

# Family Business



Liberating head, heart and hands of family businesses.

Professor William O'Hara, pre-eminent expert on family business:

*“Before the multinational corporation, there was family business. Before the Industrial Revolution, there was family business. Before the enlightenment of Greece and the empire of Rome, there was family business.”*



## *Family business can be big ...*

Wal-Mart Stores, USA; Discount retail chain

Founded: 1962

Revenues: \$244.5 billion Employees: 1.4 million

From a single store in Arkansas in 1962, founder Sam Walton (d. 1992) and younger brother James L. (Bud) built Wal-Mart into world's largest retailer, with about 4,700 stores today (bigger than Sears, Kmart and J.C. Penney combined). Sam's descendants own about 38%. Sam's son Robson, 59, is now chairman.

*And they last a long time ...*



Kongo Gumi, Construction/Osaka, Japan

Founded: 578; 40th generation

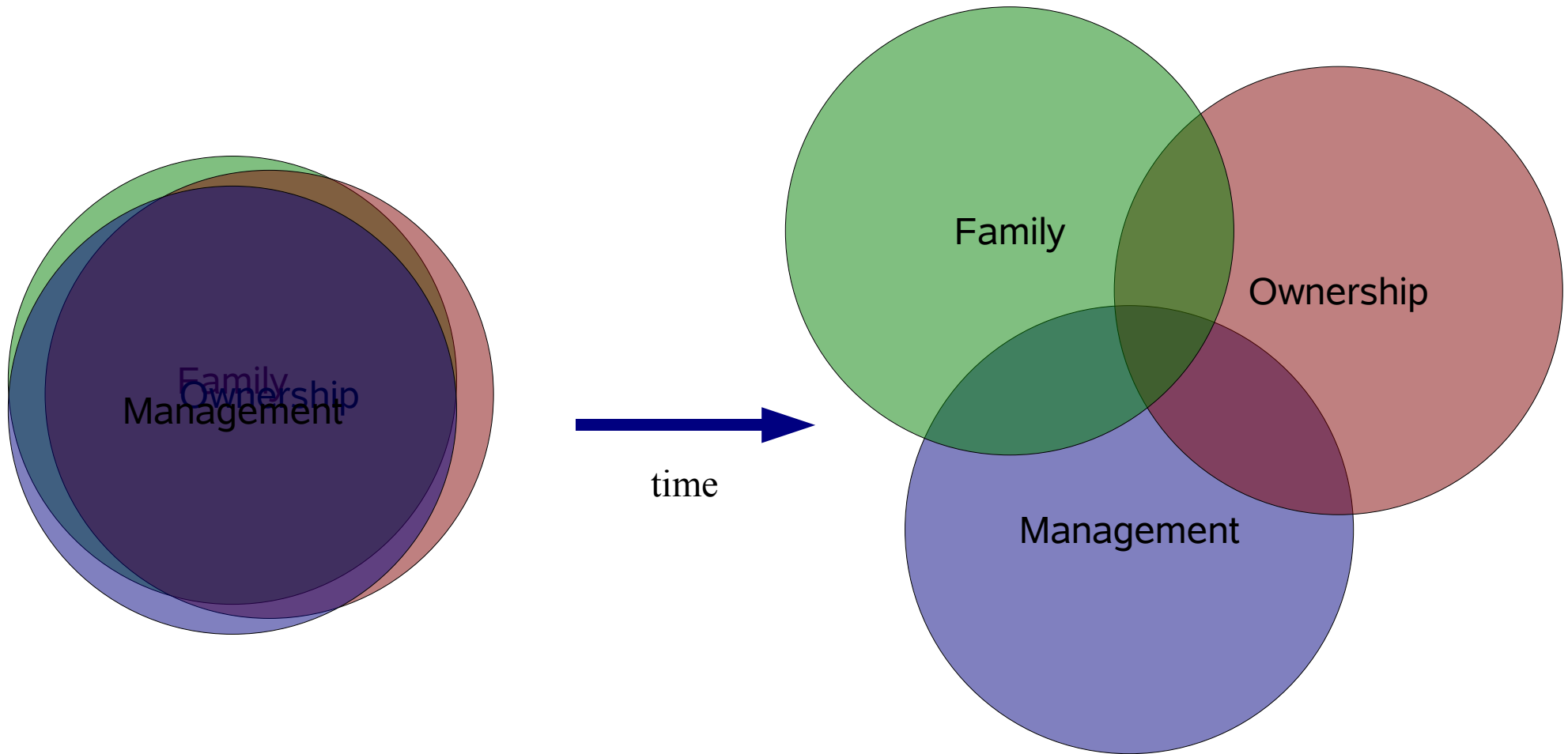
Prince Shotoku brought Kongo family members to Japan from Korea more than 1,400 years ago to build the Buddhist Shitennoji Temple, which still stands. Over the centuries, Kongo Gumi has participated in the construction of many famous buildings, including the 16th-century Osaka castle. Today the family continues to build and repair religious temples and manage general contracting from its Osaka headquarters. Current president is Toshitaka Kongo; his 51-year-old son, Masakazu Kongo, is waiting in the wings.



## *The issues that family businesses face.*

- Succession
- Conflict Resolution
- Leadership and Team Building
- Compensation
- Management
- Financial Management
- Mentoring
- Growth

*Management of family businesses always involves owner and family issues too.*



# *Cohesion and longevity is achieved by common values.*



- Family – generations and relations share values because they grow up in similar environments. Family history acts as a rule book for decisions and provides a business history.
- Ownership – critical to business decisions is the importance owners place on non-financial values, such as work place conditions, community engagement, reputation. Families can provide mature and stable capital, not subject to quarterly whim.
- Management – family and owner values are reflected in management because of up-bringing. Little training is needed.

KEY: ensure values are discussed and shared.

# Family businesses have broader objectives.



	<b>For the Family Firm</b>	<b>For the Non-Family Firm</b>
Purpose	continuity	maximizing near-term share price
Goal	to preserve the assets and reputation of the owning family	to meet institutional investors expectations
Fundamental belief	the first priority is to protect downside risk	more risk promises more return
Strategic Orientation	adaptation	constant growth
Management focus	continuous innovation	incremental improvement
Most important stakeholders	customers and employees	shareholders and management
Business is seen as	a social institution	a disposable asset
Leadership is	stewardship	personal charisma

adapted from  
John Ward, IMD



# Succession: the big number one problem.

- Generation
- Communication
- Competence
- Division of assets
- Tax liability
- Community engagement
- Style changes



Then the young lad respected his father, learned from him, took over running the business without asking for control, and cheerfully supported the old guy through his dotage.



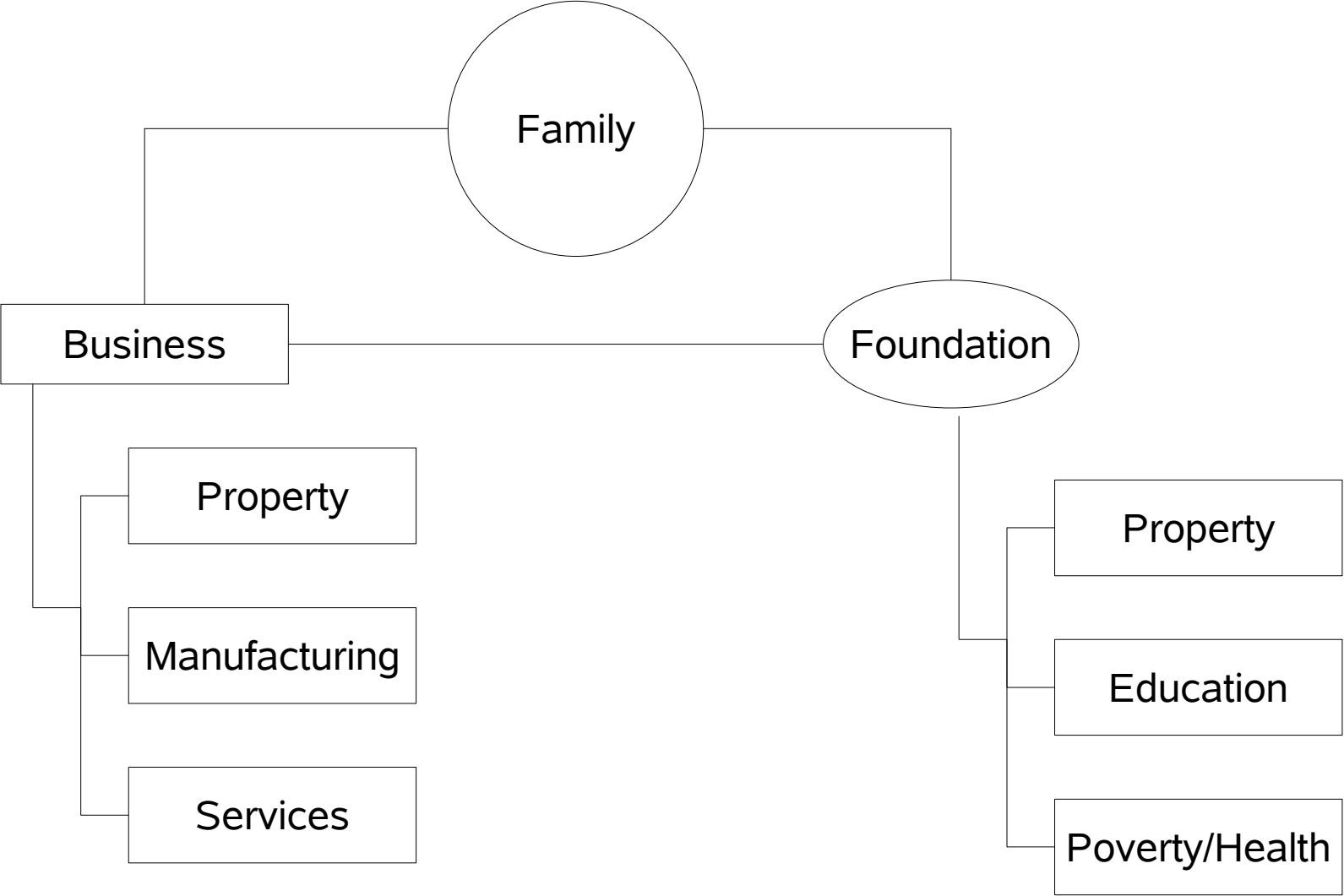
Someday, Son, this will all be yours — unless I can come up with a better solution.



Of course, tomorrow's papers will say you're "eagerly looking forward to retirement" and you turned the reins over to your son with "pride and confidence."



# Organisation is the number 1 technical solution.



# Relationships

*- make or break the family business.*



- Style changes from generation to generation.
- From one to many heads and hearts..
- And then very many.

Stage	Early	Development	Mature
Style	Entrepreneur	Managerial	Professional
Generation	1st	2nd - 3rd	<4th
Number of Family Involved	1	5	20 – 200

# *Communication is the number 1 emotional solution.*



- Draw organisation chart, define roles and responsibilities.
- Define clearly how the organization handles conflict, internal and external. Examine beliefs about conflict - definition of and reaction to conflict usually originates from family experiences.
- Employees should be trained on key communication skills.
  - including the power of non-verbal and verbal communication; giving and receiving feedback; avoiding triangles; and staying objective and managing reactions
- Parallel discussions and decisions (6 hats).
- Executive training – holonic systems.



# *Key Objectives*

- Lesson 1:  
Treat the business like a business,  
the family like a family, and  
ownership with respect.
- Lesson 2:  
Keep in mind the inevitable, constant nature of developmental  
change.



# Process

- Fact finding discussion
  - individual and group sessions to identify issues
- Present issues
  - succession
  - relationship
  - organisation
- Discuss options
- Plan strategy
- Implement

*We offer personal, confidential support from a position of experience.*



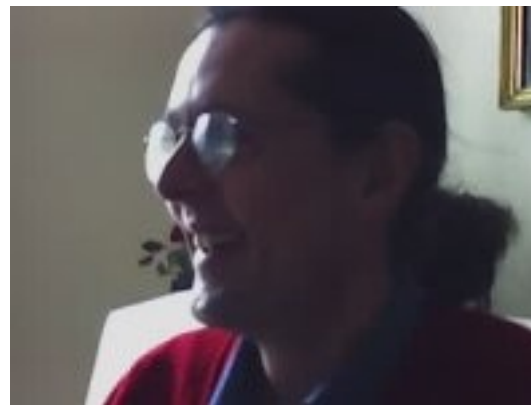
- Family
  - Over 15 generations of family organisation including rise and fall and rejuvenation. Experience in entrepreneurial and development stages, generational transition and succession.
- Ownership
  - We offer expertise and deep experience as an owner and outside investor (VC and listed) in formal and informal organisations in various jurisdictions globally. We incorporate financial planning and public and private market analysis.
- Management
  - We will offer advice in this area, however, this area is the domain of the business and clients are more familiar with their own operating environment. We may recommend acquisition of specific industrial expertise.

# Tom Butler



- Family
  - 14<sup>th</sup> generation. Family traceable ~ 800 years. Significant records. Works in family business.
- Ownership
  - Financial engineer, BScEcon Wharton, EMBA finance lecturer, venture capitalist, portfolio manager, investment analyst, registered advisor.
- Management
  - Owner manager, employee, MBA IMD, holonic systems developer, executive coach, author.

# Tom in pictures ...







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