

# **The Family Business — Maintaining Balance**

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If you are part of a family business, you probably experience, on a daily basis, what a recent Grant Thornton LLP survey has revealed: there are two powerful, and sometimes conflicting forces at work in Family businesses — build the future and respect the past. To succeed, the family business must reconcile the imperative to grow and mature, with the desire to preserve the family influence, legacy and values. Those that can master these two forces will be the family enterprise successes of the future.

To better understand these and other dynamics at play, we surveyed over 275 Canadian Family businesses. We asked them about their biggest challenges and concerns, the role of the family and the participation of non-family members, as shareholders, employees or advisers. What we found was a strong endorsement of the choice to join the business (94% have no regrets about joining the family business) coupled with the constant challenge of preparing for the future while preserving the family legacy.

## **The need to look ahead**

Developing a strategic plan and a financial growth plan, formulating a succession plan, developing a retirement and estate plan... These forward planning issues were among the most important and most difficult to deal with according to survey respondents. Family businesses consistently ranking these of greater importance than non-Family businesses.

## **Protecting the legacy**

At the same time, preserving the family's role and resolving the conflicts that arise between family members is at least as important, and sometimes more challenging than forward planning. "Ensuring the family's core business values are maintained," and "resolving conflicts among family members who are in the business" were ranked as very important by most family business respondents.

While the family legacy is important, the criterion of what is right for the business is still paramount. In contrast to the popular perception that the eldest child of the founder starts near the top of the ladder, 72% of respondents believe that children should start at the bottom; 68% of family business respondents believe it is important for the children to show a good level of interest in the products of the business and its markets. Even more respondents (78 %) strongly agreed that family and business matters should be kept separate.

## **What's good for the business is good for the family**

The two imperatives of doing what's right for the business and what's right for the family come together in the survey respondent's rankings of the top four things that keep them awake at night:

- "All of my wealth is in the business. What happens if it gets into trouble?"
- "Would outside shareholders change the way I run the business?"
- "If I introduce outside shareholders, how greedy will they be?"
- "Should I give key employees a share in the business?"

We believe that what's needed is a practical way to keep one eye focused on the future, while maintaining the best of the family influence. If you are involved in a family business, consider the following as you work out your own balancing act.

### **A little planning goes a long way**

Taking the time to plan, for the business and for yourself, is probably forever slipping to the bottom of your to-do list. A perennially short-term focus will eventually catch up with you; a modest investment of planning, on the other hand, goes a very long way.

- Strategic planning — Spend some time thinking about the big picture of your products and markets and develop a plan to meet your goals. Our experience is that many Family businesses concentrate too much on the day-to-day crises, without taking time to plan the future.
- Succession planning — It is important to prepare the next generation for managing the business after the older generation is ready to retire. This is almost always a particularly emotional issue for a company founder, who may be reluctant to turn over the reins of power to the next generation or to an outsider.
- Retirement and estate planning — Quantify and minimize tax on death; retire comfortably; arrange for the orderly management of the estate: these are just a few of the real benefits of retirement and estate planning — and the sooner done, the better.

### **Consider the benefits of outside influence**

Our experience shows time and time again that new blood, either in the management or ownership ranks, or through outside counsel, can bring valuable balance and professionalism to the family business. Fear of losing family control may be stopping you from benefiting from this vital source of ideas, capital and talent.

### **Build some personal security**

No matter how successful your family business, you should still have a personal nest egg that is protected from the risk in the business. As part of a retirement plan or financial planning in your younger years, it is never too early or too late to begin building some personal security. Having outside resources also helps lessen the tension of passing the business on to the next generation.

### **Seek professional help with conflict resolution**

This is particularly important in Family businesses, because personal and family issues may get in the way of smooth operation of the business. Conflicts can drain energies, cause people to take sides, and may make valuable employees leave. There are numerous sources of professional help for conflict resolution — for example a trusted family adviser, your accountant, lawyer or a conflict resolution professional.