

What makes Family Businesses Tick?

By Ben Cameron, Director

Ask almost any family and they'll say that their dream is to have a strong business and a happy family, where each supports the other, and where the fruits of their labours can be shared between both current and future generations of the family.

Many organisational psychologists, management consultants and traditional advisors would have you believe that you take a family, plunge it into business, mix up family issues with business issues - and there's the start of the catastrophe! In my opinion, as an advisor of a great many family businesses, this completely misses the main point of the game - which is the impact individuals have on the family and the business, and vice versa.

I believe that unless we address the needs, interests, styles and personality quirks of key individuals, we have little chance of dealing with family business issues in an optimal, constructive manner. *Businesses may come and go, but family is for life!* Accordingly, families and their professional advisors should be trying to achieve **stronger businesses** and **happier families** by addressing the "people factors" in a meaningful way, rather than focusing solely on management, legal, accounting and other technical areas.

Ordinary businesses have three functioning elements: *People, Capital and Resources*, and they all operate in a relatively predictable, 3-Dimensional World. This is hardly new but it does establish a benchmark that helps identify what makes family business different.

Family business people, and their advisors, often talk about the *passion* that ignites and inspires families-in-business. You can't see it, you can't place a value on it and you certainly can't rely on what it's going to do, but it is clearly an active element in the mix. It paints the background canvas on which all family business stories are written and as such can be regarded as the 4th Dimension: **Passion** (or emotion).

Unfortunately, this is also a place where many families, and most business advisors, fear to tread - perhaps because it isn't a safe and controlled environment that's subject to the normal rules of predictability and precedent, and there's a fear that what seems to be a can of worms may really be a whole bucket of snakes?

Top 5 Family Business Issues and Challenges

All businesses are faced with an ever-changing kaleidoscope of issues, problems and challenges, all of which have varying levels of importance. I find that a small number of headline issues are almost always present - at least to some degree. They are not listed here in any order of priority or seriousness, as this varies from business to business, from family to family, and from circumstance to circumstance.

Performance - maximising profits, returns and inherent business value. The better the business is travelling in terms of profitability, the more options it has at its disposal.

Strong and consistent profits generate larger inherent values of goodwill in the business. Again, this offers more in the way of negotiation and exit options to business owners, and creates far greater potential flexibilities.

Communication and Relationships. In a family business it's even more important than usual to have a culture of communication, collaboration, problem solving and effective conflict management. This is a key component in helping the business to function effectively as a business and the family as a family, as the needs of each don't have to be forced onto the other - there's an appropriate place where each can deal with its issues.

To make this a reality requires property worked out and clearly defined policies and processes for managing key relationships between family members, non-family employees and advisors, and other stakeholders.

At some stage in most conflicts, blame for the conflict itself will be attributed to "a failure of communication" amongst the parties. This is a form of face saving that avoids having to recognise that it's the parties themselves that generated and nurtured their conflict. It's really a cop-out, because the simple reality is that communication in itself is just an enabling tool that helps people to put into effect the policies and procedures required to keep things operating smoothly.

If the underlying attitudes, relationships and processes are poor, no amount of communication will put things right, but then if communication is poor in the first place, it's hard to establish worthwhile relationships and processes anyway.

A key determinant of family business culture is whether the family has taken the trouble to develop and articulate a shared vision, values and mission, along with agreed goals. This provides it with a powerful sense of long term purpose that helps the family overcome all sorts of trials and tribulations by allowing everybody to agree that they'll accept what's wrong today for the sake of many successful tomorrows.

Professionalising the business. Conforming the business to prevailing and anticipated circumstances should be a simple matter of good business sense - ensuring the business is up to the challenge of participating in its chosen markets in an efficient, meaningful, profitable and long-term sustainable manner. However this can also become a battleground for a war between the generations.