

4 SURPRISES for Family Businesses

Family businesses are an interesting and at the same time, they are a complex 'beings'. Family businesses can have surprises that even the stakeholders involved in them are often not aware of. This article tries to highlight a few of such surprises.

No balance merely trade-offs

Having a successful family business comes at a price or trade-off. This price or trade-off differs from family to family. For some families, for example, the price of success is the lack of harmony in the family. Because as the business thrives, so does the family's appetite for luxury. This often leads to a struggle for a larger share of wealth and control of the business, which creates animosity amongst family members. Animosity leads to conflict. Another example of a trade-off that families with family businesses often make, although sad, is values. Family values can and do change as the business prospers, the change often happens without the family being aware of it. Such changes can either have an adverse or positive effect on the family, depending on which aspects of the values that change.

Family members who are executives in their family business are victims of making continuous trade-offs and sacrifices. Unlike executives in public companies, who are better able to separate their careers from their personal affairs, family executives have no such luck. The emotional complexities inherent in family businesses (i.e. ownership, management and family structure) can be a source of frustration that often spills over to ones personal or family lives. Imagine for example, the daily frustration that a family Chief Executive goes through, when he/she deals with uncooperative family members in the business. The same Chief Executive may have to deal with the same issue in a family gathering, which takes place over the weekend.

This repeated jockeying of both family and business affairs can cause unnecessary tension in their marriage or even in the relationship with their children. Therefore, for the Chief Executive, there is no balance between work and personal affairs, but only trade-offs. So the sooner families come to terms with this, the better they would be able to manage their affairs.

Generational transformation or revitalization

As a family business passes from one generation to the next, it is imperative that the business transforms its business strategy or model, in order to compete in its current environment. Sometimes, when the control of a family business is passes on to the new generation, there is often an expectation amongst the older generation that things will 'remain the same' or in some cases the older generation expresses frustration, when strategic changes are ushered in by the new generation. This resistance to such changes, is foolish, they often don't realize that markets change and that a business needs to transform or revitalize its business strategy or model in order to survive in the current generation.

Of course there are times when the new generation, themselves are ignorant of the necessary transformation required in the business, either to better compete or survival. This is also a foolish situation.

Now, the notion of transformation or revitalization can occur in multiple ways for different family businesses. For example, take a furniture business that was founded by a patriarch. During the

period that the patriarch was involved in the business; it only manufactured furniture.

However, by the time the grandchildren inherit the company, it transforms into an interior decorating business. Therefore, providing a much wider product or service offering to its clients, than was originally envisaged by the patriarch. Similarly, another version of the example could have materialized. Instead of the business evolving into a holistic interior decorating business; the grandchildren felt that it would be best to invest excess capital into other businesses. And by so doing, reduce its dependence on furniture. Therefore, the original business transforms into an investment holding company, in the third generation. Whatever version of the story that emerges is irrelevant. The emphasis is on the transformation that takes place in the business.

The notion of transformation or revitalization is not only applicable to just the business model or strategy. It can also take place in the values or traditions that the family adopts; bear in mind that in a family business environment, these issues govern the business. So with the introduction of new leadership in the business, it is therefore, inevitable that certain aspects of these values and traditions will change.

Irrespective of the kind of transformation or revitalization that occurs, it is important that each generation taking over the business, are given the opportunity and flexibility to effect the necessary changes. Hopefully the changes that are effected are done for the better.

Prisoners of Family Business

Families can and do become prisoners to their businesses. This is a situation that is caused by three factors. The first is when the family is highly dependent on the business, for all its needs (i.e.

financial, social etc). Secondly, by adopting a philosophy that advocates that 'the business must survive, at all cost' and allowing this philosophy to govern their behavior. The last factor is when the family is 'hell bent' on retaining control in the business, more than what is commercially possible.

Unfortunately, families are not always cognizant of these latent factors until it is too late and the damage has been done.

Families often forget the reasons why patriarchs establish businesses, in the first place. A patriarch starts a business in order to satisfy his/her entrepreneurial ambitions and to provide some means of income for him/herself.

Therefore, the initial reasons were not necessarily for succession or to perpetuate a legacy because at the time that the patriarch founded the business, he/she had no idea how successful the business would be.

Furthermore, the patriarch's reasons for establishing the business are fairly simple, yet it is surprising to see, how complex the objectives of the business, becomes, because of the increase in family needs, as it passes through different generations. To the extent, that the family, eventually becomes a prisoner to the business because they are unable to envisage their lives without the business. This is unhealthy and somewhat contradicts what the patriarch intended.

Ken Kaye, an American family psychologist, states in the family business review that the success of a business for its owners has nothing to do with lasting through successive generations. Furthermore, he states that a business can be a success, if the family decides to sell, as the wealth can be converted into other forms of opportunities for the family (i.e. capital to fund new investments or education). This kind of thinking devoids families

from the necessity of having to retain control or perpetuate an unrealistic legacy in the business.

Sustaining a business that is going to be a source of frustration to the next generation turns success into failure (Ken Kaye). Therefore, it is important that families develop and maintain a life separate from the business, in order to prevent being prisoners; which in a family business environment, is sometimes difficult to achieve.

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