

A JCIPP CURTIN CORNER PRESENTATION

FAMILY BUSINESS

Family Business – Conflict and Dispute,

What's it all About?

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Consultant - Generation to Generation

Succession; Communication; Facilitation; Mediation.

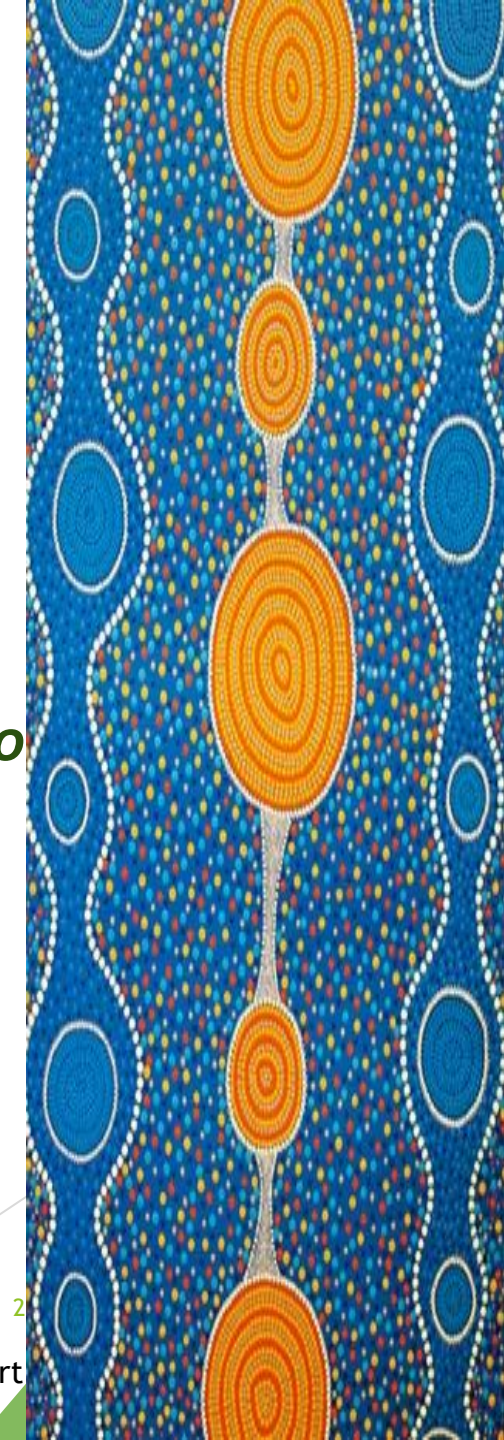


Curtin University

Acknowledgement of Country

*I acknowledge the Whadjuk Nyoongar people
on whose traditional lands I work and live.*

*I also acknowledge Elders both past and present
and pay my respects to all Indigenous peoples who
walk this wonderful land.*



Family Business

Some Facts and Figures

- The top 750 family businesses in the world employ approx 33.6 million people...
- They account for an estimated 70 - 90% of the global GDP!
- Figures which provide evidence that in the global world of business, Family Businesses represent “stability, innovation, long-term commitment and sustainability”.

Amongst the top family businesses in the world are Walmart (top), Volkswagon, Ford, Nike, the Mars Bar family, L'Oréal, McCain Foods, Coco-Cola; Staedtler

(Oxford Economics, 2017-18)

➤ In Australia



- About 67% of businesses are family owned and operated,
 - They employ more than 50% of the Australian workforce;
 - Contributing approximately \$4.3 trillion to the nation's wealth (KPMG, 2021).
-
- Larger Australian family businesses include: Hancock Prospecting; Mitre 10; the John Hughes Group; Kallis Bros; Craig Mostyn; De Bortoli Wines; Kleenmaid ...
 - *By default Family Business firms provide opportunity for hundreds of thousands of micro and small-to-medium sized (mainstream) enterprises to survive.*

Why are these figures important?

- FB - average age (in Australia) = is 32 years.
- Owner - average age = 55 years.

In terms of succession - only 20% have a 'plan' for their next CEO.



As we funnel down into the challenges facing the average Australian family business

SUCCESSION remains paramount.

Communication - is the first concern, and
'Letting go of leadership' hot on its tail.

What does that mean for Family Business?

Exploring the concept of the Family Business ...

Definition - many! Determined by ... size, age, ownership, governance types; relationship structures etc

My definition:

A business owned, run and controlled essentially by the members of one family.

This may include several generations and the offspring of one or more of the generations. (Bowen, C. M. 2013)

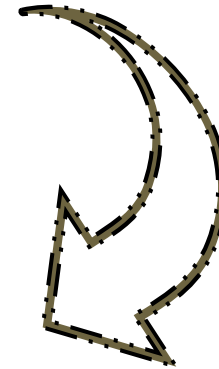
➤ This grew from my original research project which explored 63 FB's with approximately 360 interviews

- Values range - \$200K to \$30million.
- *Any* industry type.
- *Any* family size – structure.
- Oldest structure was 5 generations.

Hard to find a FB that doesn't experience Communication issues at some point!

► I have worked in the field of FB for 25 years, focusing on those in crisis ...most of which is related to:

- Planning and strategy (lack of)
- Change (fear of)
- Relationships (confusion of)
- Loss of direction (uncertainty)
- Confusion of Roles (discipline)



Always involving aspects of Communication breakdown

► *Which ... leads to confusion in all of the above*

Underscoring the majority of these situations are the challenges associated with

SUCCESSION !

- ▶ Who gets to own the business / assets??
- ▶ Who becomes the Boss?
- ▶ Where do I stand in all of this?



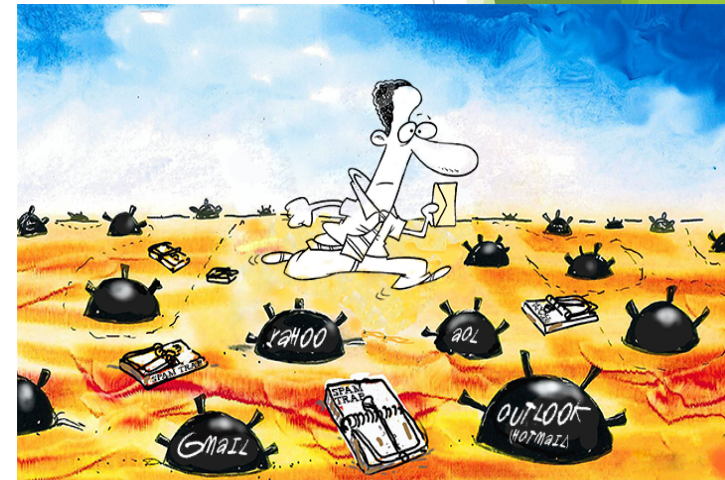
Succession ... - a spectrum of different processes

- It's really all about **CHANGE** and **Managing Change** !

It's about



1. The transfer of management & control ...
and
2. The transfer of ownership and other associated assets.



- It can be a minefield of emotional / economic challenges for each generation....and the business.

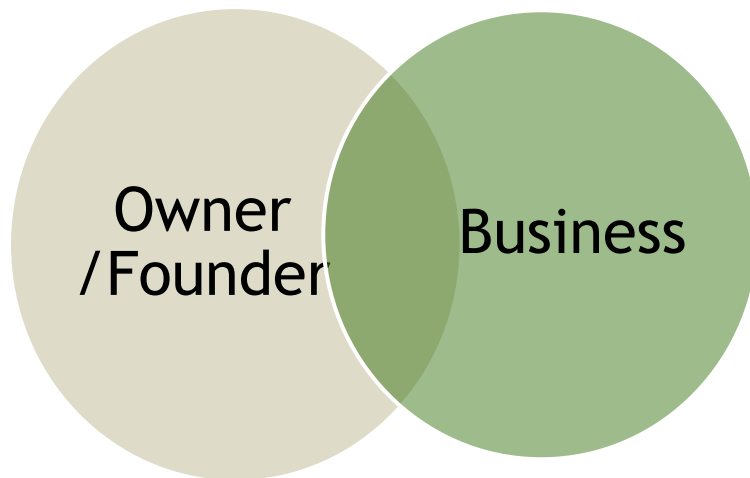
Succession an age old problem where families are concerned... some of the ramifications of the conflict can be enormous in terms of both family and business..



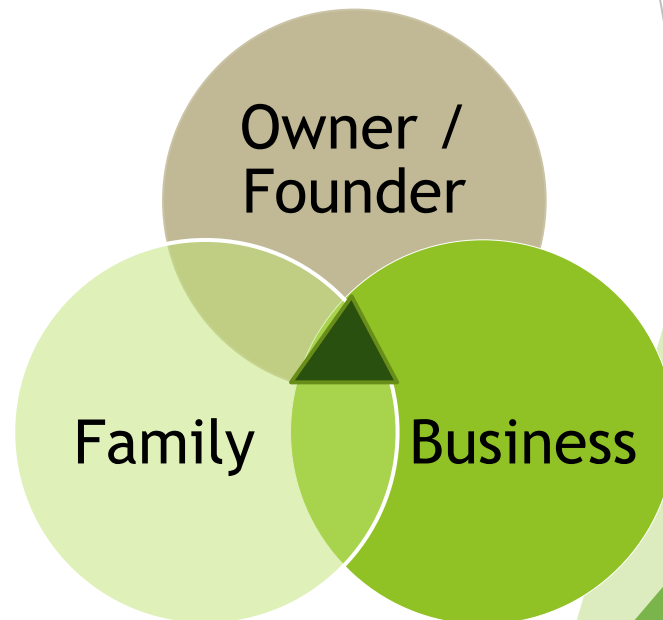
To understand the tensions that exist for many FB's around Succession We need to ask:

- What does a Family Business looks like?
- How are they different to mainstream businesses?

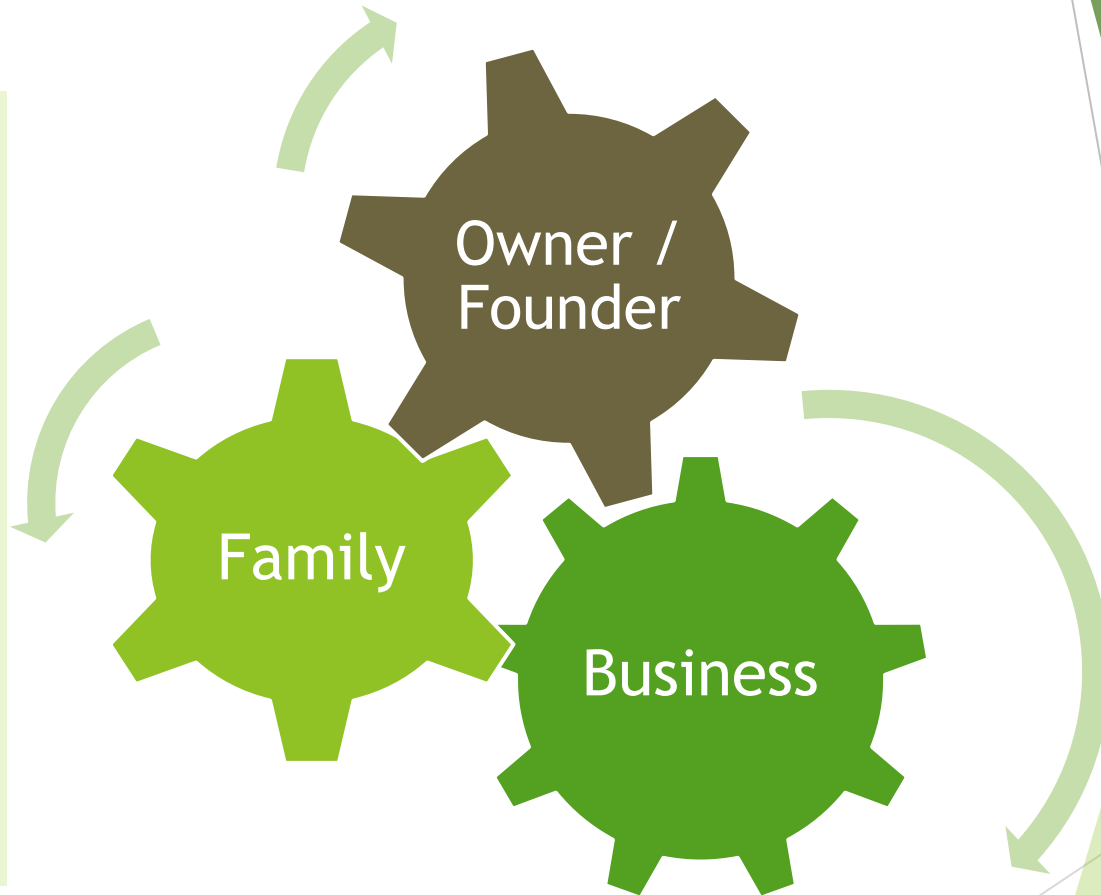
MAINSTREAM BUSINESS



FAMILY BUSINESS



I prefer to show these spheres as ... cogs in a machine that need to mesh smoothly in order to function to capacity.



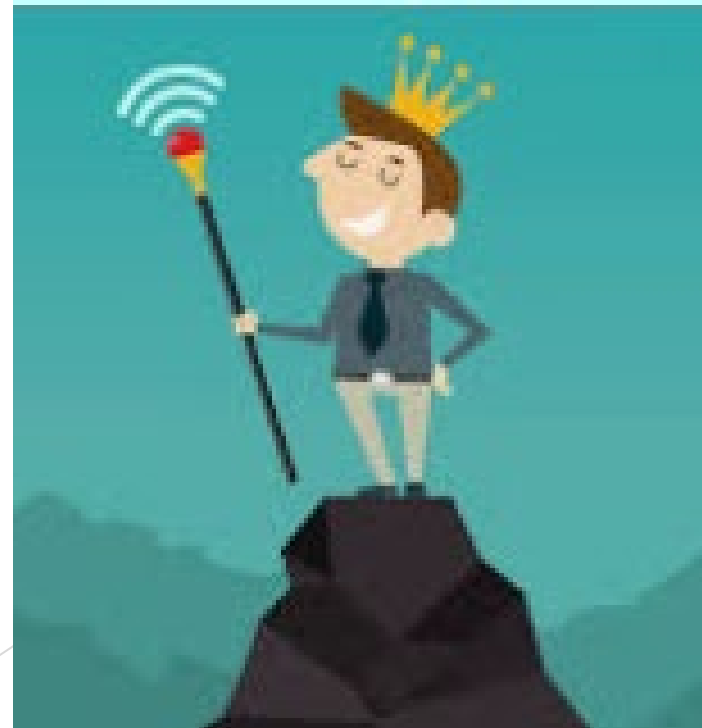
My Research and Consulting directed towards

- Understanding the three spheres
- Identifying why they are not functioning as they should.
 - They are the sources and causes (initially) for Communication breakdown
 - and need to be explored!



The OWNER / FOUNDER in Family Business

- History ... of both Family & Business
- Tradition -influence/impact
- Dreams and Loyalties
- Assumed Obligations
- Emotionally Bound /Confusion of Role
- Fear of Failure
- Cautious of / Resistant to Change
- Personal Security Issues.



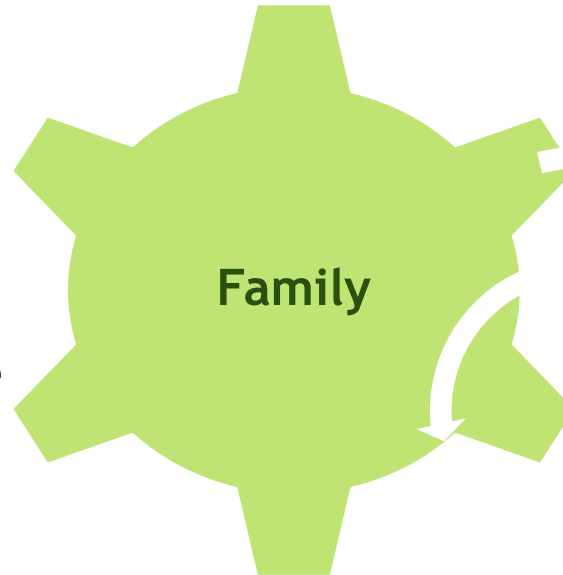
The BUSINESS ... in Family Business

- Business & Productivity focus
- Task & Profit Driven (survival)
- Business (not family) Goals
- Sensitive to change
- Role Sensitive
- Non-emotional
- Time Pressured / Competition





The FAMILY ... in Family Business



- Resistant to Change
- Preserve the source of wealth.
- Emotionally Driven
- Confused Loyalties / Roles
- Assumed Rights / Assumed Roles
- Time Pressures / Personal Goals
- ***Underlying need for Security for everyone involved.***

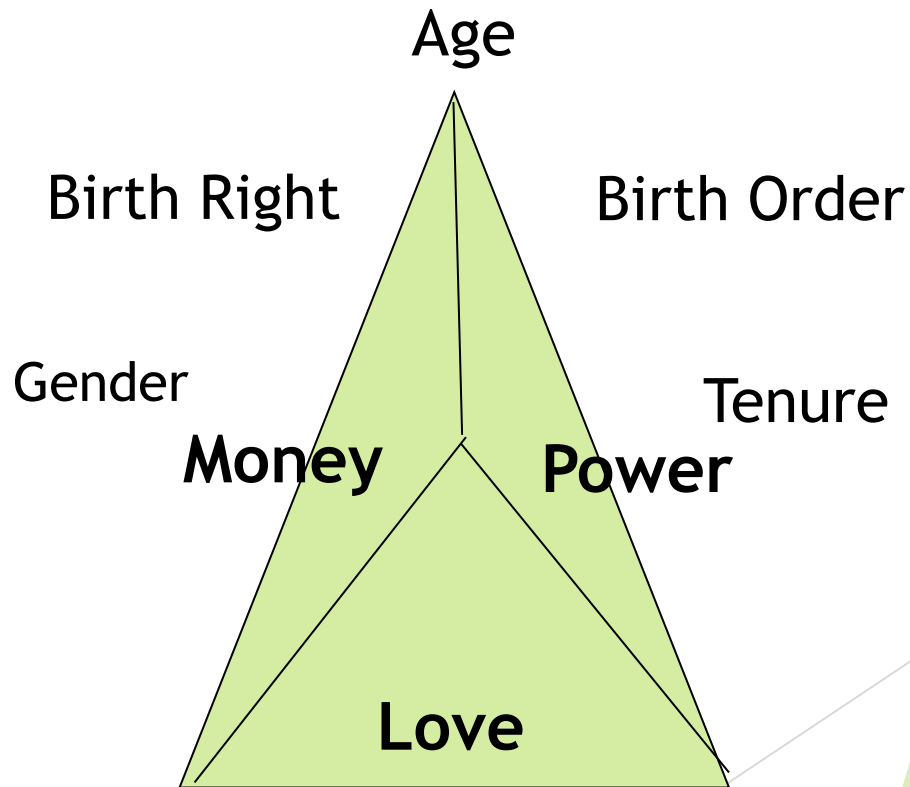


Navigating the FB Succession pathway can take years

For many FB's the on-going conflict / anxieties have been likened to living with the constant threat of Sink-holes opening up unexpectedly, easily, any time, and between any generation.

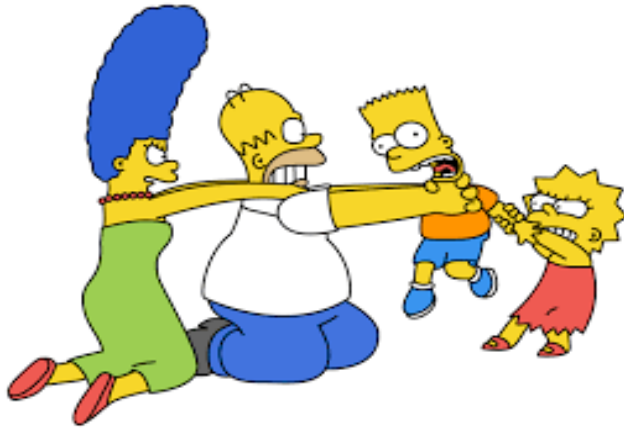


HOT BUTTONS that can spark a Sink-Hole reaction in FB



Family Tensions can be self perpetuating ...

Complex physical and emotional issues ...



Trust
Greed
Envy
Resentment
Love
Loyalty



Personality clashes from childhood
Drugs / Alcohol problems
Frequently Depression
Suicide



Relationship damage - including permanent
estrangement to divorce.



BUSINESS Tensions

➤ Primarily - the complex matrix of family / business roles.

Different generations working together = confusion of:

- Adult - child working relationship.
- Family relationships - business expectations
- Business Roles - planning / governance / responsibilities.
- Sibling rivalry - different goals / interests / displacement.
- Discontentment - apparent lack of progress / stagnation.
- Younger generations - commitment - to what / for what?

***Coupled always with communication issues
ALL will interfere with Business productivity
and Family Relationships***

FAMILY Tensions in FB

Many common concerns:

1. Family & Business : Living with tight money- debt, risk, sacrifice, survival, poor management.
 2. Individual's fears of change / decisions
 3. Individual concerns - personal future security.
 4. Parent concerns - Non-FB Members
 5. Family concerns - needs of an older generation.
 6. 'Everyone's' concerns - the new 'in-law'!
- Succession - means making choices, decisions, change!!



Three important Research Findings ...

- SUCCESSION Communication - Each generation frequently waits for the other generation to broach the subject (knowing it will cause trouble)
- Succession CHANGE - People avoid the topic ... fear of over-whelming family-business challenges involved; requires leadership / management; courage.

Younger generations

- Succession RESPONSIBILITIES - different generations who remain dependent on the FB business for their financial security.

ALL GENERATIONS will simultaneously worry over these challenges:

1. How do we begin planning / where do we start?
2. How can we begin planning - we can't talk without arguing?
3. How do we ensure our own security AND leave the next generation with a healthy business?
4. What are the entitlements family members who are not in the business?
5. 'My family' will be dependent on my ability to run the business - what if I fail?



Research findings ...

Main Concerns: Senior family FEMALES.

a) Women seek *first* to see that the family are safe and '*get on well together*' - The health /welfare of the business follows.

b) Women - want what is necessary to ensure that (particularly) husbands sons are happy with succession changes.

- Women more adaptable to change if a) and b) above are met!



Main Concerns senior family MALES.

- Almost always linked with Succession concerns not always easily discussed within the family

eg

- The business to be secure - the family to be happy.
- Stepping away? The unknown.
- Loss of identity / purpose (ego issues)
- Levels of confidence in management skills of succeeding generation
- Concerns for the welfare of other family members reliant on the business - will the new management ... manage?
- What happens to the business if there is a divorce?



Concerns of the YOUNGER GENERATIONS

The Younger Generation primarily agitate for change for their own security reasons. They need ...

➤ *First and foremost: Not ownership - but security! [where do we stand?]*

- Time - take risks; expand; learn their way
- Time - develop the business; work off debt
- What do non-family members want?
- Time - inclusion of other incoming family members
- Opportunity - move forward while older generations are still involved - less financial pressure / experience.
- Opportunity - to manage their way while young, enthusiastic.

Concluding thoughts ...

Family Business dispute ... a complex mix of conundrums

- ...the not least of which is that FB's keep on keeping on knowing that internal conflict is the biggest threat to their sustainability.
- Family conflict can and does destroy - *BUT* - often very necessary to destabilise old businesses entrenched in old ways.
- Managing conflict at any level requires communication - *BUT* - *communication* is usually the first victim of dispute in FB.
- Families in FB have the capacity to resolve their own issues - *BUT* - it requires commitment from everyone!

***Conflict in FB can energise,
promote goal setting, force
decisions / choices to be made***

***For some it's a 'necessary evil'
ensuring progress and survival***



Acknowledgements

Bowen, C.M. (2013) Family Business Conflict and dispute (Thesis Dissertation)

Business Builders <https://www.kochiesbusinessbuilders.com.au/it-s-time-to-celebrate-family-business-day/>

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<https://www.familybusiness.org.au/documents/item/253>

KPMG - Australian Family Business Survey (2021)
<https://home.kpmg/au/en/home/insights/2021/05/family-business-survey-2021.html>

Oxford Economics (2017-18) oxfordeconomics.com



THANK YOU

To be honest, the only thing that's keeping you
alive is the thought of your cousins taking over
the running of your business.