

Family business matters

By Marie Lesoway

The economy of every nation depends on family-run businesses, from mom-and-pop shops to multibillion-dollar global enterprises. In fact, if you look at any successful business in the world, chances are it will be a family firm.

The University of Alberta School of Business is a world leader in the study and teaching of family business. Recognizing the importance of family enterprise for community and economic development, the U of A encourages faculty research and offers degree programs, courses, outreach services and practical help for family businesses. Its Alberta Business Family Institute is the only centre to offer programs for rural Canada

Family businesses generate an estimated 70 to 90 per cent of global economic output and account for 80 to 90 per cent of all businesses in North America.

In Canada, they account for 60 per cent of the nation's GDP, employ six million workers and create 70 per cent of new jobs. And it's not just the economy that benefits. Fifty-five per cent of all charitable donations in Canada are made by family firms.

A growing body of research suggests that the degree to which family businesses are innovative and entrepreneurial directly affects the wealth or poverty of nations.

So what's the link between family business and entrepreneurship?

Lloyd Steier, professor of strategic management at the University of Alberta School of Business says that for aspiring entrepreneurs, families provide resources, capital, access to networks and financial and emotional support.

And what makes family firms such successful business structures? It comes down to knowledge transfer, trust and hard work over a sustained period of time.

"Family business provides a wonderful sort of learning incubator that you can't replicate elsewhere," says Steier, who draws some of his insights from his own rural roots in Saskatchewan. "If you watch a father and son taking a drive to check crops or whatever, there's a lot of teaching and learning going on there. It might be about the technology of farming or about relationships or how to do things."

Social capital, the reputation of the family firm and the knowledge needed to run the business are assets that take a long time to build.

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“Research shows that it takes 10 to 20 years to build a substantial business if you start with nothing,” explains Steier. “But family businesses have a longitudinal aspect. That offers opportunities to use existing resources as a seed to grow the business or even to start something different. So if the next generations work as hard and appreciate the seed that’s given to them, they can move to another level.”

What happens to the seed of a family business is often a matter of trust, which can be a powerful competitive advantage. “When family members trust one another, you can have a more efficient operation,” Steier says. “That frees up resources for investment and entrepreneurship.”

Unfortunately, the family relationships that make a business strong can also be a source of conflict. Family structures become increasingly complex and difficult to manage as the business grows and as ownership evolves over successive generations. Succession, governance, communication and professional management — issues that all businesses need to deal with — are particularly complex when family is involved.

The issue of population aging and succession is especially urgent in farm communities. And it’s an issue that’s particularly challenging.

“There’s often an emotional attachment to the family farm,” Steier agrees. “It isn’t just an asset that you buy and sell, like you would a stock. You feel a responsibility to see it survive and grow. But at the same time you might have several children, and you need to make decisions about how to pass the family assets on. So you’re pulled between seeing the business survive and being fair to your children.”

The issue of governance — who runs the family business — gets more complex as time passes and ownership expands from the business founders to include siblings, parents and children, cousins and in-laws. Different stakeholders can have different interests, and that can lead to conflict.

Making things work means paying attention to communication. “Not everybody needs to make the strategic decisions,” explains Steier, “but everybody needs to have a voice in the family.”

The complexity of family structures has implications for the professional

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management of family firms. Steier illustrates with a farming example. “Farming today is incredibly complex in terms of technology, capital allocations, input costs and marketing challenges. But it’s also complex in terms of family matters. You need to manage family relationships up, down and sideways. That’s as important for your business as picking the right seed or getting the best deal on machinery.”

For the past dozen years, the University of Alberta School of Business has helped family businesses balance the issues of family, business and ownership. It is one of five Canadian university centres that offer programs in family business.

“We have one of the best-developed teaching programs in the world, and we’re recognized for that,” says Steier, commenting on the U of A’s family business offerings.

U of A bachelor of commerce students can major or minor in Entrepreneurship and Family Enterprise. Undergraduate and graduate students can take stand-alone courses in managing family enterprise, international family enterprise and advising family business, or sign on for an international study tour that examines family business and entrepreneurship in European governance systems.

The U of A’s Centre for Entrepreneurship and Family Enterprise (CEFE), established in 2000, develops and shares knowledge about family enterprise through teaching and research. It sponsors international conferences, supports students through scholarships and manages a continent-wide business plan competition that offers \$30,000 in prize money, including \$10,000 in the area of family business.

The Alberta Business Family Institute (ABFI), established in 2002, takes family business research and knowledge to the community through courses, seminars and workshops delivered across the province.

ABFI offerings range from lunch-

hour seminars to the Roadmap course, a 35-hour program for owners of family businesses. Day-long courses like the customized, ABFI-developed “12 Steps of Succession Planning” help business families ensure a smooth transition from one generation to the next.

“People who have taken the course say it’s transformed the way they think about their business and their family,” notes Steier.

ABFI also offers one-on-one counselling for family businesses. This can range from triage that pinpoints business problems to assistance with establishing family councils or advice about succession issues.

ABFI is the only university-based centre in Canada that explicitly serves the needs of rural business families. Since its launch in 2008, the institute’s Creating Pathways for Entrepreneurial Families project has reached more than 1,100 rural clients in 28 communities. Enrolment continues to grow. “We’ve had incredible feedback and a huge surge of referrals,” says project manager Shauna Feth. “It’s especially gratifying that families are referring other families.”

One goal of the Pathways project is to develop resources and expertise that rural Albertans can access close to home. Program offerings are delivered on site as well as through webcasting, videoconferencing and interactive online chat.

“An important part of our work is leaving resources and developing lending libraries in the communities where we offer courses,” says Feth. “We also run a facilitator accreditation program that trains local experts to deliver courses and work with family businesses.”

“Succession is one of the most important issues for all businesses,” says Steier. “It always has been. But it’s particularly important now, when we look at the cohort of baby boomers approaching retirement. The next decade will see a huge transfer of wealth and assets that’s driven by our demographics.” **CG**

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University of Alberta Professor Lloyd Steier is ranked as the world's leading scholar in family business. Steier is academic director of both the Centre for Family Enterprise and the Alberta Business Family Institute at the University of Alberta School of Business. He teaches in the department of strategic management and organization and is distinguished chair of Entrepreneurship and Family Enterprise.

WORLD'S OLDEST FAMILY BUSINESS IN JAPAN The hotel and spa business Houshi Onsen is the oldest family business in the world. Founded in Japan in 718, it is currently managed by the 46th generation of the founding family. Researchers say the practice of turning sons-in-law into true family insiders broadens the pool for talented managers and successors and contributes to the longevity of Japanese companies.

30% Only 30 per cent of family businesses survive into the second generation. That figure falls to 12 per cent for third-generation succession and three per cent for the next generation and beyond.

U OF A RANKED FIRST IN THE WORLD It is only in the past 30 years that family enterprise has gained recognition as an important field of study. The University of Alberta is a leader in the field. A June 2009 study of the who, what, where and why of family business research ranked the U of A first in the world.

51.0 The *Canada Year Book* published by Statistics Canada reports that, in 2006, 41 per cent of Canada's 327,000 farm operators were aged 55 and over, compared to 29 per cent of the self-employed labour force. The median age of farm operators — 51.0 — was the highest of all occupations and 10 years higher than the median age for the labour force as a whole.

ABFI IS ONE OF ONLY FIVE IN CANADA The Alberta Business Family Institute is one of five centres endowed by the Business Families Foundation, which also supports family enterprise studies at the University of British Columbia, the University of Western Ontario, HEC Montréal and Dalhousie University.

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