

So you Work with Your Family in Business



Are you in Business with Family?

- Do you work with your spouse or children?
- Do you work in a business started by your parents or grandparents?
- Do you work together with your siblings or cousins?
- Do you share ownership with other members of your family?
- Do you plan to pass your business on to your children or other relatives?

If so, congratulations, you are a member of a family business!

Family Business = Small Business?

Often, when people think 'Family Business' they have in mind the image of a small business. However family businesses include some of the largest and longest surviving businesses, not only in Australia, but around the world. Well known Australian businesses families include names such as Packer, Lowy, Murdoch, Smorgan and Myer.

Mind you, they also constitute some of the smallest of businesses. Some of which are a lifestyle activity rather than a business in the traditional sense. Here in fact we come to the core of what family business is about. You can make of it what you want; what suits you and your family. Family business offers you the opportunity to fulfil your ambitions, be they wealth creation or life style.

In Australia, family businesses constitute 67% of all private sector firms and employ 50% of the workforce. Recent surveys estimate the combined wealth of family businesses in Australia at \$4.3 trillion, over 3.5 times the value of all companies listed on the Australian Stock Exchange.

Family Business = Complex Business

Because of the perception that 'family business' = 'small business' it is often thought that family business represents a 'simple business'. However the opposite is true. Family business brings together two contradictory but basic human desires – love and money. Bringing these together in the context of a commercial enterprise gives rise to a level of complexity beyond that faced by those in the corporate world.

How do you balance the commercial imperative to build a profitable business with the needs of the family? For example if we look at the issue of employing staff, do you employ the best qualified applicant, or do you give preference to your son or daughter? Do your children need to face the same recruitment criteria or performance evaluation processes that apply to other employees? How do you go about sacking your son?

These are just some of the difficult decisions faced by those who choose to work with family.

Need help or assistance?

Go to...

www.fbrc.com.au

email: fambusiness@fbrc.com.au

Tel 03 9018 9800

So you Work with Your Family in Business



The Advantages of Working with Family

When things are working well in a family business, these businesses can produce incredible outcomes at both a personal and commercial level. The love of the business and its link to the family's heritage can bring a level of commitment, long term thinking and responsiveness that those in the corporate world long for but find hard to achieve.

This is because working with the ones you love can bring a powerful passion for success. When combined with a link to shared family values and a high level of trust, this creates a formula for success that is hard to replicate. Add to this the pride and the personal responsibility for quality which comes from 'having our name on the product' and you have the ingredients for long term success.

Taking Advantage of these Opportunities

The opportunities for your family business lie in recognising your strengths and building on them.

1. Be family business proud. Pride in your family, the product or service you provide, and the high trust relationships that you have with employees, customers and suppliers sets you apart in the business community. Use the marketing clout that comes from your family values.
2. Nurture and develop the talents of both family and non-family employees.
3. Foster close family relationships to maximise these opportunities. Sometimes this is easier said than done. If you find it too difficult to do alone, don't be afraid to get outside help.

Traps to Avoid When Working with Family

One of the dangers that can arise when working with family is finding the right degree of separation between the family and the business. This will vary from family to family so there is no right answer.

It's also wise to be aware of the issues that can naturally give rise to increased tensions. These include -

- The impact of family relationships on business relationships eg father/boss, sister/Marketing Manager, brother/co-owner
- Business transitions such as a change of ownership or leadership from one generation to the next can create pressure on both the family and the business.
- 'It's all personal'. Because of the strong personal links between family members, differences of opinion on business matters can sometimes be interpreted as a personal attack. Add to this the fact that we all know how to 'push the hot buttons' of other family members and you have the potential for family issues to encroach on the working environment.

Successful family businesses are aware of the flashpoints and develop strategies to deal with them such as –

Need help or assistance?

Go to...

www.fbr.com.au

email: fambusiness@fbr.com.au

Tel 03 9018 9800

So you Work with Your Family in Business



1. Remember that you are not alone. You can be assured that whatever situation you find yourself in, other family businesses have also experienced something similar. Family Business Australia provides opportunities for families in business to meet and share their experiences.
2. Communicate, communicate, communicate! Most of the issues you face can be resolved if family members talk to each other about the really important things. This is harder than it seems because there is a natural inclination to 'avoid opening that can of worms'. But left alone these issues will invariably continue to fester. Once they are out in the open, you can deal with them.
3. Recognise when things are going off track and do something about it well before it becomes a crisis. This is directly linked to the issue above and the consequences are the same. 'From little acorns big oak trees grow'. The same happens to seemingly minor issues left untreated, only they can grow a lot faster than oak trees.
4. Don't be afraid to ask for help. Speak to your advisers and if not sure where to go, contact Family Business Australia or one of their Accredited Family Business Advisers.

The Bottom Line

Your family business offers a fantastic platform for creating opportunities for your family. Whether you want to use it to create a business empire or a life style business is up to you. The starting point is to recognise the choices you have and work together to achieve the objectives that are right for your family business.

Other Booklets in this Series

So you Work with your Family in Business
Navigating the Pitfall of Working with Family
Structuring the Family Business for Success
Exit Options & Strategies for the Family or Owner Managed Business

This article is for general information only and should not be relied on as, or in substitution for, professional advice. It was written by Harry Kras, Director of the family Business Resource Centre www.fbrc.com.au for Family Business Australia www.fambiz.org.au. Harry is an FBA Accredited Adviser and can be contacted at 03 9018 9800 for further information.

Need help or assistance?

Go to...

www.fbrc.com.au

email: fambusiness@fbrc.com.au

Tel 03 9018 9800