

Secrets of Successful Family Businesses...

By Ben Cameron, Director, Bentleys

“Families that succeed in business to and beyond the third generation often no longer see themselves as a Family Business, instead they see themselves as a Family-in-Business, where their various business activities support their collective, long-term, family aspirations... both tangible and intangible.”

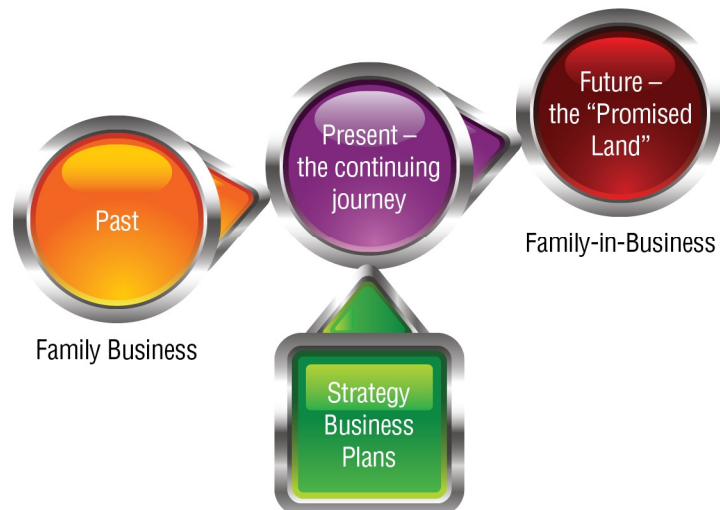
Long-term, successful families-in-business often develop a sense of “destiny & dynasty”, where the expectation is that future generations will “take the baton” from their predecessors, usually after much effort has been invested in teaching and motivating the younger family members.

The family implements a “stewardship” or “custodianship” culture, where they make a firm commitment to manage and improve their business and then bestow onto the next generation, and perhaps even generations unborn. This process often bonds the family together and empowers them. Through collective assets and capabilities, the family achieves and succeeds.

Strategy is employed to ensure that the business plays to its strengths and avoids disasters - and successful families leave nothing to chance. Entrepreneurial and bold as they may be, they also recognise the dangers of conflict, and especially the potential ravages of litigation.

Accordingly, they protect the family and the business with appropriate strategies and structures. Strong rules and procedures are created and an effective, functional and formal delineation is drawn between family, as opposed to business. This enables the business to operate, relatively unfettered, as a business, while family interests and concerns are dealt with in a more appropriate, family-centric environment.

The Family Business Journey



All families and businesses confront an unending parade of issues and opportunities. To achieve best possible results, without falling victim to the complications associated with the combination of families and business, “families in business” need higher level competencies. They need to make consistently greater efforts than ordinary commercial entities if they are to make the most of their opportunities, and effectively manage both their internal and external risks.

It is a cause of great alarm and regret that Australia, in common with most other Western countries, is caught in an increasingly pervasive spiral of projected legal responsibilities and litigation. Although some conflicts will always need to be fought out in the open in the courts, experience shows that the vast majority of family business problems, challenges and conflicts are infinitely more efficiently and appropriately resolved by other means.

This requires individuals and families to have superior problem solving skills in the first place and to adopt mature, responsible and positive attitudes towards problem solving, conflict management and dispute resolution overall.

The earlier an opportunity or problem is identified, the easier it is to deal with it efficiently and effectively. Failing to detect or respond to an issue in a timely manner may mean having to deal with it much later, perhaps only after the opportunity is lost or the situation has worsened substantially. With time delay comes the risk that much water has flowed under the bridge and there is little prospect of reconciling the situation.

Families, particularly families-in-business, can't choose to opt in or out of their relationships because, to state the blindingly obvious, they're related for life. They face a double whammy - their problems can become challenges and their challenges can grow into conflicts. Therefore, unless their problems are at the very least controlled and restrained, they contain the seeds of disaster for both family AND the business.

In order to avoid the danger of disaster and the possible destruction of family and business, every family-in-business should be a lot better than average at solving their problems, overcoming their challenges and avoiding, managing and resolving their conflicts.

The good news is that there is hope - even if the family appears to be in the grip of what looks like a final meltdown. No matter how hopeless the situation appears to be, even the most profound problems and bitter conflicts can be resolved, if just three requirements can be met:

- There must be some desire in each of the parties involved, no matter how deeply buried, to solve the problem or resolve the conflict;
- There must be an ability and willingness to suspend disbelief and to allow some small shred of hope to stay alive to tell them that the problem can be solved;
- There must be a commitment from the family members involved to make a serious effort to participate in the resolution process, and to stay with the process to the end, or until it falls over.

We liken problems, and their potential to escalate into serious, even litigious conflict, to the life cycle of an infection - when treated early most infections are easier to cure and there is less danger that they will cause extensive, or lasting damage. When not treated correctly, even minor infections can escalate into life-threatening situations.

Therefore, whenever family members are anxious or concerned about family issues, they should say so. This makes it easier to address their concerns directly and constructively. To do this requires having effective problem solving communications (i.e. recognised processes) between family members, especially those working together in a business.

During family workshops it is common for the family to collectively realise, often with shock, that although family members talk to each other every day, both in and out of the business, many of them (especially the males) rarely raise their personal problems or concerns, or talk about anything other than business matters.

It's not the lack of appropriate communication in itself that's causing the problem. Although "a breakdown in communication" is often blamed for problem situations, this should be regarded as a cop-out explanation. The real issue we should deal with is the cause, not just the visible symptom of the situation. We should ask two questions: "What attitude is indicated by our lack of problem solving communications?" And then: "What behaviours does the family need to change to demonstrate a different attitude and to form a natural foundation and encouragement for more constructive, problem solving communication habits in the future?"

The range of issues, challenges and problems that any family business may need to deal with is almost infinite. When planning to manage them in the present or the future it's helpful to group them into major categories:

People Issues

- Personality Types - emotional makeup and balance, behavioural preferences, work ethic, maturity, communication and social skills
- Personal expectations vs personal competencies (remuneration and benefits, job availability and security etc)
- Positions in the Family and in the Business - Founders / Leaders / Incumbents vs Successors-in-Waiting and "ordinary" family employees
- Next Generation
- In-laws, Outlaws and Extended / Blended Family
- Non-Family Competitors (employees and advisors)
- Relationship Interplays (inter and intra-generational)

Family Issues

- Principles and value systems - cultural and generational differences
- Parenting and individual's emotional baggage generally
- Relationship problems
- Sibling rivalry
- Cultural and generational conflicts
- In-laws, outlaws and extended / blended family - roles, responsibilities and expectations
- Nurture vs Independence / Protection vs Commercial
- Lack of shared long-term visions, strategies and plan
- Custodian Principles - Ownership vs Stewardship
- Succession issues

Business Issues

- Ownership, leadership and management - blurring of the roles
- Decision making (competing pressures) - family security vs business security
- Corporate performance and survival
- Short term reward vs long term investment
- Family employment, performance and remuneration
- Non-family executives, managers and employees - nepotism, glass ceilings, career security and prospects
- Modernising and corporatising the business
- Dealing with old retainers
- Succession issues - leadership and ownership transition

Any issue, opportunity, or problem that is (legitimately, and not just tactically) considered and treated as a real by one or more people should be taken seriously by the others - at least until it has been adequately addressed.

The best family business solutions take into account and satisfy all stakeholders' needs and interests. Technically, financially and legally

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“correct” solutions have little value to anyone who perceives that their specific issues have not been adequately dealt with - especially when there is an emotional dimension to the situation, as is usual in the family business context.

Adopt the family business mantra:

“Your problems are my problems... your solutions are my solutions”.

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