

Family Business

The backbone of Enterprise
in South Australia



Government
of South Australia
Department of Trade and
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creating opportunity

FAMILY BUSINESSES THE BACKBONE OF ENTERPRISE IN SOUTH AUSTRALIA

Family Businesses form an essential part of most world economies, and as such, warrant acknowledgement and support.

While recognition of and support for Family Businesses in South Australia has occurred only in the last 18 or so years, America and most European countries have recognised the importance of this sector of business for over 50 years.

Acknowledging the importance of family businesses, the South Australian Government made this the focus of a "Thinker-in-Residence" program in 2007, and is now leading the way in Australia in recognising and encouraging the sustainability and growth of Family Businesses.

FAMILY BUSINESS IN AUSTRALIA

The history of Family Business support in South Australia started in 1992, when Ray Michell (AM) created an organisation known as "Family Business Services South Australia Inc."

In 1994 "The Australian Centre for Family Business" was created at Bond University. This Centre developed several regional groups, and the local organisation became a chapter as "Family Business Network SA".

In 1995 and 1997 two organisations were formed in Victoria, one focusing on research at Monash University and the other offering services to members.

In 1998, these two Victorian bodies merged to become "Family Business Australia Ltd", (FBA), the peak body for Family Businesses that exists today.

State chapters were formed, and the organisation that started as "Family Business Services South Australia Inc.", in 1992, became the South Australian chapter of FBA.

FAMILY BUSINESSES

It is estimated that there are around 135,000 businesses in South Australia.

Of these, over 60%, (in excess of 58,000), are Family Businesses. The proportion becomes even higher among businesses with less than 20 employees, with over 90% being Family Businesses.

The importance of Family Businesses is further reinforced by the fact that they employ over 55% of the total private sector work force.

So, Family Businesses are not so much important, as essential to a strong and vibrant South Australian economy.

Unfortunately, many of these businesses are unaware that they are family businesses, and of those that are aware, many do not realise that implications of being a family business.

Consequently, they do not appreciate that the challenges they face are common to a great many other Family Businesses. Furthermore, they don't seek Family Business solutions to their problems, in fact most people don't know that such tools and resources exist.

Definition

According to Thinker-in-Residence, Dr Jaffe, Family Businesses can be defined as:

“businesses where two or more family members work in the business and share or expect to share ownership, and want to pass ownership on to the next generation”

FAMILY BUSINESS ISSUES.

In addition to the ordinary challenges of running a successful business, Family Businesses share some specific issues as they prepare for the future. They must manage complex relationships of family and business, and they must work towards a generational succession that respects both family needs and business realities.

SOME OF THE CHALLENGES TO FAMILY BUSINESSES.

- Work/Life balance
- Family / Emotional issues
- Unrealistic assumptions
- The work ethics of differing generations
- Sibling Rivalry
- Lack of competence
- The need for Business Development
- Funding the business
- Transition Planning
- Internal v External Management
- Inheritance v Retirement
- Balancing benefits among the family
- Determining the future for the business

INHERENT ADVANTAGES. (IT'S NOT ALL NEGATIVE!)

- Longer time frames - success is considered in the longer term
- Flexibility – ability to respond quicker without the bureaucracy
- Tend to focus on more on customers
- Have a reputation in the community for integrity
- Care for employees as a family

SUCCESS FACTORS AMONG FAMILY BUSINESSES

- Structures
- Processes
- Commitment
- Relationships
- Communications

FAILURE FACTORS

- Family Issues overwhelm the business.
- Families neglect business renewal.

It is an unfortunate fact that many excellent businesses do not reach their full potential because of family issues that impact on performance. With skilled and experienced family business advisers, and a wide range of tools and resources available to them, the capacity exists to ensure the continuity and prosperity of all family businesses.

FAMILY BUSINESS TRANSITION

It is estimated that more than half of all Family Businesses are intending to change their management over the next 10 years.

Thus, anything up to 40,000 businesses will be:

- looking to bring the next generation into their business, or
- trying to find someone from outside the business that can be brought in to manage the business, or
- endeavouring to find a buyer for the business, or
- in some cases just closing the business.

We are working to ensure that as many Family Businesses as possible achieve a successful transition and continue to prosper and grow well into the future.

WORKING WITH A FAMILY BUSINESS

Some of the specific areas where it is possible to provide positive guidance for family businesses.

1. Operating as a “family business”, (or as a family hobby?)
 - How much does your family get involved in the business?
 - Do they have defined roles?
 - Do other members of your family help-out at times?
 - If so, what are their roles?
 - Do you consider yourself to be a family Business?

2. Finances and Financial Management
 - Do you have a Financial Budget?
 - Who prepares it?
 - Is it based on previous history and/or a Business Plan?
 - Are your business and family bank accounts separated?
 - Do you have a formal procedure to draw business funds?
 - Do you have a formal process to manage business receipts?
 - Do you have a formal procedure to control the ordering of goods and services by family members on business accounts?
 - Are there family members on the payroll, drawing pay with no corresponding job role or contribution?
 - How do they contribute to the business?

3. Business Operations
 - Do you have regular business meetings with key people to address business progress, business problems and planning?
 - Who attends, and what are their roles?
 - Do you have regular family meetings with key members to address ownership, business returns and expectations of family members?
 - Is there agreement on each person’s role?
 - Do you have job descriptions (or similar) for your people (family and employees)?
 - When did you last review them?
 - Are your people happy with what they do?
 - Have you received complaints or grizzles or evidence of a reluctance to do work from anyone (family or employees)?
 - Are your employment conditions at market levels, and how do you check this?
 - Are family members’ working conditions at market rates?

4. Business Relationships

- Do your employees and family members have authority to make decisions and complete work?
- How is this managed?
- Do various family members argue or snipe or compete with each other?
- Does this affect other family members and/or employees?
- Does the decision-making authority in the business rest with one or two people?
- What happens when they are not available?
- Is there an "inner circle" of mainly family members that know what is happening or the business plans?
- What affect does this have on the business, family and other employees?
- Does the business have ethical standards e.g. in dealing with customers and suppliers; in dealing with community
- How is this communicated?

5. Management Practices

- Does the business have a vision or a vision statement?
- Does the vision reflect the family expectations of the business?
- Do all family members agree?
- Does the business have forward plans and budgets?
- Are these plans consistent with family expectations?

6. Work/Life Balance

- Are family members (and others) working on average more than 45 hours a week?

7. External Responsibilities

- Do you have a policy (written or verbal) of being involved in and supporting your community?
- In what ways does this occur?

8. Management and Corporate Governance

- Do you have a board or similar that provides direction and oversight for your business?
- Where do you get advice and strategic guidance for your business?
- Does this include independent people?

9. Family Ownership

- Does the family have meetings that focus on what the family want from their investment in the business?
- Does the family have a plan for involvement in the business?
- Are there family members who are being developed to go into the business?
- How can family members buy into and exit from the family business?

10. Employing Family Members

- Do you have guidelines for employing family members in the business?
- Are family members employed and treated differently from other employees?

11. Business Longevity

- Do you have plans for the long-term operation of the business?
- What are your plans for the business if you were not able to work in it for while?
- Where do you see the business (and family) going in the next five years?

12. Retirement Planning and Succession

- Do you have significant assets outside the business?
- Do you plan to build up your assets outside the business?
- What are your plans for income when you retire?
- Do you have a succession plan in place?

FAMILY BUSINESS SUPPORT

The SA government acknowledges the vital role played by family businesses in this state's economy, and is keen to ensure that these businesses receive the recognition and support they deserve.

If yours is a family business, you have a unique and important role in this state, and the government is making assistance and support available to help your business grow and prosper.

Support for Family Business in South Australia is available from the following sources.

- ◆ **Through the Business Enterprise Centres. (BECs)**

The Business Enterprise Centre (BEC) network has Centres across metropolitan Adelaide with the training and resources to help. For a full listing of locations and contact details, visit:
www.Southaustralia.biz/Business-Networks

- ◆ **Through Regional Development Australia. (RDA)**

Similarly, the regional boards throughout the state also have the training and resources to help. For further details go to:
www.Southaustralia.biz/Business-Networks

- ◆ **Through Family Business Australia. (FBA).**

FBA is a national organisation dedicated to help, assist and support all family businesses.
www.fambiz.com.au

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