

Family Business: Creating Family and Business Longevity

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There is no issue more apt to trigger the interpersonal ruptures so easily fostered in family business environments than that of ownership and management transition. If a family business aims to be the best it can be, if the current generation wants to keep the family in the business, it is essential to plan ahead and “prepare for the unthinkable by planning the transition to the next generation” (Kadis & McClendon, *Coastal Grower*, winter, 2004).

So how does a family business owner best prepare for and structure this all-important transition? The answer lies in balancing individual, family and business interests. However, it is not always easy or even possible to achieve this balance and advance the welfare of the business and the family at the same time, much less the welfare of each individual

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and subgroup involved. In addition, the facts (less than 33 percent of family businesses survive the transfer to the second generation and only 3 percent survive to the third generation) show us that the difficulty of achieving a credible and satisfying balance increases with each succeeding generation.

Are you prepared for the future of your family and business? Is your business set up for success after you are gone? And, what about the most important issue: is your family united now and will it remain

so into the future?

Underlying every successful generational transition are the good relationships of family members across and among the generations. Business difficulties occur when relationship problems prevent appropriate problem solving. The reverse is also true: when the people cannot solve business problems, relationships are impacted. Begin now to establish responsible leadership, communicate common values, create collaboration and support mutual positive regard across and among the generations of your family.

Important Information about the Future of Family Business

The generational transfer is close at hand for many of the nation’s family businesses. Statistics generated by the Raymond Institute/MasMutual, *American Family Business Survey*, 2003 tell us that:

- ▶ the leadership of 39 percent of family-owned businesses will change hands within the next five years.
- ▶ of the CEOs aged 61 or older due to retire within 5 years, 55 percent have not yet chosen their replacement.
- ▶ of the family owned businesses that have identified a successor, 85 percent say it will be a family member.

Planning now for the transfer of your business will determine the future for your family and your family business to be or not to be a family business is the important question. “United We Stand” is the principle that keeps family businesses intact. “Divided We Fall” is the truth governing the future.

What Makes Succession Difficult?

Relationships within the family community provide

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the foundation for either its survival and success or its destruction and death. Family business is a complex web of intertwined relationships which can be filled with joy, satisfaction and rewards or conflicts, war and devastation. Many differences exist both across and among the generations of families in business, making them especially vulnerable to destruction. Generational differences can be used to stimulate new ideas and energy that will grow the business and develop the family or, if ignored or mishandled, they can bring relationship ruptures that will divide and destroy.

Here are some recent examples of failed relationships within family business that were recently reported in the national press.

Wall Street Journal, June 3, 2004 “Inside a Napa Valley empire, a family struggles with itself...two rival Mondavi brothers are replaying past battles, imperiling the winery.”

Wall Street Journal, June 29, 2004 “A brewing family feud poses risks for Molson Beer empire...two cousins vie for control as industry consolidates; who is the real Molson?...the feud stems from old wounds.”

New York Times, January 19, 2005 “Cablevision’s founder loses Voom Unit fight to son...James Dolan’s opposition to his father could win him investor support.”

So, how do family business leaders best support their families and create business longevity? Following are some key ideas which will help you be the very best you can be:

Being the Best You Can Be: Important Tips
Successful multi-generational families develop a succession plan, a continuity plan for future generations. Here are some important tips to help get you started with your transition, and, given the reality of family relationships NOW is the time to move ahead.

1. Generate interest and loyalty in the business communicate core family values, agree on business philosophy and develop a clear and a powerful business vision.
2. Gain commitment from family members create family togetherness and provide opportunities for family members to feel proud of themselves and valued in the family, the business and the community.
3. Recognize and accept individual differences some family members may have executive potential, others may be best suited for technical work and still others may choose different careers altogether. Within the family all people are important and need to be valued.



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4. Develop the interests, talents and abilities of the next generation each phase of the business brings with it different challenges and requires varied competencies from family members. Include everyone and create opportunities for individuals to maximize their unique potential.
5. Mentor the next generation until they are ready, then let go.
6. Develop a policy of inclusion and fairness (not necessarily equality) for all family members expect that difficulties will arise and have clear methods of resolving relationship conflicts.
7. Create shareholder agreements regardless of the size of your family or business, unifying structures for ongoing family familiarity and governance are most important. Agreements that promote respect and understanding of differences and provide independence, including exit options will preserve family relationships and the business.

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Preserving the family business takes patience, persistence, commitment and hard work. Our experience is that when families and family businesses remember that people are more important than things and everyone has a financial as well as emotional stake in the success of the business, great things can happen. Over the centuries, after all, many families and their businesses have not only survived but thrived for the betterment of themselves, their communities, and even the world.

In future articles we will continue to develop this information, further helping you to preserve your family and your business for generations to come. ■