

Family Business - the great greenfields challenge?

By Jon Kenfield LLB, CA, FIAMA, MBO

The Solutionist Group

Family Business Definition

Family businesses, and family business systems, are simply the combination of a family with a business. A family business is typically defined as a business that is substantially owned and managed by two or more family members. In Australia our oldest family businesses are five generations old, or less. In America, and even more so in Europe and the East, multitudes of family businesses have operated for centuries.

The vast majority of family businesses do not survive beyond their third generation, for a wide variety of reasons. One of the standard sayings in this sector is: *"from shirtsleeves to shirtsleeves in three generations"*; or *"the first generation makes it, the second generation takes it and the third-generation breaks it"*.

Despite these figures, there are other compelling Family Business statistics:

- They comprise around 66% of all registered private businesses in western societies.
- They generate roughly 50% of GDP and total employment.
- They own more assets and wealth than the entire Australian Stock Exchange.

What is very clear from both family storytelling and research conducted in many jurisdictions, is that any family that thrives over multiple generations doesn't get there by chance - they have invariably worked long and hard to create and nourish their sustainability. This work comes in a number of forms, from the ruthless pruning of unwanted family members (European feudal system) to using brains, energy and goodwill to create and maintain collaborative and inclusive cultures that can engage constructively with a large group of family members.

For the sake of academic and professional analysis, family businesses are usually represented as comprising three overlapping circles: family, business and ownership. This seemed okay to me as an accountant/lawyer early on in my career, but it rapidly became apparent, as my mediation experience increased, that this model tended to ignore the human elements that were at least as influential as any other in just about every family business I came across.

So I found myself replacing the *ownership* dimension with *"individuals"* and invariably found myself starting any family business assignment working with the individuals before moving onto broader family groupings, and especially before looking at the business issues - unless these were critical, and the prime (apparent) reason for being called in.

Family Business Advisers

What also became clear is that there is no shortage of lawyers and accountants, financial planners, wealth managers, estate planners and others working with private clients and families in business on wealth management and asset protection strategies. At the other end of the professional spectrum there are counsellors, psychologists and family therapists who work with individuals and families in a therapeutic effort to cure whatever ails them. Then there's another group involved in direct conflicts over wills and probate disputes and matrimonial separation. Enter the litigators and bolted on, court-directed mediations.

What doesn't seem to happen is any real crossover between, or even recognition of, the intertwined nature of clients' technical and human needs.


In the late 90s Family Business Australia was established as a national organisation representing the interests of family businesses and their advisers. In the same way things happened in the early days of Australian mediation in the mid 1980s, we studied and received wisdom from American consultants and academics, who'd begun to develop the family business field almost fifteen years before it came here.

Family + Business = Oxymoron?

When we consider the elements that make up a successful business, and compare them with the elements that go to make a successful family, it soon becomes apparent that there's limited compatibility or congruence between the two, as the following table shows:

Family + Business = Oxymoron?

■ Business Systems	≈	♥ Family Systems
Competitive	≈	Protective
Objective	≈	Emotional
Task-based	≈	Obligation-based
Results-oriented	≈	Relationship-oriented
Select best person for the job	≈	Status by birthright
Performance	≈	Loyalty
Outbound interface	≈	Inbound interface
Survival of the fittest	≈	Nurture and support weakest
Encourage/exploit change	≈	Minimises change
Employment is an opportunity	≈	Employment is a right
Competencies required	≈	Nepotism allowed



The Solutionist group
skillful solutions for complex problems

And yet, there is evidence of family businesses being around from the earliest recorded times, and one can easily consider every tribal dynasty as a form of family business (HRH the Queen calls the royal family “the firm”).

Advising Families in Business

From an adviser perspective we have come to understand that every long-term business has a relatively predictable life-cycle that can be plotted on a three-dimensional chart containing: business, family and ownership axes. This relative predictability enabled us to develop a best practice process model to direct their thinking and guide family business advisers through their clients’ service requirements.

The model stresses the crucial inter-relationship between technical and human (not “soft”, never “soft”!) needs, and thereby stresses the need for advisers to work collaboratively, rather than possessively, for the long-term benefit of their clients. This requires a very different approach to the usual transactional or compliance-oriented nature of client assignments.

The Risk of Family and Business Failure

Add business challenges to family challenges, and the inherent complexities, stress and risks rise exponentially. It makes for exciting voyeurism: newspapers constantly present juicy family conflicts (Rhinehart comes to mind) and it’s no coincidence that many of the longest-running television soaps involve families and family businesses.

Of course, ordinary businesses fail for a huge variety of reasons, including: overbearing competition and changing markets; weak leadership and lack of direction; poor management, weak systems and low efficiency; poorly performing workforce and low productivity; toxic cultures; under capitalisation and poor cashflows.

Core business systems and inadequate communication and problem-solving decision-making and conflict management skills will lead to an internally conflict did workforce which, by definition, will not be an efficient one.

Increasingly, the absence of credible succession plans in businesses that rely on the energy and reputation of their charismatic leaders makes stakeholders nervous about doing business in future with the business. This is only addressed by having a clear successor groomed, ready, willing and able to step into the old leader’s place.

Similar issues tend to afflict families, especially when undeclared, or unmet expectations, and a lack of shared values, visions, strategies, goals and plans result in toxic cultures where family members are unable to support or trust each other. In the worst cases, mutual suspicion can become highly destructive.

Family members will always have competing needs and interests depending on their individual circumstances and stages in life. These invariably create tensions, that can lead to conflict, unless foreseen and planned for.


Family Business Best Practice

The secret to creating a stronger business AND a happier family, for the long term, lies within the Family Business Best Practice Model. This is based on research, family stories, received and deduced wisdom, and hard-won experience. In addition to presenting the process as a flowchart that separates and draws together the family and business streams, the approach is captured in “The 7 Pillars of Family Business Success”:

7 Pillars of Family Business Success

<p>Concepts (3x <u>C</u>s)</p> <ul style="list-style-type: none"> ≈ <u>C</u>larity ≈ <u>C</u>ertainty ≈ <u>C</u>ommitment 	<p>Implementation (4x <u>S</u>s)</p> <ul style="list-style-type: none"> ≈ <u>S</u>trategies ≈ <u>S</u>tructures ≈ <u>S</u>ystems ≈ <u>S</u>kills
---	---

=> *Stronger Business + Happier Family*



7 Pillars of Sustainable Family Business Success	
1. <u>C</u>larity	Understood, agreed and shared values, visions and goals.
2. <u>C</u>ertainty	Everyone knows and understands what they're signed up to.
3. <u>C</u>ommitment	Everyone accepts their roles, responsibilities and accountabilities.
4. <u>S</u>trategy	The Plan(s) are clear, relevant, disclosed and formalised, in writing.
5. <u>S</u>tructure	All necessary bodies and agreements are in place.
6. <u>S</u>ystems	Policies, processes and procedures are known, relevant & practical.
7. <u>S</u>kills	Everyone has the skills, and the confidence to use them, they need.

Family Business Best Practice Process Model

The model starts out by diagnosing and dealing with significant human issues. As soon as it's safe to do so it moves onto planning, executing, implementing and monitoring, using a solution-oriented, collaborative focus to get there.

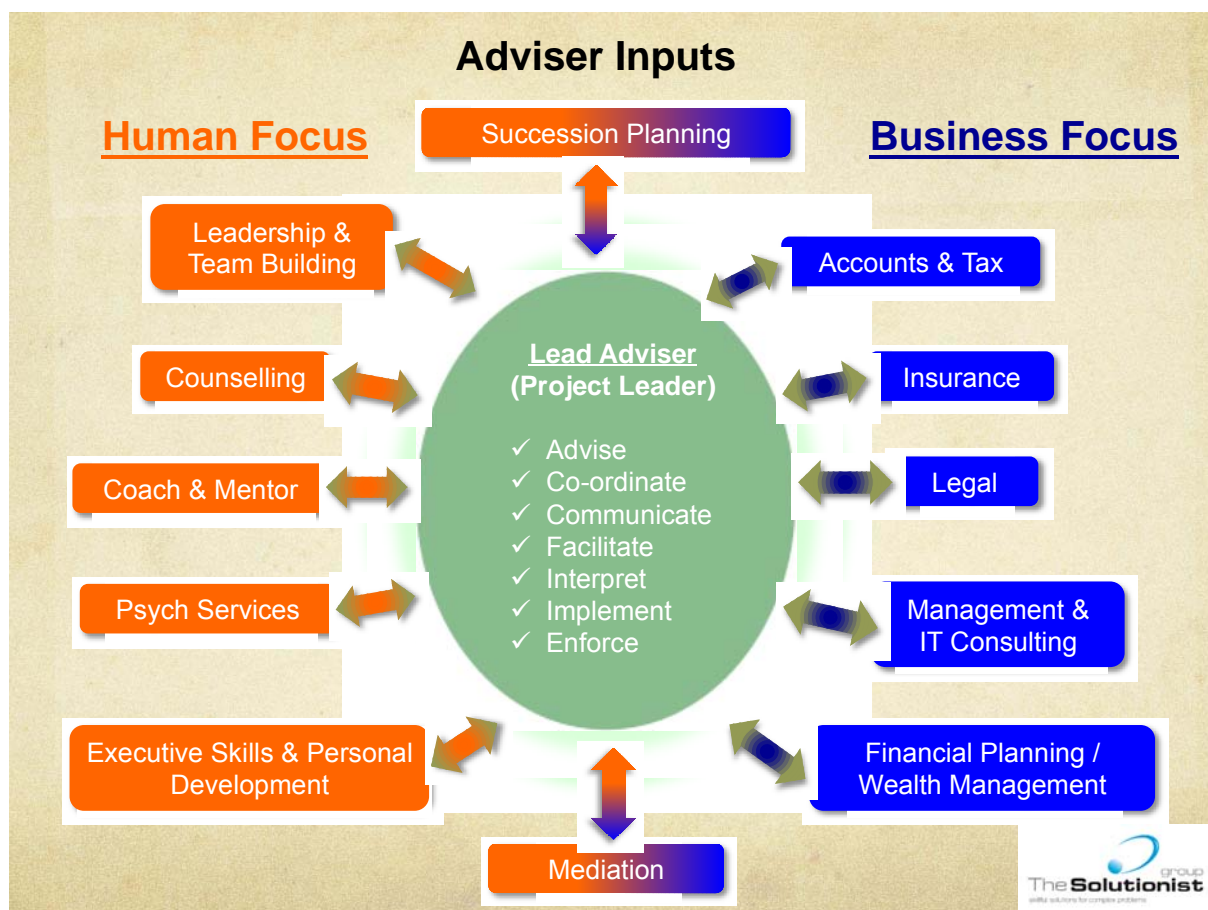
Family issues and decision making are separated from business issues and decision making at the outset. When both streams are substantially sorted out each naturally finds it easier to support the other, without undue interference.

Good communications and healthy problem solving cultures are key outcomes from the process. They lie at the core of long term success.



Opportunities for Advisers and Dispute Resolvers

Every Family Business, no matter its size or complexity, will have a host of “standard” issues to deal with, along with its own unique complications. They cover the full range from therapeutic human issues to square edged commercial and legal matters. These are all opportunities for good quality advisory work, preferably delivered as a collaboration between advisers dedicated to working together to achieve best possible outcomes for clients.



Conclusion: Is Family Business a great greenfields challenge?

For all its glorious, messy, eclectic vigour Family Business is often called “the engine room of the economy”. As the single largest identifiable sector of our business community it deserves to be taken more seriously by politicians, educators and the community at large. If we don’t help them to get things right, Australia will lose many independent businesses, and the jobs that depend on them, to large multi-nationals and overseas competitors.

Many of these businesses are not used to working with external advisers, but once convinced of their need they become some of the best clients you could want.

About Jon Kenfield [LLB CA FIAMA MBO](#)

Solutionist: Adviser, Aligner and Dispute Resolver

Jon is a Solutionist who solves problems and resolves conflicts. He's [been a chartered accountant for 30 years, has an honours degree in law and additional professional qualifications as an arbitrator, mediator, negotiator, family business adviser, SCUBA diving instructor, commercial oil rig diver and English teacher.](#)

Jon has a unique ability to turn highly conflicted situations into collaborative problem solving processes. His goal is usually to produce non-destructive alignment and consensus amongst parties.

Jon's book, "The Solutionist Guide to Family Business", is the leading Australian text for family business people and their advisers.

More information at: www.solutionist.com.au & www.fambizstrategies.com.au.