



The ups and down of family business

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The term 'family business' is widely banded about to describe the host of businesses that are a key part of the UK's economic backbone. It is estimated that over 75% of the country's businesses are family concerns. What however, constitutes a family business, why are they important, what makes them special or different to other businesses?

In simple terms a family business could be describe as a concern which involves two or more members of the same family in its ownership and management. Family businesses are often well established enterprises, passed from one generation to the next.

Family businesses are important for a number of reasons, not least that they tend to out perform their counterparts that are not family owned or controlled. Equally in terms of sustainability, they are more likely to survive the test of time with succession from one generation to the next common place. Success can be attributed to a number of reasons including the stakeholder interest, short decision making process and ease of share ethos and vision. Even the entrepreneurial gene is in the blood.

There are though a number of unique situations involved in the running of family businesses that can impair performance or in some cases destroy the very essence of what may have been built by a former family member. These include:

Focus and vision

Certainly for many second or more generation businesses the commercial reason for being in business is lost and clouded by the emotion of being there for the family's sake. It is important to be clear about the viability and sustainability of the venture as much now as it was when the business was started. It is also good to be open as to family member's reasons for being involved in the business.

Off the rails without guidelines

In contrast to corporate enterprise, it is not unusual to find family businesses have little in the way of agreed and written down terms of reference. Without shareholder or partnership agreements and job descriptions, many a family business has gone off the rails.

Board room, not bedroom

For every successful family business, there is probably an unsuccessful one, torn apart by family issues, rather business matters. Sanity and survival may be improved by trying to restrict business matters to business times.

Suitability not nepotism

Recognise and reward family members on their business success and aptitude and not their standing within the family. Don't be afraid to recruit external people if particular skills are lacking 'in house'.

Take the bull by the horns

There is many a case where a business has come unstuck or not taken a sound business decision to avoid conflict or upsetting someone. Dealing with conflict or difficult situations are unfortunately part of every day business, as with corporate entities, elements of every family enterprise has its own interests and has to manage difficult scenarios from time to time.

Work life balance

Don't forget to balance the needs of the business with the needs of the family. All too often, perhaps too stoically, the hours worked and the 'ask' of the family are not commensurate with financial rewards taken.

Know when to call it a day

Whether it is to realise the best return for your business by way of a sale or unfortunately the time to close the doors, the decision to do so for a family concern is often more difficult. Dithering can lead to loss of value at best and at worse increased angst and cost.

Handing over the reigns

Succession from one generation to the next is probably the most difficult faced by a family business. The timing though can be crucial to its very survival and existence, although it is all too often left too late.

A family friend

Your accountant and tax adviser should ideally be seen as an extension of the family, and can act as a sympathetic ear or even mediator. The challenge they face is developing empathy and understanding of the family's values, whilst at the same time retaining the commercial edge for the family business.

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