it.

Third, longevity index is the indicator to assess the relative magnitude of the long-lived firms in each country (Goto, 2011). Quantitative analysis of the longevity requires some measure to compare the longevity among different countries. Goto (2011) compares four indices to measure the family firms' longevity of each country: year of foundation

of the oldest firm, number of the long-lived firms, magnitude of such firms against the total number of the existing firms (density index), and the average age of all operating firms in each country. Considering both the value and the availability of the relevant data, this research stays with the first three indexes as we see later.

### **Research method Phase One and the results: Centuries-old firms**

PIA (Public Information Analysis) method takes a three-step approach utilizing publicly available information: database construction, its verification and analysis. The first step is the database construction of the long-lived firms, which follows the method employed by Goto (2006a) to use Kompass Online<sup>6)</sup> and Amadeus (Online)<sup>7)</sup> as the primary sources of data.

A preliminary research started in 1997 for Japanese long-lived firms by compiling publicly available information mainly through directories of Chambers of Commerce and 547 firms were identified as long-lived firms in operation since 1800 or earlier. Extensive research was conducted to identify 1,239 long-lived firms, including 1,234 long-lived family firms, in operation in or before 1800 (Goto, 2005: 229-230).

A preliminary study of long-lived family firms overseas were initiated by compiling publicly available data, which include: The 100 oldest family businesses in the world (O'Hara and Mandel, 2003), member list of Hénokian Club (Association Les Hénokiens, 2005), partial member list of Tercentenary Club (Business Archives Council, 2001: Wall, 2001), and the list of the largest family businesses in the world (Family Business, 2003).

Les Hénokiens is an international association of family-owned businesses with a history of 200 years or longer, which was established in 1981 with the purpose of sharing the traditions learned through years of experience. The Paris-based association currently has 40 members, composed of 14 Italian, 12 French, 3 German, 2 Dutch, 1 from Northern Ireland, 5 Japanese, 1 Belgian, and 2 Swiss firms. The Tercentenarians is an international association of businesses that have been trading continuously for 300 years or more and retain links with the founding family. There are currently 9 UK members

and 6 foreign associates<sup>8)</sup>. Foreign associates include *Fabbrica D'Armi Pietro Beretta S.p.A.* an Italian firearm manufacturer (Albrecht, 2002: 113), and *Kikkoman*<sup>9)</sup>, an Japan-based food conglomerate.

Combining those together and eliminating duplications, 127 long-lived firms were identified in operation outside of Japan since 1800 or earlier, in 17 countries (Goto, 2005: 225-232). Encouraged by the results of the preliminary studies, systematic efforts were made to compile the proprietary database utilizing the versatile data sources which include: Kompass Online, Amadeus (Online), and *Große und Mittelständische Unternehmen in Österreich* (Directory of Austrian Companies). Kompass Online covers 76 countries, having 1,886,792 firms, out of which European region composing 43 countries and 1,376,753 firms. While covering worldwide, Kompass is limited in its coverage of firms in each country, and its coverage varies among different countries. As for Austria, for example, Kompass contains only 13,981 firms, while Amadeus contains 114,743 firms in Austria, which is more than eight times larger than Kompass. Supplementing Kompass for the European region, Amadeus was added, which covers 38 countries and 7,376,186 firms in Europe. It should be noted that, as for the data of firms' foundation, Amadeus lists the year of incorporation instead of foundation. Several information sources were utilized to further expand the coverage, which include the following; CD-ROM version of "Directory of Austrian Companies (*Große und Mittelständische Unternehmen in Österreich* 2004)", as well as homepages on breweries and wineries in various European countries. The Austrian directory contains 13,965 firms in total. The year of foundation may need to be interpreted as incorporation since the original word or "gründung" means both foundation and incorporation. All figures are as of June 30, 2005. As for Japan, updating efforts have been continued mostly by compiling data from industry source books and homepages.

The second step is the verification of the assorted data. This process, especially that of the year of foundation, is a challenge in PIA method. Verification takes three steps, to examine the existence of the firm, statement by the subject firm, and finally verification based upon some evidence. For

**Table 1: Number of centuries-old firms and the density index in selected countries**

	Japan	Germany	U.K.	France	Italy	Spain	Switzerland
(A)	3,937	1,714	469	390	255	81	189
(B)	2,759,279	1,818,907	1,670,555	2,569,055	3,905,835	2,712,387	318,000
A/B (%)	0.142%	0.094%	0.028%	0.015%	0.007%	0.003%	0.059%

Source: Compiled by the author.

Note: 1) (A) and (B) designate for the number of centuries-old firms and total number of the existing firms respectively. 2) The total number of data is based on: Eurostates: ebd\_all-European Business - selected indicators for all activities (NACE divisions).

this research, the first verification is made by checking the existence of either the subject firms' homepage or telephone number as a minimal proof of the existence and the business operation. In Japan, majority of the long-lived firms have their homepage available for public, while outside of Japan less than half of the subject firms' homepages are identified. The second verification is made by accessing their homepage to find out some statement about their history and foundation. For those without homepage, this process is omitted. The third verification is not done for this writing, primarily because of time and resource limitation.

With this elaborate compilation of the proprietary database and its verification, Goto (2006: 522-3) presented, for the first time, the world-wide overview of the centuries-old firms, identifying 3,505 long-lived firms in operation since 1804 or earlier, located in 41 countries and territories. The figure includes 104 in Italy, 73 firms in Switzerland and 1,146 in Japan. It should be kept in mind that this figure is preliminary due to the limited coverage of the database.

Since then, Japanese portion has been kept expanded to 3,113 (Goto, 2009) and 3,937 (Goto, 2012b). Increase of the number reflects both the database expansion and the addition of the centuries-old due to the lapse of the research period. Following the above PIA research method, 255 centuries-old firms are identified in Italy (Goto, 2011), and 189 centuries-old firms were identified in Switzerland (Goto, 2013b), both of which show a significant increase compared to Goto(2006). Furthermore, 1,652 century-old firms are identified in Switzerland (Goto, 2013b). This is the first discovery of the bulky existence of the century-old firms outside of Japan<sup>10</sup>. By location, 77.5% are in German-spoken cantons, while 22.5% are in

French-spoken cantons<sup>11</sup>).

### *Research method Phase Two: Density index*

Understanding the shortfall of the evaluation of the longevity by the absolute number of the long-lived firms, density index is introduced to evaluate the relative magnitude of the firms' longevity to compare between the countries with different economic power. Density index is defined as "the proportion of the firms in existence since the given time to the total firms existing now", and calculated by dividing the number of the existing firms since the given time (a) by the number of the total firms existing now (b). As a result, density index for Italy and Switzerland are calculated as 0.007% (Goto, 2011) and 0.059% (Goto, 2013b) respectively. Table 1 summarizes the density index for the selected countries.

### *Research method Phase Three and the results: family business longevity*

Most recent development of PIA method is the inclusion of the commercial registration data into the proprietary database. Involvement of the family business's family is critical to differentiate family businesses from other type of the businesses. One of the useful information to identify the family businesses is the commercial registration data. Goto (2013) is the first to include the commercial registration data in the research of the family business longevity. Its result is a sharp increase of the identification of the family business, since the registration data provides in-depth information about the changes of the executives and beneficiaries, name changes of the firms and M&A (mergers & acquisitions). The registration data is also very important to assure the accuracy of the database, since commercial databases are not free from incorrect



**Table 2: Ten oldest firms in Switzerland**

	Company name	Year	Business	Location	FB/NFB
1	Hotel Interlaken AG	1239	Hotel	Bern	FB
2	Muhle Fraubrunnen Hans Messer & Co, AG	1246	Food	Bern	FB
3	Auberge du Raisin, Cully, Gauer & Cie	1325	Hotel	Waadt	FB
4	Domaine des Molards/Michel et Claire-Lise Desbaillet	1352	winery	Geneva	FB
5	Gasthof Gyrenbad AG	1364	Hotel	Zurich	FB
6	Goldene Engel Apotheke	1389	Pharmacy	Basel-Stadt	FB
7	Gasthof Tell	1432	Hotel	Luzern	FB
8	Schwabe AG	1441	Publishing	Basel-Landschaft	FB
9	Gallet Group AG	1466	Timepiece	Zurich	FB
10	Gasthaus zum Bären	1517	Hotel	Aargau	FB

**Table 3: Ten oldest firms in Italy**

	Company Name	Year	Business	Location	FB
1	<i>Strozzi e Guicciardini</i>	994	Wine	Toscana	FB
2	<i>L'Hotel Corona snc</i>	1010	Hotel	Piemonte	FB
3	<i>Fattoria la Castellina</i>	1015	Wine	Toscana	FB
4	<i>Pontificia Fonderia Marinelli</i>	1040	Foundry	Molise	FB
5	<i>Azienda Agricola Dievole SpA</i>	1090	Wine	Toscana	FB
6	<i>Marchesi de' Frescobaldi</i>	1106	Wine	Toscana	FB
7	<i>Azienda Agricola Monfalletto</i>	1129	Wine	Piemonte	FB
8	<i>Barone Ricasoli, SpA</i>	1141	Wine	Toscana	FB
9	<i>Fattoria Castello di Verrazzano</i>	1150	Wine	Toscana	FB
10	<i>Fabrizio Spa</i>	1264	Paper mill	Marche	NF

**Table 4: Ten oldest firms in Japan**

	Company name	Year	Business	Location	FB
1	<i>Kongo-gumi</i>	578	Construction	Osaka	NF
2	<i>Ikenobo Kado-kai</i>	587	Education	Kyoto	FB
3	<i>Keiunkaku</i>	705	Hotel	Yamanashi	FB
4	<i>Koman</i>	717	Hotel	Hyogo	FB
5	<i>Yamashita</i>	717	Hotel	Ishikawa	FB
6	<i>Houshi (Zengoro)</i>	718	Hotel	Ishikawa	FB
7	<i>Kyori</i>	718	Hotel	Niigata	FB
8	<i>Imagami Onsen</i>	724	Hotel	Yamagata	FB
9	<i>Genda Shigyo</i>	771	Papercraft	Kyoto	FB
10	<i>Gomido Kogyo</i>	784	Foundry	Nara	FB

Source: Compiled by the author

Notes: 1) FB and NF are abbreviations for family business and non-family business respectively. 2) Notes column shows the current generation in charge.

information especially, about the year of the startup.

Goto (2013) uses the information provided by The commercial registers in Switzerland extensively to examine if each firm is a family firm or not. In Switzerland, just like many developed countries, any business entity needs to register prior to its establishment. Any change of the institution, such as name, key personnel, objective, location etc., need to be reported to the relevant office for registration. This information is publicized via official gazette. Instead of viewing the document at the registration offices located at each Canton (Prefecture), we can access such information via Internet. The current paper utilizes Monetas<sup>12)</sup> and Infocube<sup>13)</sup> to get access to the trade register. Information available include: Company address (both legal and contact), status (active/inactive), legal form, capital amount, entry date, registration number, former company names and the date of changes, shared address (name of the firms in the same address), supervisory board member, management and authorized signatories, the date of entry, together with the year of the foundation.

The research reveals that all of the ten oldest firms in Switzerland are family firms, and that the overwhelming majority (94.2%) of the centuries-old firms in Switzerland is family firms as shown in Table 2 (Goto, 2013b). Table 2 and 3 also show the ten oldest firms both in Japan and Italy (Goto, 2011) respectively, which also show an overwhelming dominance of the family businesses.

Another important finding, which is made possible with the introduction of the official registration information, is the frequent ownership transfer to the outside of the family. Among all Swiss centuries-old firms, only 38% of them have succeeded exclusively within a single family to the present. Majority (56%) have experienced ownership transfer(s) to the outside of the family<sup>14)</sup>. Analysis of these cases brings about two findings, which haven't been addressed in the literature, namely the dominance of the ownership transfer to the outsiders and the significant amount of the revenue involved in the transaction, which is going to be elaborated in the discussion section.

## DISCUSSION

This section highlights the magnitude of centuries-old and century-old firms, dominance of family firms among the centuries-old firms, and then the contrasting difference between Japan and its western counterparts, focusing on the ownership transfer to the outsider(s) both in Italy and Switzerland, and *ie* solidarity in Japan. This difference and its influence on the firms' longevity is then analyzed from the social capital perspective.

### *Dominance of the long-lived family firms*

Let's start with the similarity between the western hemisphere represented here by Switzerland and Italy, and Japan. Contrary to the common notion about the short life-span of family firms, series of research conducted by the author discovered the large population of the centuries-old firms not only in Japan but also in the rest of the world, and especially in the western hemisphere. As for the western hemisphere, Goto (2011) and Goto (2013) identify significant number of centuries-old firms both in Italy and Switzerland, which exceed any findings in the past. Existence of bulky century-old firms is also discovered in Switzerland. In Switzerland, number of the century-old firms is 8.7 times as many as that of the centuries-old firms, which is equivalent to 0.5% of all existing institutionalized firms. In Japan, number of the century-old firms, estimated as 50,000 (Yokozawa, 2000), is 12.8 times as many as that of the centuries-old firms, which is equivalent to 2% of all existing institutionalized firms.

Furthermore, the current author, for the first time, clearly points out that most of such long-lived firms are family owned or managed. In Switzerland, overwhelming majority (94.2%) of centuries-old firms are family firms (Goto, 2013). As for Italy, it is confirmed that there are 255 centuries-old firms, out of which at least 61.7% are family firms (Goto, 2011). Italian figure may not look like as impressive as that of Switzerland, but it is highly possible the figure may come much higher once the trade registry information becomes available in Italy.

To avoid any misunderstanding, the author should reemphasize that this observation is based upon a quite large number of data, with 255

centuries-old firms in Italy and 1,652 century-old firms in Switzerland. Detailed list of those firms are available and the author is willing to make them public if there is enough space available. The lists of ten oldest firms in Switzerland (Table 2) and Italy (Table 3) is shown just to illustrate a part of the entire data due to the limited space available at this publication.

Coupled with Yokozawa and Goto (2004) who already points out majority of the century-old firms are family firms in Japan, the current findings challenge the general notion of the short life-span of the family firms and clearly indicate that longevity over a century is possible. In Japan, 52 years average life-span of the family business as already mentioned, coupled with 28 years as the average term of the century-old firms' presidency (Goto, 2005), indicate that the average family business is close to the succession to the third generation. Therefore, succession over three generation is a realistic goal for all family firms, and the family business in Japan deserves more research for its key factors for the longevity as a benchmark.

The author fully understands that it is still premature to hastily conclude the long life-span of family firms as a common notion only with the current findings. Western hemisphere is not of course represented simply by Switzerland and Italy. Thorough research of Italy should be conducted focusing the entire list of its century-old firms and thoroughly utilizing the trade registry information. The rest of the world, especially the United States, China and India, should be investigated in a consistent manner to arrive at a solid conclusion about the longevity of family firms in a universal manner.

For that purpose, the author has already initiated a major expansion of his database of the world-wide long-live firms from the centuries-old to century-old base. The expanded database currently contains 70,000 century-old firms which are scattered around in 139 countries and territories. It may take several years to complete the detailed investigation of such a bulky population of long-lived firms to identify the magnitude of long-lived family firms in each country. This is a very ambitious but promising research project both from the academic and practical viewpoint. To shorten the research period

and, more importantly, to make the research outcome comprehensive, the author calls for a joint global research with researcher in various countries.

### *Ownership transfer to the outsiders in the western hemisphere*

This section discusses the ownership transfer as one of the major and the contrasting differences between Italy and Switzerland, and Japan. In sharp contrast to Japan, ownership transfer to the outsiders is not unusual among long-lived firms both in Italy and Switzerland. Some long-lived family firms there have experienced series of transfers to the unrelated families several times. Furthermore, such transfers involve a transaction to yield a considerable amount of revenue. These three points are discussed underneath before moving to the next section which focuses upon Japan.

First, let's review the ownership transfer to the outside families. In Italy, ownership transfer to unrelated families counts for 40 % of all ownership transfer incidences. In Switzerland, majority or 56% of them have experienced ownership transfer(s) to the outside of the family, and single family transfer is rather a minority only taking 38% of its centuries-old family firms.

Second, some long-lived family firms have experienced such transfers to the unrelated families several times. In Italy, while the majority of them have experienced one or two transfers, four cases witness three to six transfers. The most frequent transaction case is *Antica Farmacia Reale*, whose first records of the pharmacy date back to the year 1672. The first owner was a spice merchant *Andrea De Auria*. In 1697, *Marta Lambruzzi*, the widow of *Andrea De Auria*, sold the "Apotheca" to *Francesco Ippolito Prandoni*. He in turn sold the *Apotheca* to the spice merchant *Luigi Ramacogi*. Upon *Ramacogi's* death, his widow *Camilla Pierantoni*, sold the "Apotheca ad usum Pharmacopeae" to the spice merchant *Giuseppe Meli*. In 1871, *Paolina Silvestri Meli* sold the drug store to Dr. *Domenico Garmeri*. In 1924, he in turn sold it to Dr. *Alberto Merenda*. In 1948, Dr. *Franco Sbarigia* acquired from the heirs of *Alberto Merenda* the pharmacy. Today his grandson Dr. *Giulio Tassoni*, and his daughter Dr. *Emanuela* are in charge.



As for Switzerland, Hotel Chasa Chalavain is presented here as a typical case, while the detailed presentation of such multi-family succession cases will be reserved for another occasion. Founded in 1805, it has experienced at least five transfers according to its official homepage. The list of the hosting or owning families starts with Hermann family in the 16th century, followed by an Abbess of the Convent of St. Johann, Pernsteiner family (until the death of Tonet Pernsteiner in 1879). After a period when two peasant families possessed the property and the lodging function was lost, it was acquired by the current owners, Fasser family in 1958. Since the death of Carl Fasser in 1975, his wife and son Jon have run the Hotel representing the fifth owning family.

Third, such transfers involve a transaction to yield a considerable amount of revenue. In the case of above-mentioned *Antica Farmacia Reale* in Italy, the transfer price shows a series of increase as recorded at 35,000 lire in 1871, 42,000 lire in 1887, and 22,000,000 lire in 1924. There is no indication of transfer due to any financial difficulty of the owner. In Switzerland, a typical case is Maison Favre-Leuba S.A., which was founded in 1737, and moved to various hands such as Benedom SA and LVMH, until it was finally acquired by Titan Industries as the current owner. The last transaction was made for € 2 million in 2011<sup>15</sup>). Details of the contract are not disclosed to the public, but it may be logically surmised that the selling family gets a large lump sum.

Above-mentioned three phenomena are rarely observed in Japan. In Japan, ownership transfer to the outsider is extremely rare, which took place only as the last resort for survival. At the industry level, *sake* brewery faced a big crisis twice, one during WW2 and in 1970. In 1944 the government issued enforced request to *sake* breweries to consolidate among themselves to yield better production for airplane fuel among the last resort to improve the war situation. After the war, however, quite a few of those consolidated breweries again chose to be independent.

In 1970, the government guided *sake* breweries, with a modernization plan, to merge among themselves again. This time the rationale was to better deal with the abrupt decrease of the consumption.

The author confirmed one voluntary transfer of the ownership to the outsiders. *Kenbishi*, once a major brewer, has experienced at least transfers four times according to the current owner family who doesn't possess any document to prove the details. This is an extreme rare case in Japan.

Frequent ownership transfers to the unrelated family or outsiders in the western hemisphere gives an impression as if family firms are treated there as a commodity just like non-family firms in the United States, which "can be sold or brought or placed on the market" (Colli, 2003: 41). The author is not of course naïve to make such a conclusion with limited observation of the small number of the countries and their family firms' incidences.

These finding are nonetheless striking at least to the eye of the author, since family firm owners are viewed to attach special affect to the firm, and they behave differently from other type of the firm. Ownership transfers to the unrelated family or outsiders are considered to dilute the familiness of the subject family firms especially when such practices are conducted frequently.

It is easily surmised that the owning family naturally take every possible measure to maintain the succession within the family. Unexpected incidence such as the owner's death, combined with a lack of a successor available, may force the owning family to sell the firm as the last resort, typified by the case of Montrees Breguet S.A. (founded in 1755), which was ultimately acquired in 1999 by Swatch Group (owned and managed by Hayak family), as the all three members of the last generation choose different careers. Even after deciding to sell to the outsiders, the owning family may choose the acquirer not only from the financial viewpoint. They may try to find the next owner which respects and highly values the family's history, brand name and the value maintained for generations, as illustrated by the case of Basler Zeitung, a Swiss German-language regional daily newspaper founded in 1729. Hagemann family was in charge since 1928 until the acquisition by Basler Zeitung Medien. In 2010, Matthias Hagemann, outgoing Chairman and spokesman for the family, stated that "We did everything possible to ensure that the business was sold to a buyer who is willing and able to maintain the Basler Zeitung's status as a strong daily paper

for the Basel region.”<sup>16)</sup>

As such, there is an array of nonfinancial considerations that were considered important, even critical for the family members (Steen & Welch, 2006:295). At the same time, however, a lot of financial consideration is taken into consideration. Final decision is based upon the balance between the financial and nonfinancial considerations. This balance is skewed more toward financial side in the western countries compared to Japan.

### *Single family transfer of the ownership and the solid family governance in Japan*

As already explained, in sharp contrast to Italy and Switzerland, Japan seldom observes ownership transfer to the outsiders. This section discusses the solid family governance as a result of single family transfer of the ownership and the *ie*-institution preservation for generations in Japan.

Since the beginning of the 17th century, the *ie*, usually translated as “house” or “household,” was the basic unit of Japanese society, which was legally authorized under the Meiji Constitution enacted in 1890. Unlike in the Western nations, Japanese law and society were not based upon the concept of the individual, but on that of the ‘house,’ which is defined by the Meiji Civil Code as a group of persons with the same surname (Article 746). Members of a ‘house’ other than its head were called ‘family’<sup>17)</sup>. The Code was not only based upon the ‘house,’ but also on kinship<sup>18)</sup>, which was established by relation by blood, adoption or marriage.

Under the *ie* system, the eldest male in a family line was vested with exclusive rights, including the right to approve a marriage, decide the place of residence of married family members, and manage and inherit the family property. Upon marriage the husband acquired the right to the possession and management of his wife’s property and to the enjoyment of rents and profits (Article 801), although he did not acquire the title to his wife’s property<sup>19)</sup>. Every ‘house’ was headed by a *koshu* or household head and other members of the ‘house’ were the head’s spouse and relatives by consanguinity or affinity (Article 725). The head of a ‘house’ had the duty to support the members of his ‘house’ (Article 747). In the family inheritance, the eldest son became the household head (Article 970). *Katoku*

*Souzoku* or head-of-the-household succession<sup>20)</sup> was a system as well as a law in the old Japanese Civil Code concerning property succession from an old head of the household to the new one. Primogeniture was enforced in Meiji era. Prior to Meiji, there also existed other inheritance practices.<sup>21)</sup>

In this manner, the *ie* formed an institutionalized household, a corporate body, constructed around a household head who in principle was the husband. Family was the basic social unit composed of a husband and his wife in the center and their off-springs. Sometimes, the couple’s parents and grandparents were included. *Ie*, on the other hand, was a group of persons bound together by obedience to the head, including not only the family members but also the clerk, servant and their relatives. It attempted to ensure its prosperity and longevity by adopting non-kin outsiders as regular members.

A family firm played three important roles in *ie*-institution. First, composing a part of the *ie*, its firm was a necessary means to ensure the continued existence of the capital-owning family. Second, it was therefore considered as an entity to endure eternally through profit-making. Third, eternal preservation of both *ie* and its business was considered to be the most important obligation of the household head and its subordinate members.

With a lapse of time, the growth of the size and the complexity of the family business, the good management and the structure of the greater houses became essential for the eternal growth of the family and its business. *Dozoku-dan*, the organization of greater houses, was composed of *honke* or main house(s), *renke* or associate house(s), *bunke* or branch houses and *bekke* or distant houses, listed in the descending order of the authority. While *bunke* was formed by the family’s descendant, *bekke* was granted to the non-family senior managers, both with the permission of the main house executives. Strong *ie*-institution is considered to be the foundation of any long-lived family firms. Mitsui, as an example, had six *honke* and three *renke* since 1722, which composed the core of Mitsui *Dozoku-dan*. In the very center, Hachiroemon’s house positioned as the *so-honke* or senior main house as specified by the Mitsui House Rule of 1722. Number of core

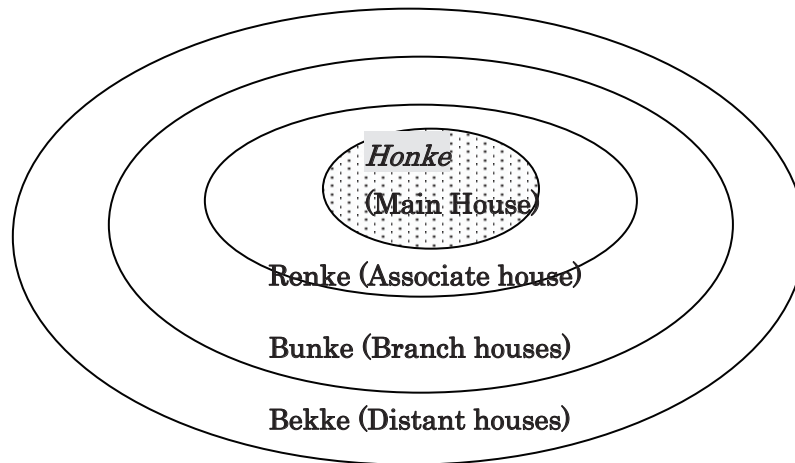


Figure 1: *Dozokudan* (organization of greater houses) network

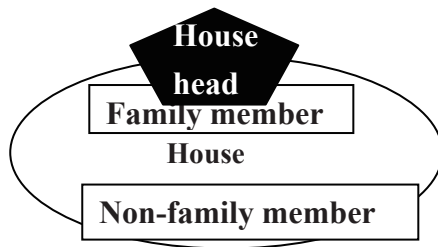


Figure 2: Intra-house network

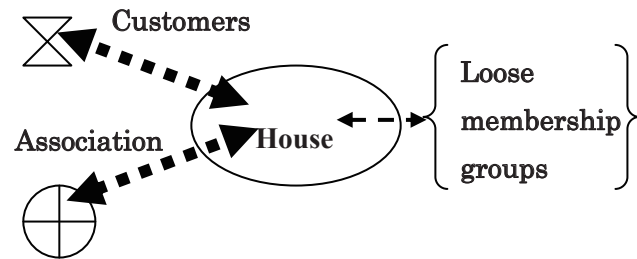


Figure 3: External network

houses was tightly controlled to avoid diffusion of the assets and stocks.

As illustrated in Figure 1, *Dozokudan* is viewed as a multi-layered concentric network, with the main house as its core, expanded to associate, branch and distant houses in this order. This is the core network shared among the houses. Within each houses, there are intra-house networks, composed of the house head, its family members and non-family employees of the family firm (Figure 2).

Outside of the each houses composing *Dozokudan*, the network is extended to their customers and the community including the industry association and the surrounding society, and also loose membership groups (Figure 3). More detailed analysis of such networks will be made in the following section.

*Ie*-institution and the *Dozokudan* network are

viewed essential to foster the long-lived family firms' longevity, by unifying the members among family, extended families and non-family employees. Such a network is vital for long-lived family firms to effectively manage the inter-member relationship which is more complicated than the cousin collaboration. It also functions as an important infrastructure to facilitate communication to share a coherent vision and four Ps (policy, purpose, process and parenting) (Ward, 2004), to foster long-lived family firms' longevity in the long run.

#### *Social capital and the family businesses' longevity*<sup>22)</sup>

The term "social capital" was first remarked in the early 20th century to refer social cohesion and personal investment in the community. It evolved to highlight the importance of the networks of personal relationships to provide the basis for trust,

cooperation, and collective action (Jacobs, 1965). In the late 1990s, the concept gained popularity, to which sociologists Pierre Bourdieu and James Coleman, among others, were instrumental. Among various definitions of the social capital, this paper stays with Nahapiet and Ghoshal (1998: 243), which defines it as a network of relationships possessed by an individual or social unit, and the sum of actual and potential resources embedded within, available through, and derived from such network. Social capital is distinguished from other type of capitals such as economic capital and human capital, focusing on the relationship in-between as a source of added value creation.

Discussion in the last section highlights the value of social capital of the family business as an important factor to foster its longevity. Among family's social, human and financial capitals, family social capital best distinguishes family business from other type of businesses (Sorenson and Bierman, 2009: 193). As a source, user, and builder of social capital (Bubolz, 2001), family together with its business composes a network to share the family value system as described in their precept. Levie and Lerner (2009) suggest family firms are stronger than other type of the business in the social capital, offsetting the weaknesses in human and financial capital to show the same or even better performance. Family capital significantly contributes to firm achievements and sustainability (Danes et al., 2009). From the founding generation to the succeeding ones, the family value is transferred, during which process the value system gets condensed if properly managed. In parallel, the network expands from the sibling to the cousin consortium, which becomes consolidated, again subject to the proper management.

Long-lived family firms have effectively managed both their value system and the network for centuries, without which they couldn't have survived until today. It would therefore be useful to review their multi-layered *Dozokudan* network as illustrated in Exhibit 1 from the social capital perspective. Its network is analyzed underneath first at the inter-house level, followed by the intra-house and external networks (strong and weak ones) in this order.

First, the inter-house network among the main

house, associate, branch and distant houses positions as the core of a *Dozokudan* network. The main house is the most authoritative, to which the rest of the houses remain loyal as specified in the constitution. In case the main house doesn't have a successor, it is the duty of other houses to dedicate a suitable candidate at their sacrifice. In turn, the main house is expected to be benevolent to the subordinate houses. Within a *Dozokudan* network, all houses are expected to be trustful and reciprocal to help each other including the senior main house. This relation is based not on the contract but on the mutual trust, which is the core of the social capital as stated by Coleman (1988).

Second, within a *Dozokudan* network, each house has its intra-house network composed of the family members, non-family managers and employees. While filial devotion to parents are among the most important family values as described in the precept, the house head is expected to be benevolent to the subordinate members of the house. Keenly aware of the potential risk caused by the heterogeneity among the family and the non-family members, long-lived family firms not only emphasize the piety, reciprocity, but further request the direct descendants to adhere to the principles of the precept. Non-family employees are treated just like the family members, and the successor is planned to get through the same training as non-family apprentices during their childhood. Some families make it a rule for the successor to dine together with non-family employees the same dish to share the frugality as the family value at the equal level.

Third, the *Dozokudan* network is extended to the outside of the family firm. First, customers are one of the most important stakeholders to the family firms. Ishida Baigan's<sup>23)</sup> works literally emphasize the importance of customer satisfaction in the mid-18th century. Many firms not only prioritized customer satisfaction in their precept, but also practiced in their daily operation. Customers appreciated trustworthiness of the family firms by experiencing the product, service provided and the behavior of the store clerks. In this manner, social capital exists to play an important role between the family firms and its customers.

In the same token, family firms' surrounding community, as one of their stakeholders, constitutes

the family firms' network. Family firms' members are born, raised up in the surrounding community, participate to the community activities and contribute to the community in various manners. It is such a series of daily contacts through which trustworthiness is transmitted to and appreciated by the community members as the core value of the family and its firm.

Once understanding the impeccable value of the long-lived family firms, surrounding community not only accepts them as their legitimate members but even extends various support as necessitated. A typical example is Morihachi, one of the major confectionaries since 1625 in Kanazawa-city. In 1996, Morihachi's mismanagement resulted in 6 billion yen debts and brought it to the brim of the bankruptcy, when the Kanazawa municipality and the community extended financial supports by partially cancelling the loan. The 18th head, together with his wife and employees made desperate efforts to restructure the operation, their management style to improve the customer satisfaction, and as a result, completed paying back all outstanding debts in 2004.

Lastly, one more remark should be made on another layer of the long-lived family firms' external network, which is extended in many cases to casual and informal associations with a loose membership. Those groups, often called as *ko* or *ren*<sup>24</sup>, vary their purposes, ranging from financial, religious, entertainment to cultural ones. Members voluntarily organize themselves, conduct a regular meeting, cement mutual friendship to share the same value which is reflected in the mission of the association, and save certain amount of money together to support the mutually agreed activities, such as pilgrims. *Fuji ko* is one of the most popular association, organized in many local communities to the purpose of climbing Mt. Fuji, which was traditionally perceived as a holy mountain to climb.

Such casual and informal associations are organized independently from the business purposes, but in practice they often serve to the development of new business partnership or to get a novice idea to start new businesses. This is typically the case with cultural networks, to which upper class merchants not only participate but also financially sup-

port in order to fulfill both prestigious and commercial purposes.

So far in this section, the *Dozokudan's* multi-layered network was analyzed in the inter-house, intra-house and external networks in this order. The author concludes this section by emphasizing that *Dozokudan's* multi-layered network, as its social capital, contributed to the development of the family and its business entity in various manners, and as its result, to foster their longevity. Such contributions can be well explained by introducing the concept of the weak and strong ties as presented by Granovetter (1973).

*Dozokudan's* inter-house network among the main house, associate, branch and distant houses is characterized by a homogeneous membership and frequent contacts, hence defined as strong ties. External network shared by the customer and the community is considered as weaker ties. Finally, the network extended to informal associations is characterized by the loose and casual contact and heterogeneous membership, hence categorized also as the weakest ties.

Strong ties are effective as a source of power to solidify the *ie*-institution and the *Dozokudan's* network. Overwhelming dependence upon such an inward-oriented power, however, brings a risk of keeping the family and its business exclusive and insensitive to the environmental changes. Weak ties are effective to improve such an inward-orientation as a source of bridging effect to assimilate the external information and to revitalize itself.

Homogeneity is productive in stable environments, whereas heterogeneity is productive in dynamic conditions (Priem, 1990). It can be assumed that century-old families, equipped with strong ties and weak ties, relied more on the strong ties in stable environments and weak ties in dynamic conditions.

In total, long-lived family firms have survived till today by taking the full advantage of their social capital network, composed of both strong and weak ties, to most effectively adapt themselves to the ever changing environment, by applying the strong ties to the stable environment while relying more on the weak ties when radical change is foreseen ahead. More importantly, long-lived family firms placed their quest for the righteous business as the core



value to unify the family in the center of the *dozokudan* network. They prioritized the employee, customer and the general public welfare and not the self-desire. The same value was shared among the various network layers to create added values such as support and high reputation from the stakeholders. In this manner, it was both the network of relationships and the resources embedded within, which together functioned as a unique social capital for the long-lived family firms to foster their longevity.

## IMPLICATIONS

The current paper presents four academic implications and one for practitioners. First, the paper implies a new perspective about social capital. Long-lived family business may be one of the ideal subject to observe the evolution and development of both trust cooperation and collective action on one side, and the networks of personal relationships during the long lapse of the time. Social capital of the long-lived family business is expected to present the shapes, which are different from that of ordinary family businesses and non-family businesses.

Second, the long-term relationship with the stakeholders is important as another valid research subject. The management philosophy of *Omi* merchants,<sup>25)</sup> as exemplified as '*Sanpo-yoshi*'<sup>26)</sup> or three parties good, needs further study directly related to the family business longevity, but at the same time it deserves by itself special focus as an important research subject, considering its long history for centuries and its uniqueness in the global business history. '*Sanpo-yoshi*'<sup>26)</sup> is highly acclaimed as a pioneering philosophy of corporate social responsibility or CSR (ex., Tsuchiya, 2002: 156, 169), but it is unrecognized outside of Japan, and its difference from the western CSR is yet to be analyzed.

Third, this paper implies the importance of "cooperation as a social public organ" as a philosophical concept which is valid not only in the past but also nowadays. This remains as a major management concept in Japan, which is viewed as a Japanese model of corporate social responsibility. Its origin can be traced back to *Shingaku* and its advocator, Ishida Baigan, who amalgamated three Asian philosophies in the early 18th century.

According to Baigan, the merchant activity is for the sake of public welfare and that their wealth should be devoted to this endeavor. In English, "going public" means listing a company in a stock market so that its stocks can be available for the public. This is related to a popular question of who owns a company. More essential question to ask, however, should be who a company serves for. Baigan's *Shingaku* gives a clear-cut answer, by emphasizing a righteous business for the public welfare demising a private desire. A corporation, legally owned by the stockholders, should strive for the benefit of the stakeholders, the general public and the society. This is the best solution not only for the general public but also for the stockholders including the founding family in a long run by achieving longevity.

The concept of "corporation as a social public organ", which was born centuries ago still remains popular in Japan, gives an important clue to address this issue to both family firms as well as other type of firms world-wide. At the same time, the author strongly feels that this concept deserves academic attention also in the western management context, since this is fundamentally different from the anglo-saxon understanding of corporations.

Fourth, another academic implication is the versatile application of the methodology. "Public information analysis (PIA)" method has proved to be an effective method to identify larger number of long-lived firms than the literature. It also facilitates the research of the firms which stopped operation sometime in the past. Such retirees are left without enough attention because it is difficult to collect pertinent data. Research of the long-lived surviving firms is not complete, unless it is supplemented by the research on the long-lived firms which withdrew in the past and the factors for their withdrawal. The research of the retirees itself deserves attention both from academic as well as practical views, for which PIA method would serve as a convenient and useful tool.

One practical issue of the PIA method for this type of the research is the availability of the historical registry information. The past registration data provides in-depth information about the executives and beneficiaries as well as any dissolution of the firms in the past. This research requires actual visit

to each registration office, since such data is not currently available thorough Internet such as Mergent Online. The endeavor is time consuming but worth of it. Mergent Online is powerful to provide large number of long-lived firms not only in Switzerland but also world-wide. It is expected, therefore, to significantly help expanding the long-lived firm database world-wide. Another strength of the method lies in the trade registry, which is instrumental to identify the family businesses. Monetas provides similar information in Germany and also in selected countries in Europe, which can be utilized to broaden European portion of the database.

One weakness of the density index is the influence caused by the events which is irrelevant to the longevity such as new start-ups, since the denominator in the formula is the number of the total firms existing now (b). To overcome this shortfall, survival rate was introduced to measure the longevity, which is defined as “the proportion of the firms in existence since the given time to the total firms existing then”, and calculated by dividing the number of the existing firms since the given time (a) by the number of the total firms existing then(z) (Goto, 2012a).

Analysis of the retired firms can be made easily with the introduction of the survival rate, since it can be applied not only to the present firms but also to those which retired from the market. Survival rate of the firms which survived for 200 years between 1713 and 1913 is expressed as  $s_{200}$ . In this manner, it becomes possible to compare firms with the same survival period in the different timeframe. Deliberate attention should be paid, of course, to the different environmental factors including the historical, legal, market factors to name a few, when comparing the two survival rates in the different timeframe such as  $s_{200}$  (1513-1713) and  $s_{200}$  (1713-1913). Using the survival rates of the different timeframe, magnitude of the environmental factors can be reversely evaluated. Theoretically, survival rates for the different duration can be compared, once the duration period is controlled. This method is named as normalization.

Usage of the survival rate highly depends upon the availability of the historical data. Any historical documents and evidences can compose a strong

database as far as the accuracy is proved, which include but not limited to the directories of telephone subscribers, trade association, exhibition participants, and city maps. Considering the difficulties to obtain historical data for a specific timeframe, normalization method as mentioned in the last paragraph is expected to ease the operation of PIA method for the different timeframe.

Lastly, the present paper implies the practical importance of the succession plan to the family and its business. Smooth ownership transfer requires certain period for its preparation. Succession plan is emphasized by the scholars and consultants in the United States and Europe, but 54.5% of the present generation, who plan to retire within 5 years, haven't decided the successor (MassMutual Survey, 2007). Magnitude of the succession issue is also high in Japan (Goto, 2012b: 163). Succession is a complex process (ex. Handler, 1990) involving not only the present and the succeeding generations but also various other stakeholders. (Freeman, 1984).

## CONCLUSIONS

Presenting the bird's-eye view of the longevity study of the family business, the present paper addressed the current status as well as the future directions of the global comparative study, with special emphasis on the research method development of PIA and the correspondent results. The research provided the bulky existence of the centuries-old firms exceeding the literature, and century-old firms outside of Japan for the first time. The research revealed the overwhelming dominance of the family firms among the centuries-old firms. It addressed the ownership transfer to the outside of the family often observed both in Italy and Switzerland, which is rarely observed in Japan. As for Japan, the paper addressed the solid family governance based on the single family transfer and *ie* formation as one of the key factors for its family business longevity, which was analyzed from the social capital perspective. The paper addressed implications, both academic and practical, before arriving at the conclusion.

Further researches are required to cover other countries in Europe, Americas and other area to make the paper's findings universal, in order to move a step ahead toward a global comparative

study. It is also expected to integrate various factors for the family business longevity into a longevity model. For this endeavor, quantitative analysis of the longevity of family firms and in-depth case studies are also awaited.

## NOTES

- 1) The author gratefully acknowledges comments provided by the reviewers who remain anonymous. All views expressed in this report, and any remaining errors or omissions, remain the responsibility of the author.
- 2) According to Astrachan and Shanker (2003), for example, family business takes 89%, 64% and 62% of the total number of the firms, GDP and employment of overall United States respectively.
- 3) The survey is based upon random sampling of all business entities headquartered in Shizuoka Prefecture, which is located in the center of the Mainland of Japan. The prefecture is often viewed as representing overall Japan both quantitatively as well as qualitatively, taking approximately 3% of total domestic economy.
- 4) See "Kaisha no Jumyo (Life-span of enterprises in Japanese) Nihon Keizai shimbunsha, 1984.
- 5) The author understands these treatments need further investigations and clarifications.
- 6) <http://www.kompass.de/>
- 7) <http://financialresearch.blog2blog.nl>
- 8) Business Archives Council, Number 124, June 2001
- 9) Barbara Wall, "Investment in Longevity Is (Mostly) a Sound Bet" New York Times, April 7, 2001
- 10) In Japan, commercial credit verification firms such as TDB and TSR release annually the similar data based upon their database.
- 11) The calculation excludes four cantons (Bern, Fribourg, Graubünden and Ticino) where the official language is different from German or French, or both German and French are spoken.
- 12) <http://www.monetas.ch>
- 13) <http://infocube.ch>
- 14) Calculation excludes those firms unclear about the succession.
- 15) The Economic Times. (17 November 2011) [Online available] [http://articles.economictimes.indiatimes.com/2011-11-16/news/30405723\\_1\\_titan-industries-brand-switze](http://articles.economictimes.indiatimes.com/2011-11-16/news/30405723_1_titan-industries-brand-switze)
- 16) PubliGroupe companies (8 February 2010) [On-line available] <http://www.publigroupe.com/en/investor-media-relations/news/news-details/article/1343909935-basler-zeitung-medien-sold-to-private-investors/>
- 17) Such members of a 'house' were relatives of a current or former head of 'house' and relatives who entered a 'house' with its head's consent, such as adopted children or daughters-in-law (Article 732).
- 18) Relatives were defined, after various alterations, as blood-relatives within the sixth degree of relationship, husband and wife, and relatives by affinity within the third degree of relationship (Article 725).
- 19) The Civil Code stipulated that a wife enters the *ie* of a husband by marriage (Article 788-1) and bears the husband's family name (Article 746). Marriage in the Meiji Era literally meant a union of two families, or more precisely, absorption of a wife by a husband's family. Women were seen as a property of *ie* for leaving offspring.
- 20) Succession of family property refers to all the rights and obligations of a household head, including inheritance money, the family name, ancestral-worship objects and obligations, etc.
- 21) For example, northern part of Japan, namely Iwate, Miyagi and Akita prefectures observed inheritance by the eldest son or daughter of the parent's wealth. In Kyūshū and some other areas of Japan, property was traditionally apportioned by a modified version of ultimogeniture known as *masshi souzoku*. An estate was distributed equally among all sons, except that the youngest son received a double share as a reward for caring for the elderly parents in their last years.
- 22) This section is based upon Goto (2013a) with further developed.
- 23) Ishida Baigan (1685-1744) was a Japanese philosopher who founded the Shingaku movement and advocated business ethics.
- 24) *Ko* and *ren* literally means organization and association respectively in Japanese.

- 25) Omi merchants, or merchants from Omi district, were counted among the three major Japanese merchants along with merchants from Osaka and Ise districts.
- 26) It means that commerce should not only benefit the buyer and the seller, but also society as a whole.

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