

The following Fact Sheets are available on line at www.aofp.ca:

1. Becoming an Employer of Choice
2. Employee Turnover
3. Using the Turnover Calculator
4. Fostering Employee Commitment
5. Keeping your Good Employees
6. Employee Engagement
7. Essential Skills
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9. Managing a Family Business
10. Rewards
11. Recruiting Foreign Workers
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13. Employee Empowerment
14. Introducing Technology
15. Effective Appraisals

How can this Fact Sheet help me?

Family owned businesses play a key role in the stability and health of the Canadian economy. In any organization, small or large, family or non-family owned, human resources represent the most important asset and source of sustainable competitive advantage. The set of circumstances that make family businesses unique can be a source of the firm's competitive advantage but also a major challenge. The purpose of this fact sheet is to examine strategies for survival of the business throughout the generations.

Challenges and Opportunities

Family businesses often suffer due to inadequate planning of human resources. The family's values and culture and the structure of the family business make strategic planning more complex than in non-family businesses. Because family members are often involved in the business, family issues often become entangled with business issues, making issues such as succession planning particularly sensitive. Because of this, family businesses often avoid engaging in strategic human resources planning, including developing selection criteria and training potential successors.

ADVANTAGES OF BEST PRACTICES

- More qualified job applicants
- Better trained and informed employees
- Better health and safety practices
- More engaged and productive employees
- Fewer line interruptions
- Fewer product quality problems
- Easier implementation of new technology
- Lower absenteeism and employee turnover
- Higher sales per employee
- Higher market value to book value

Did you know?

Only three out of ten Canadian family firms make it to the second generation and only one out of ten makes it to the third.

Poor workforce management practices, particularly selection, training, and succession planning, may be the main reasons for the high failure rate in family businesses.

Solutions

Family owned businesses should develop:

- A strategic plan, including a clear sense of purpose and values.
- Clear boundaries between the family and the business.
- Agreed upon and appropriate roles and accountabilities for all family members involved in the business (based on merit, skills, interests, education and experience).
- Open and clear communication, including a way of running formalized, effective family meetings or councils.
- A compensation plan that fairly rewards family members for their contributions to the business.
- A performance management system that provides family members involved in the business with candid but supportive feedback and the opportunity to address any shortcomings, with a focus on personal growth and development.
- A high level of trust and an atmosphere of respect amongst both family and non-family managers .
- An effective succession plan, including a progressive mentoring plan for next-generation family members.
- A procedure for effectively resolving differences of opinion and leadership, as well as interpersonal conflicts.
- The means to prevent family problems from becoming business problems.

It is vital that family owned businesses understand the limits of what family members can contribute and know when outside perspectives or professional help is required.

An external advisory board, consultants or external managers can be particularly helpful in:

- Ensuring that an effective business strategy is developed.
- Keeping family members accountable for the implementation of that strategy.
- Conducting performance reviews of family members.
- Constructing an appropriate compensation plan.
- Selecting key successors.

References

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Canadian Association of Family Enterprise (CAFE): <http://www.cafecanada.ca/>

Canadian Federation of Independent Business (CFIB): <http://www.cfib.ca>

The following Fact Sheet may be helpful:

4. Fostering Employee Commitment

This resource is available on line at www.aofp.ca under Workforce Development.

How do I start?

Failure to engage in succession planning is the main cause for the poor survival rate of family businesses. Succession involves transferring the leadership of the family business from one generation to the next to ensure the ownership of the business remains within the family. It is naturally a complex process that takes place over a long period of time. Three key steps are involved:

1. Prepare potential successors for their leadership role at an early age before they actually work for the family business.
2. Integrate potential successors into the family business in different positions to give them a well-rounded understanding of the business.
3. Hand over the control of the family business to the successor.

According to founders and chief executive officers of family businesses, the key qualities of an effective successor include a combination of leadership and management skills, as well as a personal commitment to the family business and respect for others. Specifically, the following qualities are identified:

- Capacity to lead and influence others.
- Ability to make independent decisions.
- Ability to motivate, communicate and resolve conflict effectively.
- Strategic planning skills.
- Understanding of market positioning.
- Financial and general management skills.
- Industry-specific experience.
- Commitment and motivation to lead the family business.
- Respect for and understanding of family members and non-family employees.

By using a formal and strategic process to select a successor, the family business can avoid the bitter family in-fighting that often arises as a result of hiring an incompetent successor.