

The Lifeblood of America

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In every city in the United States, family businesses support the economy with stability, ingenuity and commitment to the community. Some family businesses have been around since the 1600s and are still alive today—they have survived and thrived into 2004.

Daily, each of us has contact with the products and/or services of numerous family businesses. These businesses owned by families come in many different sizes and kinds, from small to multinational corporations and they produce every product or provide every service imaginable.

The families who operate businesses together are greatly varied, too—in their structures and beliefs; in their processes and rules and in their values and goals. Individual family members, moreover, are different from one another in innate abilities and acquired skills and knowledge, in dreams and values, in memories and perceptions and in enthusiasm and energy. Some family members participate daily in conducting their family's business, while others take an interest from the sidelines.

Important Information About Family Business

- ▶ Family businesses make up 80 to 90 percent of all business enterprises in North America (*Family Business Review*, Summer, 1996).
- ▶ Family businesses contribute 64 percent of the GDP and employ 62 percent of the U.S. workforce (*Family Business Review*, September, 2003).
- ▶ The Fortune 500 companies include 37 percent that are family owned and 60 percent of all public companies in the U.S. are family controlled (*Family Business Review*, Summer, 1996).
- ▶ Only one-third of family businesses survive into the second generation, 12 percent into the third generation, and a merely 3 percent

make it to the fourth generation and beyond (Joseph Astrachan, editor, *Family Business Review*).

- ▶ Included in the list of the 102 oldest family companies in America are 21 family farms, the oldest being Tuttle Farm, dating back to 1635 and now in their twelfth generation. (*Family Business Magazine*, Spring, 2001).

What Makes Family Business Desirable?

Families that are in business together are special people who have made and continue to make, important and sometimes extraordinary contributions to our rapidly changing

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world. Family business provides a strong and stable link to our human past, to the long tradition of doing business in ways that are personal, meaningful and ethical. A family-owned business offers many benefits—a challenging alternative to working for someone else, a safety zone for family members to learn, grow and develop, opportunities for earning a good living, support and a caring community.

In a family-owned business, putting energy, effort, imagination, and dedication into doing a job well will benefit oneself, one's loved ones, one's community, and even the wider world. People can choose to work with clear consciences and also bring their family's values with them as they grow and compete in the world.

Are You A Family Business?

Is there more than one family member participating in your business—your parent, uncle, sibling, cousin, children? If so, and you intend to pass your business on to members of the next generation of your family, then you are a family business.

If you are a family business, then here are a few additional questions. Which family members are currently involved in your business and what organizational positions do they hold? Often family roles and company positions get confused.

Did you inherit part or all of your business from your family? Which generation do you represent? Each generation presents different challenges.

Are you prepared for the transition of your business to the next generation? Have you protected your family and the business by: developing a unified share holder group; establishing appropriate estate plans and preparing your family to be responsible and effective stewards of the gift you are leaving them?

Common Challenges

Family businesses, vastly different one from another, face many common challenges. All family businesses are made up of three different overlapping groups—family, management and owners, each of these groups has different needs, goals and ways of measuring success. In small family businesses, family, management and owners are frequently the same people, while in multi-generational global corporations, family, management and owners may not even know each other.

Business challenges vary widely according to the type, size, location, marketplace and age of the business. However, the challenges faced in keeping the business-owning family together and committed to the business are similar in every family business. Similarly, the

Key Recommendations

- ▶ Keep family communications open and frequent. Talk about the past, present and the future of the family and the business.
- ▶ Contain family conflicts by recognizing relationship problems early and solving them quickly.
- ▶ Plan strategically for your business and your family, keep a positive focus and establish governance structures that support growth and prosperity.
- ▶ Prepare for the unthinkable and the inevitable by planning the transition to the next generation and having the appropriate documents in place.
- ▶ Turn to outside resources and experts for help the stakes are huge and every family business needs others to survive and thrive.

challenges of developing the next generation of capable and confident managers and owners are common to any family business that intends to survive through the years.

The most important challenge facing all family businesses is establishing good family relationships. Good relationships are the foundation for the survival and ultimate success of all business enterprises undertaken by families. When a family maintains mutual respect and repairs the inevitable rifts among its members, it will flourish and the business, whatever it is, will prosper. When family members lose respect, trust and commitment, their enterprise is highly vulnerable and may even fail. Common to all family businesses is the community of family and the interdependence of goal-sharing people who have a lifetime of knowing one another and working together. The relationships within the family community therefore can make or break the people you love and the business you own. ■



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