



Family Business Consulting

An Introduction to Family Business Consulting

By Irem Bray

The annual increase in new businesses is running at 1400% a year compared to 40 years ago (Birch, 1988).

1) Why do people start their own businesses?

In the old days working life was associated with working for the government or for one of the few large, privately owned old businesses both of which were thought to guarantee lifelong employment and security. It does not seem to be the case anymore. The perceived security in working for an existing powerful organisation is now replaced by the prevalence of new open market rules which values productivity over loyalty. As a result more and more people strive to work for themselves, with the aim of having more control over their lives and their work.

2) What is a family business compared to other businesses?

Family businesses are the ones where the family members are involved in the ownership and/or running of the business. In America family businesses employ half of the private sector workforce and account for almost 50% of the gross domestic product (GDP) (Ward, 1996) 80% to 90% of all business enterprises in North America are family firms (Family Firm Institute 1998). Focusing on the advantages these firms have over non-family businesses will reveal why it is the case:

They have greater independence of action from the stockholders and against take-over. They are less bureaucratic and impersonal allowing them to be flexible and quick in decision making.

Family members are more productive than other employees (Kirchhoff & Kirchhoff, 1987).

Family culture may become source of pride, assuring the image of long term continuity and quality as well as commitment in good and bad days.

It provides a setting of early exposure and training for the younger generation (Kets de Vries, 1993).

3) Where does the concept of Family Business stand in the international arena?

Family businesses have always played a leading role in economic development and growth, however only recently thanks to the globalisation of family firms, new communications technologies and growing awareness of world economy is this role now revealed. Academics, consultants, service providers and families are beginning to come together to learn and understand the nature of family business across cultures and national boundaries.

There are growing opportunities on family business education (Carlock, 1996).

The Family Firm Institute is an international professional organisation dedicated to assisting family firms by increasing the skills and knowledge of consultants, researchers on family businesses. The Institute provides ongoing educational and networking opportunities. The members are lawyers, therapists, accountants, management consultants, insurance professionals, financial planners and others who advise, study or work with family businesses.

4) What are the issues specific to family businesses?

Many people who work with and for family firms will find out that traditional management methods are not always applicable. Here are some of the potential problems family businesses face (Kets de Vries, 1993, 1996):

- Family members in management positions for which they are not qualified.
- Family members trying to influence the business while not being in operating or ownership positions.
- Role conflict, for example while being a parent, daughter or a son, being an executive trying to run a business.
- Differences in intergenerational goals and values.
- Rivalry and jealousy between family members affecting business decisions.
- Paternalistic rule that is resistant to change.
- Financial strain, when the contribution is little compared to expenses.

The average lifespan of family businesses is 24 years, which is the approximate time the founder of the business stays in charge. And only 16% of all family firms are able to make it to the third generation (Beckhard and Dyer, 1983). As these statistics indicate one of the greatest challenges confronting owners and entrepreneurs in family businesses is the management succession, which involves the transition of managerial decision making.

Succession is an emotionally charged issue. It also involves the transfer of ethics, values, traditions along with the actual business itself (Kuratko and Hodgetts, 1998). The founders of such businesses have particular characteristics that make the company successful. Sometimes those traits that contributed to the prosperity of the company may interfere with their ability to organise a timely succession plan without waiting the nature to impose an unprepared changeover or/and before the conflict between family members destroys the business altogether.

5) How does Family Business Consultation help?

Family Business Consultants , as we are, are individuals who are specialised in management and family issues. They have the skills and personality to assess the

particular needs of the individual family businesses they are working with. They have an unshakeable commitment to their clients confidentiality.

The areas of interventions we offer in our work with family businesses are:

- Planning and Management
- Helping the family to work better together
- Enhancing the communication

Depending on the specific needs of the family and the business the consultation sessions can vary between as short as half a day to several days. This may involve a combination of individual and group meetings with different combinations.

QuietQuality adheres to the code of ethics of the Family Firm Institute and offers consultations to family members and the professionals who work for family businesses.

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Family Business in Turkey

By Stephen Bray

Last night my neighbours took me out for a supper. The restaurant seemed unprepossessing as we wound our way up its stairs but at the top there was a roof balcony affording clear views of the Bosphorus and the street below. Throughout the evening a steady stream of traffic motored to and from Rumeli Hisari and the city centre. Occasionally a hoot of a cars claxon would sound even though the sun had set and in England this would have been against the law. At around eleven p.m. all the drivers seemed to be sounding their horns. A football match had finished and doubtless Besektas had won the day.

My neighbour Erkan (not his real name) must be around sixty years of age but looks older. He is a big man shaped rather like Humpty Dumpty. Indeed he could be Humpty Dumpty for three times he owned prominent businesses in Turkey; and three times he had been made bankrupt. He is now retired. As we munch through the small appetizing courses he explains the problems: changes in government policy concerning subsidies, a military coup, lazy workers. The main course has not arrived but already he has started to criticise the waiters, his wife Oya, a small woman anxious because of an impending operation says nothing and looks uncomfortable. He leads the conversation back to the past, somewhere in the vaults of his mind he still has the Mercedes, the chauffeur, the factory and warehouses yet here in the present he struggles to motivate the waiter to deliver ice for his Raki (absinth).

Like our host, the restaurant is dilapidated and needs refurbishment. From the balcony I see a newer, more chic, place where doormen in Armani suits usher in fashionable clientele. Many of these nouveau riche will no doubt resemble Erkan and Oya in twenty years time.

Bored with the conversation my mind wanders to an article published in the quality Turkish newspaper Hurriyet at the weekend. Apparently, 95% of all businesses here are family businesses. The Turkish economy is growing rapidly despite inflation and is currently no 17 in the world. Although the traditional products are derived from agriculture and textiles Turkey also manufactures military hardware, some under licence from other countries. Nearly 30% of white goods coming into high street shops in the United Kingdom originated in Turkey despite their familiar brand names.

Family businesses are the ones where the family members are involved in the ownership and/or running of the business. In America family businesses employ half of the private sector workforce and account for almost 50% of the gross domestic product 80% to 90% of all business enterprises in North America are family firms. In Italy and Switzerland the figure is higher. Focusing on the advantages these firms have over non-family businesses will reveal why it is the case:

They have greater independence of action from the stockholders and against take-over. They are less bureaucratic and impersonal allowing them to be flexible and quick in decision making.

Family members are more productive than other employees

Family culture may become source of pride, assuring the image of long-term continuity and quality as well as commitment in good and bad days.

It provides a setting of early exposure and training for the younger generation

Dr İlhami Findikci of Marmara University in Istanbul recently researched the structure of family businesses. His team interviewed 150 business owners and professional managers from 15 family businesses. They were represented as follows:

40% from textile

26% marketing

20% education /consulting

13% construction

76% of these businesses had been running for at least ten years. Naturally members of the family's first generation were board members. 46% of the second generation is also involved in the business, but cannot make policy decisions.

No third generation exists in any of the participant businesses. (In England 13% of the family businesses have third generation, in the Us 15%)

The average age of the owners is 41 the lifespan of family businesses is shorter in Turkey

In England this average age is 56, the reasons for this may however not be business related.

65% of the owners are secondary school graduates

15% started university, but did not finish

20% university were graduates

This contrasts with the statistics of the professionals working with them where:

80% are university graduates

20% are secondary school graduate

Important positions however are frequently given to family members who have been in the businesses from the start, irrespective of their qualifications. Despite the advantages family businesses seem to have common traits and problems. The Marmara University study reveals:

Management problems:

- lack of planning
- inability to manage
- communication problems
- not having an organisational chart
- not having job descriptions
- conflict between family members
- discrepancy between responsibility and executive power
- not valuing human resources
- abrupt decisions
- high turnover
- no systematisation of the processes
- low level of training and development activities

Bosses faults:

- cannot pass over the responsibility and the executive power
- they don't trust or believe in professionals
- they deal with the day, have no planning
- they don't invest in people, they don't value human values
- they don't value personal development
- they don't develop themselves
- they believe all can be done with money
- not good leaders
- they try to appear as if they know everything

Their obsessions:

- if the second generation takes over we will go bankrupt
- people don't work properly
- if it was not for us the work would stop
- we cannot get on with professionals

Owners feel the need to change and see their inability as a problem. But in practice they cannot do what is required to make these changes. Of owners express they experience difficulties with the family members working in the business. The most important ones are:

The powers and positions that members of the second generation have in the organisation, the second generation not taking the business seriously and family members in key positions and not getting on with other employees.

These are serious difficulties whilst 42% of the professionals employed in these businesses believe that owners and the businesses itself can adapt whilst remaining loyal to the company the culture and values 63% would their position if they have the opportunity to do so.

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- enhancing communication
- resolving role conflict

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Back at our restaurant the main course has arrived, been eaten and Erkan is starting all over again. He has not mentioned or spoken to his wife once. The source of his weight problem is clear. Its not simply that he eats too much, its that early deprivation causes him to eat as much as he can, whenever he can. He is blind the needs of others and deaf to all help and advice. His remarkable obsessional traits no doubt fuelled his previous business successes, and failures. Would family business consulting have helped him or his family? Probably not!

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