

# Family-run firms just the business

Alan Wood

There is growing thought that family-owned businesses perform better than other firms, though issues such as succession planning and keeping family arguments in check are necessary for their financial health.

The family-owned business sector makes up more than 60 per cent of the national economy, and the sector is coming under increasing academic research for its success.

Justin Craig, co-director of the Australian Centre for Family Business at Bond University, said evidence was emerging that businesses run by families outperformed others.

"There's overwhelming evidence to say they outperform those that do not

have family influence – that's on whichever metric you'd like to pick. It's appeared in the *Journal of Finance*, which is the number one journal in the finance area..." Craig said.

"Family businesses are the engine of all economies around the world. They contribute disproportionately to the economic and social fabric of all communities."

The reasons family businesses did so well included an orientation towards "stewardship" – that is looking after the guidance of a company over a longer timeframe, say 20 years, than a chief executive of a listed company who might only look at performance over the five or fewer years he or she was aboard.

"They're actually stewards of this business. They're resp-

onsible for handing it on in better shape than they received it ... who do they work for? They go to work for their children."

Jeff Roberts, head of the BDO Family Business and Succession, said one of the major issues facing family-owned businesses now was the transition of these firms to the next generation of leaders.

"Indeed, over the next decade we'll see the biggest ever inter-generational transfer of wealth in our history take place as the baby boomers retire," Roberts said. According to one survey 61 per cent of owners were over 50 years old and 23 per cent over 60 years old.

Transfer of wealth was potentially the most life-threatening stage of the family business, Roberts said.

On average it took six to seven years to bed down a transfer of a business between generations, and often the leader stood back slowly, Craig added.

"One of the families in Australia framed this as the incumbent leader moving to a 4/40. That effectively means he's working four days a week, 40 weeks of the year."

Skope Industries managing director Guy Stewart said he agreed family-owned businesses could be powerful as evidenced by his and other Christchurch companies like Mace Engineering, which employed many staff. His father Robert Stewart had bought the refrigeration unit-heating solutions company in 1965 at the age of 25, becoming "commander in chief", but then about 15 years ago had



**Family affair:**

Skope Industries managing director Guy Stewart believes family firms can be powerful.

Photo: JOHN KIRK-ANDERSON

business, we approach it differently. It's a generational thing, an educational thing ... I've been running [Skope] for 10 years, I've been here for 20, I love it."

Craig said that given the entanglement of often complex family businesses, it was inevitable that emotions became involved.

However, such emotion could be held in check through communication and strong governance – a "family council" sitting above a business board with independent members and feeding down family initiatives to that board and keeping back or resolving arguments.

Craig is in Christchurch leading a seminar for local family-owned businesses on August 5 as part of a BDO-sponsored road show.

started a formal board of which he was now chairman.

Guy Stewart said his sister Alexandra was creative director, his mother was also on the board, but his brother Marcus was not.

Family members of the firm, with 400 staff and four independent directors, often

did disagree but in a healthy way. At the end of the day it was a fun business, Stewart said.

"The family side of it certainly muddies the water.

"I [disagreed] with my father the other day – while we both aspire to the same ultimate outcome for the