

The Future of Family Business in South Australia

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Dennis Jaffe

Thinker in Residence 2008



Government
of South Australia

The Future of Family Business in South Australia

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Adelaide Thinker in Residence

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Dennis Jaffe



Dr Dennis Jaffe is a world-recognised leader in the field of family business who has helped families all over the world manage the personal and organisational issues that lead to the successful and fulfilling transfer of businesses, wealth, values, commitments and legacies between generations.

He believes that these are largely human, not financial or legal, challenges that are best addressed by creating clear agreements, effective structures and clear communication within a family and with business employees and other stakeholders. Dr Jaffe strives to work with families to find individual solutions to their unique challenges.

As Professor of Organisational Systems at Saybrook Graduate School in San Francisco, Dr Jaffe created the School's Organisational Systems doctoral program. He is a consultant, licensed psychologist and recipient of the Family Firm Institute's Richard Beckhard Award for contribution to practice.

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Foreword

I am pleased to present the report of internationally renowned family business expert and Adelaide Thinker in Residence, Dr Dennis Jaffe.

In mid-2007, Dr Jaffe brought his insight, knowledge and experience to South Australia as an Adelaide Thinker in Residence. In his report, *The Future of Family Business in South Australia*, Dr Jaffe provides the South Australian community with strategies to develop the next generation of South Australian family businesses.

Family businesses are vital to South Australia's economy and culture. Nationally, 80 percent of Australian businesses are family businesses and our State's estimated 52,000 family businesses are responsible for employing almost 55% of our private sector workforce.

Just like the families that operate them, each family business is unique. In addition to the factors that shape all businesses across Australia, family businesses face all of the challenges and benefit from all of the strengths presented by the dynamics of modern families.

Sustaining family businesses, growing them into second and third generation enterprises, and eventually planning for succession and transfer of ownership requires a level of understanding and a human approach not traditionally applied to organisations.

With his keen appreciation of family businesses and the forces that influence them, Dr Jaffe has explored the unique aspects of the South Australian context and met with an extraordinary number of South Australian families to inform the development of this report.

I commend Dr Jaffe and his report and I thank him for sharing his expertise and his vision for sustaining family business in South Australia.



Mike Rann
Premier of South Australia
January 2008

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Abbreviations

| | |
|--------|---|
| BBS | Better Business Series |
| BEC | Business Enterprise Centre |
| BOCP | Business Owners Coaching Program |
| CEO | Chief Executive Officer |
| DECS | Department of Education and Children's Services |
| DFEEST | Department of Further Education, Employment, Science and Technology |
| DTED | Department of Trade and Economic Development (SA) |
| FBA | Family Business Australia |
| ICAN | Innovative Community Action Network |
| RDB | Regional Development Board |
| SA | South Australia |
| TAFE | Technical and Further Education |

Executive Summary

By invitation of the Government of South Australia, I was an Adelaide Thinker in Residence from June to August 2007.

I have helped families all over the world manage the personal and organisational issues that lead to successful transfer of businesses between generations. My brief as an Adelaide Thinker in Residence was to gain an insight into the issues confronting the estimated 50-60,000 family businesses, small and large, that form the backbone of South Australia's economy, and to map a pathway for sustainability into a future of profound economic, environmental and societal change.

My report places particular emphasis on the complex social and emotional aspects of family business that affect decision making and generational change. I recommend establishing a Business Enterprise Council to rationalise the many groups that provide support to family businesses in South Australia. I advocate targeted information programs and an expansion of the work of the Business Enterprise Centres (BEC) and Regional Development Boards (RDB), and I stress the value of education programs specifically designed around the needs and concerns of present and future family business owners and workers. I see a role for government in funding the development of helping networks, in examining possibilities for reforms in financial, taxation and migration policies, in compiling and analysing accurate data, and in looking for ways of encouraging young people to consider family businesses as viable and desirable work pathways.

A summary of my recommendations appears below.

Recommendations

Many services and resources to help family businesses now and in the future already exist, and my goal is to help them work more effectively together. In some cases this will involve an investment to build the human and social capital of family business. Given the severity of the resource challenges facing the next generation of family business, this investment is the minimum needed to ensure that the vitality of the State's family business infrastructure be sustained.

The recommendations are arranged in three sections:

- **Foundation:** the core groups that define, create and offer services and support to family business
- **Services:** currently available resources and suggestions for how to focus, develop and make them more effective
- **Climate:** creating a positive climate for sustaining myriad family businesses within the State.

The recommendations are accompanied by specific action steps. Each of the recommendations and action steps is explained further in the chapters that follow.

Foundation for supporting South Australian family business

Recommendation 1

That the State create a Family Business Council made up of government, education and industry representatives charged with overseeing the future support and development of family businesses in South Australia. The Council should operate transparently, and should have close links with all relevant government agencies, educational institutions and industry groups.

- Define the group by appointing representatives of stakeholder groups who are fully committed to the task.
- Analyse and define the needs, tasks and costs to implement each recommendation, and prioritise their implementation.
- Develop or delegate tasks to move forward.

Recommendation 2

That the Family Business Council then create and oversee a Family Business Resource Centre in a partnership between government and industry. The long-term aim should be that the Centre be self-sufficient. This joint initiative will help families become aware of their common concerns and find relevant professional resources for learning and skill development, and develop and sponsor programs that promote family enterprise as a precious community resource.

- Define a place for the Centre and fund its operations.
- Gather existing resources.
- Publicise the existence of the Centre and invite families to participate.

Recommendation 3

That the State support the Business Enterprise Centres and Regional Development Boards to reach out and explicitly serve their local community of family businesses with information, advice, ongoing support and programs for successful generational transition which will necessitate, in particular, next generation development. The advisors in these centres should be informed and trained by the Resource Centre in how to help family businesses access appropriate advice, especially in the regional areas. The advisors, information and programs provided through these networks should be linked to the Resource Centre.

- Add family business services to the Charter of the Centres and Boards.
- Offer training to directors and advisors to provide services.
- Define an outreach plan to inform the community of their expanded services.
- Define an initial set of programs for family business.

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Developing comprehensive, effective family business services

Recommendation 4

That the Family Business Council oversee the development of a public awareness campaign about family businesses, their unique issues and their significant contribution to the State. This campaign should target the business community, industry associations and professionals charged with helping businesses.

- Define a public awareness program to spread awareness of the major parts of this report.
- Create learning materials that describe family business services and resources and how to access them.
- Develop a website to gather and present information and resources.

Recommendation 5

That there be an alignment of existing skills development courses that are oriented towards the specific challenges of family business, and that a tiered education system be developed with a range of offerings to various stakeholders, starting with one or two introductory courses for family enterprises, training for skill development of family business advisors, and education for members of the next generation. These educational programs should be overseen by the Family Business Council, developed in conjunction with all relevant stakeholders across the State, publicised through multiple mediums including the Resource Centre, and run regularly throughout the year.

- Convene a development group to create a single (one day or modular three session) course that introduces the basic concepts of family business and the required skills for developing a next generation.
- Expand and develop coaching and peer learning programs for families, including those that focus on next generation successors.
- Offer the course and raise awareness of family business in university courses.

Recommendation 6

That a cadre of advisors be developed from various professions, such as law, accounting, management consulting, counselling/ family therapy and financial planning, who are committed to and trained for working with family business issues and have an understanding of the particular nature and needs of family business. A common training program and supplementary resources should be developed to educate these advisors, after which they be recognised across the State as family business advisors.

- Develop and offer advisor training courses for consultants from various disciplines, especially those connected with BECs/ RDBs, to develop basic skills of working with family business.
- Convene peer learning groups to develop skills of a cadre of advisors.
- Develop a registry of advisors who have skills and commitment to work with family business owners.

A positive climate for a family business future

Recommendation 7

That services be developed that encourage young people to enter into business leadership and ownership, that create a positive mind-set for entering family business (whether their own family's or someone else's), and support their business skill and career development, preparing them for eventual ownership of the State's many family businesses.

- Develop peer learning and educational programs to help young family members make a positive and helpful entry to family business.
- Support the continuation of the network formed by the Youth A-Team.
- Create pathways for business owners to meet and employ young people who might develop into successors.
- Offer coaching for young people and their elders to develop positive working relationships across generations, mentor the younger generation and develop a program for succession.

Recommendation 8

That the State investigate and support new ways of engaging disengaged youth to link with family businesses. Current disengaged youth offers a valuable pool of potential next generation business owners and operators who, without the right support and guidance, might not have considered entering family businesses. Engaging these groups is a positive for the youths, for family businesses and for the community.

- Offer positive mention of opportunities in family business in secondary schools, including internships and visits to family businesses.
- Develop programs to help young people find apprenticeships and employment in smaller family businesses.

Recommendation 9

That the Government of South Australia create a positive economic and social climate for family business continuity, by evaluating tax and financial incentives, and improving the availability of capital for business transfer and development, to help more family businesses survive over the long-term.

- Make the tax system responsive to the needs of families for transfer policies that do not burden the business and do not force the sale of the business to pay taxes.
- Develop sources of capital available to family firms for buying out family members and expanding the business.

Recommendation 10

That the State investigate innovative ways to increase business oriented migration to South Australia. Population trends in South Australia suggest that there are not enough young people interested to work in or take on business ownership.

- Support migration of families who are interested and available to work in smaller family businesses.
- Facilitate the matching of family businesses needing successors with young migrant families. This has particular application in regional areas where the business offers a scarce resource.

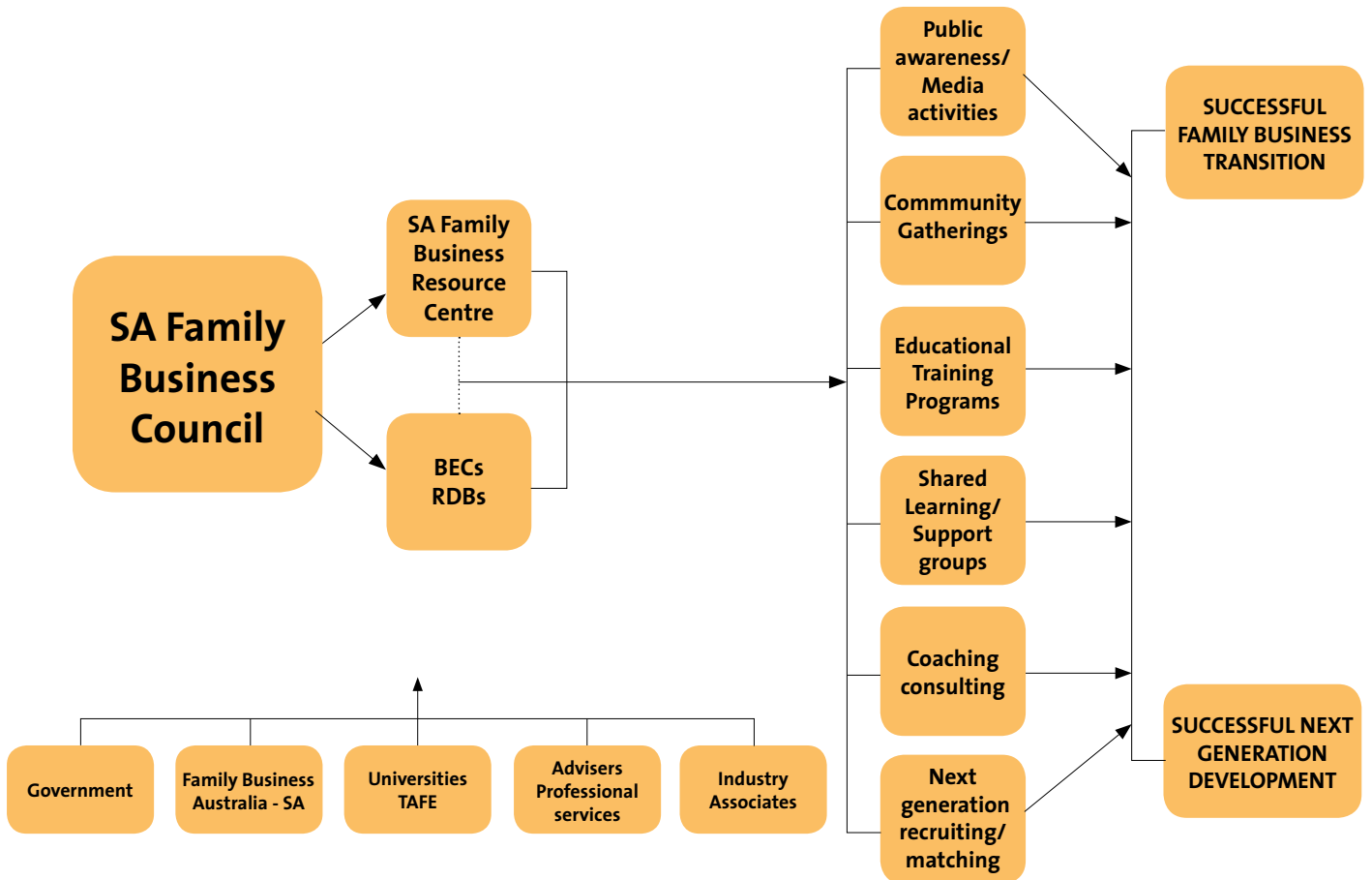
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Recommendation 11

That the State, through university research faculties, invest in research projects that examine the specific challenges facing family businesses and that regularly collect accurate data on family businesses in the State.

- Bring graduate students and faculty into contact with family businesses so that they can design targeted research that deals with practical and current problems facing family business, such as the effects of globalisation, the succession process or the finding of sources of business capital.

These recommendations deal with the wide and varied environment in which family business exists. However, they cannot be treated separately, as each recommendation fits with the others, just as the various centres, services, resources and incentives work together to form a social system that leads to the sustaining and enhancement of the prospects for the diverse family businesses in the State. The following chart presents some of the ways the different elements of my recommendations work together and interact:



Introduction

Family businesses are the backbone of enterprise in South Australia. They can be defined as businesses where two or more family members work in the business and share or expect to share ownership, and want to pass ownership on to the next generation.

Such enterprises include home-based start-ups, retail, real estate, farming, restaurant, service and manufacturing businesses, as well as larger, multi-generational ventures and families with multiple assets and several businesses. With this level of diversity, there are more than 50,000 family businesses in every sector and region of the State. In order for them to survive and achieve the dream of passing on the business, family businesses will need a lot of help and support.

South Australian business environment

- 85,000 businesses in South Australia
- 53,000 family businesses in South Australia that employ almost 55% of the private sector workforce
- 60% of family businesses are projected to change ownership (or exit) in the next 6-10 years

Estimates based on *Small business statistics* (No. 8127.0), Australian Bureau of Statistics, 2004.

In addition to the ordinary challenges of running a successful business, these diverse enterprises share some specific challenges as they prepare for the future. They must manage complex relationships of family and business, and they must work toward a generational succession that respects both family needs and business realities. They have to learn how to resolve family issues of inheritance, sibling recommendation, commitment and capability of the next generation. In addition, like all growing businesses, if family enterprises are to succeed, they must face the demands of a global marketplace and the challenges of growth.

Added to these internal challenges, the economic and social climate of South Australia presents some unique next generation challenges. The declining and ageing population and competing opportunities make the recruitment of a next generation of ownership and management difficult. If they cannot attract family members, family businesses must find succession candidates outside the family. Many family businesses will not be successful in this endeavour.

For these reasons, the Premier invited me to bring together the multiple stakeholders as an Adelaide Thinker in Residence. My task was to generate proposals and a climate for action to help these families to grow and thrive, as businesses and as families, and to enhance and revitalise the State and local economy. In order to achieve this, my report outlines an investment that must be made for their future growth and development. The State must invest in family business for the long-term benefit of the community, as well as augmenting, focusing and aligning resources that already exist.

Introduction

Uncovering the needs of family business

During my residency, I tried to develop a picture of the climate and challenges for family businesses in South Australia. I met individual families, advisors, government staff, and private organisations in and around Adelaide. I gave talks and conducted productive and informative roundtables. I met some remarkable, creative and committed people. I was especially impressed by the small group dialogues that I had with young people, advisors, Business Enterprise Centre leaders, educators, sponsors and inter-departmental government task forces.

The following are the major events of my residency:

- meetings throughout the State with a diversity of almost 100 family businesses
- briefings and exchanges with many government agencies that acquainted me with the economic and cultural climate, and the multiple ways that government intersects with the concerns of family business
- a five-session tutorial program for twelve family business advisors, with the goal of developing their skills to help families. Through dialogue with members of this group I gained important insights and was introduced to families and resources
- acting as a resource for the Office of Youth A-Team, a group of young people from business, education and government, who pursued the question of how family business could best facilitate the entry of the next generation

- workshops with networks of business, education and government representing the Business Enterprise Centre and Regional Development Board networks, Family Business Australia-SA chapter, educators from local universities, programs for at risk young people, and developers of educational programs for family business. I visited Whyalla, Murraylands, Riverlands, Barossa, McLaren Vale and several areas in Adelaide, to make sure that I met a wide variety of businesses
- conversations with several groups of families where I heard about their concerns, challenges and successes.

These many dialogues have given me a full-colour picture of the concerns and challenges facing business families as well as the many stakeholders who care about family businesses, and the extent of both needs and available resources that can support their growth and development. My focus is to build on what already exists, rather than create new institutions and initiatives. My goal is to focus, organise, target, develop and align the multiple groups that impact family business to create a strong and vibrant family business community now and for the future.

There are many ways to look at the interconnected needs, opportunities and resources in South Australia. The complex environment consists of businesses and resources, such as professional advisors, educational leaders, and government executives. It consists of community networks, sources of funding, programs, tax and economic incentives for various actions like business transfer, and the general awareness within the community of how to get things done.

While each element provides something of value, the ways they interact and affect each other make up the ecology of the region. These elements must be looked at as a whole system, not as isolated parts. Indeed, many of the problems facing family business arise from the ways that the various elements do and do not align with each other.

To create a community that responds to the needs of family business where and when they arise, certain key elements of the system must be in place. The question I have been asking is:

'How can family businesses get the help and support they need to work at an optimal level to enrich the community?'

This report is my response to that question.

The South Australian family business environment

While family businesses are a feature of all cultures and countries, each individual region has a particular ecology and developmental path, forged by the particular historical, economic, social and governmental climate within which family businesses emerge. South Australian family businesses share certain unique qualities and challenges.

Like many developing regions, South Australia's early (19th century) history involved the centrality of a small group of wealthy, property owning families. While these families amassed great wealth over a handful of generations, few of those families have sustained a focused family enterprise, and their family members have been absorbed into many other kinds of work.

They were replaced in economic and social importance by a generation of small business creators who built exceptionally varied and vibrant commercial, service, food and agriculture, and manufacturing businesses. Alongside the established auto industries and growing defence and natural resource industries, this family business infrastructure is the mainstay of today's affluent and liveable commercial and social environment.

Reliable data

Throughout my residency I have come across conflicting reports about the numbers of family businesses in the State, ranging from 52,000 to over 60,000. To get a better picture of who these families are and what they do, I recommend that the State invest in data collection specifically about family business.

In 2006 the RMIT University in Victoria undertook a family business survey on behalf of MGI*. Throughout my report I draw upon some valuable insights from this survey, many of which I was able to confirm through the issues and ideas that I encountered during my residency. Another useful survey undertaken in Australia over recent years is the *KPMG and Family Business Australia Survey of Family Business Needs 2006*.

*Smyrnios, KX and Dana, L (2006) *MGI Family and private business survey 2006*, RMIT University

The proposed Family Business Resource Centre should be the central 'hub' for all past, current and future collection of family business data. The Resource Centre should be responsible for commissioning reports, surveys, and work with other groups that are engaged in research on family businesses.

Today the family businesses of South Australia include small home-based start-ups run by several family members, family farms, wineries, retailers and restaurants, skilled services and larger manufacturing enterprises. While the majority of family firms are small in terms of economic base, they include a significant number of larger firms. Although many family businesses started less than a generation ago, there are many well known family businesses that are a century or more in age, some of which are honoured in the Hall of Fame by the Family Business Australia-SA chapter. Whatever their size, they share the challenge of the transition into the next generation of management and ownership.

Family businesses in South Australia are a social and economic resource that is as crucial as the natural environment. Yet, like water, the resource of successors who are ready, willing and able to create the next generation in family businesses is scarce. This human capital must be cultivated and conserved. While individuals invest in their own family businesses, the State should strongly consider the impact of a timely and targeted investment in these resources as presented here.

Population trends in South Australia

The proportion of older residents in South Australia continues to increase and the proportion of younger people continues to decline.

- South Australia's median age (the age at which half the population is older and half is younger) continues to be the highest of all states and territories in Australia.
- South Australia had the lowest proportion of its population aged 0 to 14 years (18.4%) of all states and territories.
- The proportion of the South Australian population aged 65 years and over was the highest among all states and territories at 15.2% (234,800 people).
- South Australia had the highest proportion of people aged 85 years and over for any state or territory, at 1.9% of the total State population. Nationally this proportion was 1.5%.

Australian Bureau of Statistics, 2005, *Population by age and sex* (No. 3235.4.55.001), South Australia

Today, several large societal forces act on family businesses. First, the ageing of the baby boomer families who founded many of these businesses is creating pressure to consider the fate of the business into the next generation. The population of South Australia is either stable or even declining slightly, which means that the pool of possible successors is not as great as is desirable. There is a limited pool of candidates who have the skill and the will to take over. These businesses need to face the reality and the challenges of generational succession. The older generation needs to step back, either by retiring or by finding other ways to work, and let the next generation take over. While many families look for successors within the family, and many find them, the reality is that an equal or greater number of businesses will have to look beyond the family for the next generation of talent.

Succession in a family business has a layer of complexity not found in other businesses. The older and younger generations are members of a single family and the issues of family competition, communication, preparation, mentoring, ownership and management of differences must be faced as both family and business dimensions. Many businesses need help in dealing with these communication and transition issues. They need practical tools to help them during the times of family and business crisis, conflict or transition. Since they are mainly smaller businesses, these tools need to be delivered in their communities or through readily available materials.

The South Australian family business environment

But some businesses face the challenge that the next generation does not want to take over, so the business founders are not sure how to ensure the future of their business. There are conflicting economic pressures to support the older generation's retirement, as well as the families of the successors, and also capitalise the future of the business. Complicating matters further, some businesses must face up to a world where competitors can come from anywhere in the globe. The global workplace offers threats and opportunities.

That is made more complex by the alternative attractions that are emerging for the younger generation. First, in South Australia young people tend to travel and see other parts of Australia and the world once they have completed their secondary or tertiary education, and these far off places exert a natural attraction to those from a small and somewhat isolated region.

Second, the coming boom in mining is an economic gorilla that actively competes for their attention. How can a family business compete with the wages offered by the mines? And with prosperity comes an increase in the value of the dollar, which in turn makes small manufacturing, food and other export businesses less able to compete against lower cost providers.

The *KPMG and Family Business Australia Survey of Family Business Needs 2007* offers some insight into the ways that families avoid facing up to the realities of succession.

- 45% of business owners are aged between 50-64
- 45% business owners are aged between 30-49
- 70% would like to pass the business to the next generation, while 25% would like to sell on the open market
- 79% have not decided on a successor
- only 25% have a formal succession plan, while 9% have no intention of introducing a formal succession plan

A study by the University of Adelaide (*'Towards an understanding of the significance of family business closures in South Australia'*, Institute of Social Research, 2005) suggests that there is a great social cost to business failure, even of a small family business. In a region, a failure can lead to a loss of important services or commerce. The loss of jobs and livelihood is greater than the gain of a corresponding new start-up business. So the investment in sustaining family business should be balanced with new business development.

Governments offer economic and social incentives and services that can either support or hinder these efforts. Taxes on business transfer can help or hinder passing ownership within the family. In South Australia, there seems to be a relatively benign climate for business succession, so that onerous or threatening taxes do not undermine these transfers.

Business Enterprise Centres and Regional Development Boards form a local focus for business support, education and development (see later sections), and they can be used as a jumping off place for family business services. My view is that the best way to support the sustaining of family businesses is to offer educational and social support services that can be used by individual businesses to resolve their challenges of succession and sustainability. The recent work of Geoff Mulgan as Adelaide Thinker in Residence on social innovation suggests that creating social learning involves education on what is possible, and then help in making use of these ideas. I would hope that my residency can provide such social innovation networks in the area of family business.

Family business and South Australia's Strategic Plan

The issues surrounding family business should be a major concern in the policies and politics governing this State. As family businesses are a significant part of the economy, the success or failure of family businesses can impact upon the State's economic performance and upon the targets in South Australia's Strategic Plan. (See www.stateplan.sa.gov.au)

Any interruption or effect on the business community in South Australia will undoubtedly have an impact on family businesses. With that in mind it stands to reason that certain targets in South Australia's Strategic Plan have the potential to impact on families businesses, such as:

- River Murray salinity
- sustainable water supply
- greenhouse gas emission reduction
- business innovation
- creative industries
- employing people with disabilities
- regional population levels
- business investment.

Family businesses are important to the economy, and how successful or unsuccessful family businesses are will affect many people. Family businesses are not a separate discipline but a vital part of the State's economy and community.

What I learned from 100 family businesses

One of the greatest pleasures of my residency was the opportunity to travel about and meet with nearly 100 family businesses, representing the entire range of family enterprise for the State. I visited many families at their workplace and in most cases I was able to speak to several family members, often representing different generations.

As a sociologist and anthropologist, the way that I conduct research is not by statistical analysis of business data, but by talking in person to families about their business concerns, what they have done and what they feel they need to do in the future.

The recommendations and the body of my report derive from these conversations which are always in mind as I envision how these wonderful families can receive help and support to become sustainable over the coming generation.

The focus of my conversations is not to define the 'problems' facing businesses and how to solve them. My intention is firstly to understand what they have done well, and what they have learned, which might become experience and wisdom for others. I also feel that even the most successful family business faces distinct challenges in the coming years. Their insights into the nature of these challenges and what they are doing help me to define what further things might be done to help them.

The focus in this chapter will not seem like a traditional business discussion. In fact, a range of business challenges, from start-up to diversification and becoming a public company, are represented here. As family

businesses, what they have in common is family relationships, legacy and involvement in the ownership, control and management of the business. Therefore, while recognising that these are businesses that face all the usual business problems, I will focus on the family challenges that I heard.

A list of challenges

From the businesses and talks with professional advisors, I can present a consensus list of the most common challenges. This list should be the backbone of a course or program.

1. Work and lifestyle

- Work-life balance: not being able to escape the business at home. No time for other things.

2. Facing up to family/emotional issues

- Issues that families don't deal with: problems of performance, personal dysfunction, rivalry that are known but too emotionally fraught to talk about. They are underground and grow in intensity and negativity as time goes on.
- The older member of the second generation begins work with unrealistic assumptions about the future that are not talked about (for example, inheriting ownership of business).

3. Working relationships, skill and motivation of next generation

- Work ethic: some younger family members don't want to work hard, don't see the need for it.
- Sibling rivalry: family members who work in business but who do not work well together and cannot resolve their differences.
- Lack of competence or severe dysfunction (for example, drugs, alcohol or emotional problems that affect work relationships) in next generation employee.

4. Business development and planning

- Developing professional management and control systems in a growing business.
- Finding capital to develop or expand the business.

5. Succession in family and business

- Older generation does not let go or plan for succession; is not willing to transfer power or authority to the next generation.
- Whether to have succession within the family or hire a professional manager.

6. Inheritance, financial resources and business transfer

- Parents need money to retire, while business needs investment to develop and meet current business challenges.
- Being fair to family members who work in and who do not work in the business in relation to inheritance.
- How to diversify as a family into other businesses.
- Whether to sell or carry on the business. How to make that decision.

This chapter is organised according to some of the major themes that I heard. I have no way of knowing how many businesses a theme represents, but since I encountered each one several times in my sample of 100, I assume that they are shared by a significant cross-section of families in the State. In fact, the themes I heard are similar to those of family businesses around the world.

What I learned from 100 family businesses

Couples and home-based start-up businesses

I met many couples, young and middle-aged, who are starting businesses at home, as well as small retail, restaurant and franchise businesses. I consider a couple working together to be a family business. I heard about businesses that were started up by one person at home and soon grew to the point where the spouse was needed to 'help out' while they worked at another job. Many family businesses grow randomly without planning and, as the work expands, other family members are around to pitch in. They solve immediate problems but are not clear about ownership, which becomes problematic in the future. They need to return and look at what they have done and either clarify or change it.

Couples working together find great joy and pressure in that arrangement. Sometimes a couple ends up working together opportunistically. In one case the wife started the business, and when her husband lost his job, she invited him to join her. Other family members followed. The challenge in this case was that the authority in the business was different than that of the family. The couple had to learn to make the adjustment from one relationship to the other.

Another pattern is for a mid-life couple to leave their jobs and start a franchise or home-based business. They enjoy being together and seek the opportunity, but the demands of the business can make it hard for them to find personal time together. Couples working in new businesses need to make plans for quality time, just as new parents do. In fact, if they have young children or plan to have them, the addition of children can further upset the balance of work and life.

Growth and entry of a next generation

Many businesses remain marginal, and never grow to include other family members. However, those that are successful present other problems. Family members move into roles often without clear thought and planning. A business start-up is run according to the personal style of the founder, and the founder can succeed even with limited business skills. Over time, the business grows and there are both family and business challenges to face.

On a business front, the business needs to be profitable. Easily said, but several family businesses found this out the hard way. After initial success, the business founder added people, from the family and outside, and expanded. The problem came when the founder discovered that they weren't making money. There were several accounts of having to ramp down, focus and limit, or learn about financial management in order to move from managing by cash to profit.

As a business grows, a parent looks to his or her sons or daughters to move into the business. In some families this is a carefully planned event, with a clear role and plan for the entering youth. This is especially true in a family where there is a single family member taking on this role. If the family member has the competence and the motivation, the stage is set for a fruitful partnership.

The family issue is the development of a working relationship. A father and son (the most frequent pair, though increasingly daughters are entering in this role) may have a contentious or mixed relationship. Being a parent is different from being an employer. It is difficult for the elder to give good feedback to the young person, and for the young person to get help without feeling criticised. Parents and offspring often need special help in mentoring and working together, so as to work through and not avoid the real issues. Some families have more than one family member of the next generation enter. In some families, in-laws, and cousins work in the business. Now issues of rivalry (older and younger siblings), or competition, of different family status (can an in-law have more authority than a child?) emerge. In one family, a younger brother with little self-confidence had worked up to a position of authority and his father contemplated asking his older brother to enter. The son had always felt overshadowed by his older brother and the father felt his younger son would be devastated by this move. Yet there was a clear need for the older brother's skills. The challenge was how to manage the entry, deal with the feelings, and determine what sort of authority and working roles the sons would have with each other.

What I learned from 100 family businesses

A key challenge for a family business is to manage the entry of each family member. The family needs help to define a working relationship with the people with whom they have a long personal relationship. There are family as well as business rivalries and competition that must be managed, as well as problems of performance on the job. There are problems in dealing with personal difficulties in next generation employees. This is where advisors are quite helpful.

In general, the owners of a family business are concerned with the growth, development and livelihood of all their offspring. They are not just breeding grounds for new business talent. As such, the family has an interest in using its means to help each young person gain an education and prepare for a good career. The challenge for the family is for its offspring to decide whether it makes sense for them to enter the business, and for the business to determine if the young person is the best fit.

At the time of entry, differing expectations may be held by each family member about eventual leadership and ownership of the business. A family business often moves forward with no agreements between generations. This can lead to conflict, bitterness, disappointment or even family feuds and lawsuits years later. A family business may need help to create agreements and discuss differences of opinion or work together to plan the future.

Sibling teams

I visited a large number of second generation family businesses where a team of siblings, usually brothers, worked together.

When there is more than one next generation family member in the business, the shift is from a single owner/operator to a family team, where one sibling may be the formal leader. The shift in style from a single founder/autocrat to a team is one that can be difficult for a family. Firstly, the team has to deal with the legacy of the founder/owner. The second generation team may not own the business, or own only a part of it, and while they expect to inherit ownership, they often must share power with the founder/parent. In addition, their own working relationship may contain elements of family rivalry and competition. One older son, who is a second generation leader, reported that while he feels he works with his brothers, they would say that they work for him.

The addition of daughters to the mixture, as is happening in more and more families, adds further complexity to the equation. Old gender patterns of boys having more power and authority, or not being able to share power with a sister, may challenge their relationships. The older generation may place less value on daughters who may find that they have to work much harder to demonstrate that they can be full partners in the business.

When it succeeds, the family team works out a pattern of clear roles and business responsibilities, which often bring in complementary skills that were not part of the earlier generation. In talking to some families

reaching their third or fourth generation, the existence of strong sibling teams is a factor in their success. The second generation is able to innovate and develop the business far beyond the expectations of the founders. In some families, the real growth and success of a business comes in the second generation. One second generation entrepreneur who worked with his brother reported that his first act was to call his parents by their first names.

What do families need to navigate these issues? My conversations with families focused on the need to communicate about these issues by meeting as a family. Advisors from various disciplines – financial planning, accounting, management consulting, and even counselling – each have skills for families having such meetings. Very often, one or two meetings are not enough; a family has to have regular meetings to make and carry out its plans.

Families emphasised the need to talk about what they want from the future for their family and their business. They can plan that there will be a time for changing of the generation guard, and they can define the rules and expectations for the process. While it may be premature to decide who will take over the business, the family can agree on some ground-rules for how that will occur, who will decide and when it will happen.

What I learned from 100 family businesses

Succession dynamics

For many years in a family business there may be a comfortable cross-generational team. The parent/founders work comfortably with the next generation successors in a form of teamwork that yields gradual shifting of power and authority to the next generation.

While a family business faces succession issues like any business, their nature as a family business makes succession more complicated. The family has several levels of succession: family members grow from childhood to adults and form their own families, the business needs new leadership and management in order to grow, or at least sustain itself, and the ownership needs to shift to the next generation.

Management succession in the business has to do with who should be the formal leader of the business and, if there are other family owners, how much power the leader should have. The CEO works for the owners, who may be the other family members. So the question arises whether the CEO/leader will have majority control of the business or have to share power with other family owners. If these other owners are also working in the business, the issue of who has control is important.

The question of ownership and inheritance is about more than power. The business starts out providing a livelihood to one family. As the family members grow up and work in the business, it has to grow and be profitable enough to provide now for two or more families. There may be other family members

who expect or depend upon income from the business. Therefore, who owns the business is important. As parents age, they may want retirement income from the business, which they may get by not giving but selling the business to some members of the next generation. The one or two family members who operate the business may also want to buy out the other siblings or family owners.

It is a lucky family that has a successor from within the family who is ready, willing and able to take over. Many families do not have capable or willing family members in the next generation, and therefore face an even deeper succession crisis. Such family businesses have taken several paths. Some have hired non-family leaders, while the family retains ownership and exercises oversight through membership on the board of directors. Some businesses run the risk of just ending when the founder is no longer able to work. But other families have found that a non-family successor – a young person from their community or from an immigrant family – may lead to a new leader who can operate the business and even buy it from the family, giving them some return on their long-term investment. The challenge is to create a marketplace where families can find possible successors and the support to make the partnership work both ways.

Balancing the needs for capital, business transfer, finding next generation leadership inside or outside of the family, and dealing with fairness and equality among family heirs, is a dizzying task for anyone. The difficulty is that advisors are often skilled in one or other dimension of this challenge, but not in all of them. For example, an advisor might present

a plan to maximise value of the business but may not take into account family issues in succession, or the reverse. Family business advisors must be able to help families deal with the full complexity of issues.

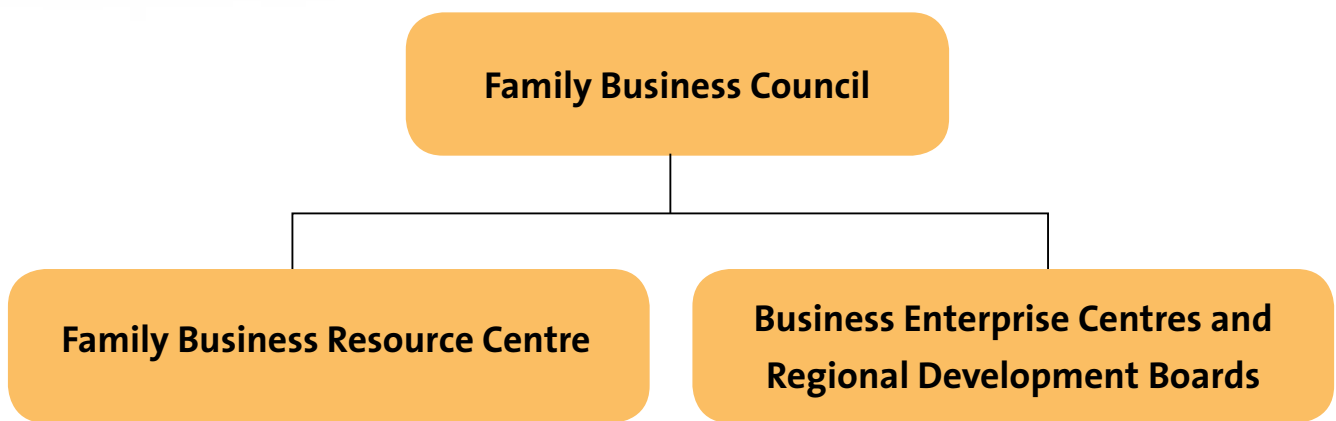
Another resource that some families have created is having a board of directors that includes some independent non-family members. The board can act as a resource and maybe a buffer, between different family factions, individuals or generations. They can help the family use good business reasons for their decisions and help family members to see what is best for the business. I met several families facing generational transition who were appointing board members from outside the family.

Meeting the challenges

There is no silver bullet for helping family businesses meet the complex challenges of the future. The usual business advisors can be helpful up to a point, but to really meet the needs of family businesses, there is a need for learning and skills that transcend business development. Family business needs support not just for the business, but for the family.

Foundation for supporting South Australian family business

The first step towards a sustainable ecology for South Australian family businesses is to build a foundation, a central focus, where resources can be designed, developed and offered clearly and consistently, and where families can learn to look for them. The following set of structures can provide that foundation.



The Family Business Council

Recommendation 1

That the State create a **Family Business Council** made up of government, education and industry representatives charged with overseeing the future support and development of family businesses in South Australia. The Council should operate transparently, and should have close links with all relevant government agencies, educational institutions and industry groups.

All my recommendations are intended to support family business as a community of interest, value and concern to the State. The resources currently available are underdeveloped and fragmented. They need to be focused, aligned, targeted and enhanced. Just as many successful business families employ their individual, personal 'family business council' to coordinate and integrate their family, business management and ownership systems, so the State needs an overarching Council to organise services for a successful South Australian community of family businesses.

This Council cannot represent a single entity or government department; it is in the nature of family businesses that their concerns span those of government, business, educational and professional services. Therefore, the program defined here must be established under the stewardship of a multi-disciplinary entity which can manage the complexity

of interests and communities that make up and serve family business. This hub would be chartered by the State and called the Family Business Council. The Council might contain representatives of the organisations that sponsored my residency.

The Council would be responsible for overseeing the development of family businesses as they evolve to meet the current challenges of transition. The Council would begin its work by gathering resources and acting as an advocate for family business, and then make sure that the various elements of the community defined in this report act together.

The actual form of the Council – its membership, meeting times and scope of its work – would be defined in its Charter. My main recommendation is that this be an executive group providing services, not an advisory group. The group would define and delegate the actual services to families and would serve as a quality control and reference point.

Foundation for supporting South Australian family business

Family Business Resource Centre

Recommendation 2

That the Family Business Council then create and oversee a **Family Business Resource Centre** in partnership with government and industry. The long-term aim should be that the Centre be self-sufficient. This joint initiative will help families become aware of their common concerns, find relevant professional resources for learning and skill development, and develop and sponsor programs that promote family enterprise as a precious community resource.

In any pluralistic society there is a range of resources to help family businesses. There are public and private efforts, and various services that grow up to serve their needs. In South Australia the government is a primary resource for services and support, but what is available exists in many places. DTED, DFEEST, DECS, and other government agencies provide some of the social and economic services to family businesses. For this reason, I encountered a conundrum that faces many people in such a society:

- how is a family, at the moment when they become aware of a need and reach a crisis, to know where to go and what is available?
- where does a family go to ask for help?

Related to that is the challenge of timing: what if a family needs help now and a program, service or course is offered in a different region or at a different time of year? While there are

some settings (primarily the BEC and RDBs) where access is clear and generally known in the community, there is no central place for a family to go for knowledge, services and education.

The Family Business Resource Centre should have a physical location and offer a useful and informative website. It should also provide direct phone access to resource people who can talk to concerned families who may not be sure what they want or what they are seeking. The Centre would be the entry process for all sorts of resources.

The Centre should bring all services, information and programs from the State into a central location. It should build on current information and nothing should be redeveloped if it already exists in a usable format for families.

The Resource Centre should not just be reactive. It should include pro-active ways of communicating to family businesses, through a public awareness campaign (Recommendation 4) and coordination of various ways of reaching out to families.

Out of these recommendations the Resource Centre could undertake activities such as:

- gathering information about services that exist within and outside the State
- developing a mailing list to inform of services and activities
- developing and providing courses and learning materials that could be offered, for example, at community centres
- helping individual family businesses find an advisor or find help
- sponsoring and partnering new next generation programs and other activities (as they do with the Hall of Fame) that help the community of family businesses become aware of each other
- designing a brochure for communicating what is offered. It could be divided into what is offered in South Australia and what is accessible nationally but initiated elsewhere.

Relevant models: Family business networks and associations

How can a community reach out to its family businesses and offer a positive, inviting message about what might be done and what is possible? In the United States, it has become quite common for a city to have a voluntary association or network of family businesses. The leading and successful family businesses in an area know each other and become concerned that other families, like their own, face issues of bringing the next generation into the business, surviving as an independent business, and dealing with family differences and relationships. Some of them are reaching a stage of life where they have more time for public service, want to help other families with issues they have struggled with and share

what they have learned. In fact, this happened in South Australia when Ray Michell and others came together to form Family Business Services South Australia Inc in 1992. Such networks would be an important part of the Resource Centre and an important resource to help counsel family businesses.

These networks follow a common sequence of development. First a small group of elders gets together to share common concerns. They decide to create an organisation that reaches out to other families with similar concerns. They initiate public events where prominent families in the community share their experience as a family in business, maybe inviting speakers from a university or business advisors to present a workshop. Seeing activities initiated by peers serves as a strong message that they are, in fact, a community. Resources might also include advice about what might be done, such as creating a succession or estate plan, having a family conversation, creating family governance agreements, etc.

Foundation for supporting South Australian family business

Family Business Australia

Family Business Australia (FBA)-SA has a long history, a strong organisation, and already provides a variety of services. As a private non-government entity, it provides an important service and has partnered with government and university in efforts to reach family business. I suggest that it might be a logical group within which to locate the proposed Family Business Resource Centre.

FBA-SA is a state-wide resource which offers a variety of services including:

- a website with concepts, resources and key ideas
- telephone and email directory to other resource centres, including advisors
- monthly meetings that introduce family businesses to key ideas and resources
- special events like FBA Awards which benchmark family business best practice and the Hall of Fame to celebrate notable family businesses
- an annual conference bringing together many families and resources
- a network of advisors who provide family business professional development and consult to family businesses
- family business forums where a small number of families facing similar challenges meet on an ongoing basis to learn together with the support and guidance of a facilitator
- outreach to associations and community groups providing speakers and programs
- training and development for next generation family members

These services should be offered through the Resource Centre. What FBA-SA can offer is very much limited by its resources and small staff. I recommend that the example of public/private partnership that led to my residency be maintained and empowered to create a permanent centre for family business resources and services. It might be linked to the BEC/RDB for local services, but the Centre would be a major supplier and resource for these centres. They might not only offer their own programs, but be a central information resource about programs run by DFEEST, DTED, TAFE and other providers.

Its gatherings allow members of the community to experience the success and best practices of long-lasting family businesses. For example, I attended its Hall of Fame event where exemplary families were recognised for their achievements as a multi-generational family business. While it was well attended, it was clear that many other families might have benefited by attending if they had known about it.

Business Enterprise Centres/Regional Development Boards

Recommendation 3

That the State support the Business Enterprise Centres and Regional Development Boards to reach out and explicitly serve their local community of family businesses with information, advice, ongoing support and programs for successful generational transition which will necessitate, in particular, next generation development. The advisors in these centres should be informed and trained by the Resource Centre in how to help family businesses access appropriate advice, especially in the regional areas. The advisors, information and programs provided through these networks should be linked to the Resource Centre.

Although they may operate nationally or globally, the great majority of South Australian family businesses are local, based in a home community. The networks of Business Enterprise Centres in Adelaide and the Regional Development Boards around the State form a local presence where any business can go for counsel and to connect with resources. Like a family doctor, the BEC/RDB networks are the go-to resource with a leader who is known and respected in the community. Each Centre has a local board, and local presence. It can be proactive and reach out and create activities that help its local businesses grow and develop. I propose that the Centres make their already

existing support to family businesses more explicit and that they further develop relevant programs, resources and outreach in their locale. Many of my recommendations can best be implemented within these centres, which are a unique and special resource that already exists in South Australia.

While there is no clear characterisation of the diversity of family businesses in South Australia, it is clear that the great majority of them are small to medium sized. They include family start-ups that are based within a community, and therefore would be most likely to view the local community as a place to find help. Each community contains a Business Enterprise Centre or Regional Development Board that serves small business in that area (22 in all in South Australia). The directors are experienced business people who are active in the local community, and are incredibly knowledgeable about the business needs of the area, and resources and tools that are available.

These Centres are like wise elders, who are available by phone and in person to a business owner to listen, advise and connect to resources as needed. In addition, each Centre offers a program that grows out of the needs of the area. Some of them include a business incubator or offer specialised programs for core issues like business development or home-based business. They teach basic business skills and help businesses find resources and advisors. They are funded by both State and local government, and supplemented by fees for services, which makes them adaptive and improvisational in responding to unique needs.

Each Centre has a board of local business

Foundation for supporting South Australian family business

leaders and, while they share programs and services, each Centre has developed its own style and special focus. The group of 22 meet regularly to share new ideas and best practices. I was able to visit nearly half of the Centres, meeting with several family businesses at each one. I facilitated a workshop for all the Centres to share best practices for innovation, some of which are reflected here.

The services of these Centres are already much utilised by family business. They provide courses, consultation, ongoing coaching, and sometimes incubators and support groups for businesses. They have some common programs, such as coaching or courses that are part of the DTED Better Business Series (BBS), a group of courses that teach basic skills of starting, running and growing a business. Each Centre selects courses to offer and engages a trained local advisor to provide them. While BBS contains three courses specifically designed for family business, they are not offered very frequently nor are they well attended.

Some BECs offer business incubators that provide a home for start-up businesses. In one incubator I met two family businesses, one of which remained there and had received help and support as the father brought his son into the business. His son joined a next generation group at the incubator and met other young people entering family businesses. Another business had just moved out of the incubator, as it had expanded by buying a larger business. The founder/father had one son in the business and was seeking guidance from the BEC in how to bring in his second son without generating sibling rivalry.

Pro-active focus for community outreach

What is most innovative about these Centres is the way that many of them have been able to reach out pro-actively to businesses in their community. While a few Centres have tried to conduct a face-to-face census in order to understand the needs of businesses on an individual basis, they are constrained by lack of funding and resources. When a business owner voices a need or needs advice, they are able to arrange a meeting, help the business owner understand what he or she needs, and then locate the local advisor with the requisite capabilities. They are a community centre for business growth and development.

They realise that it is essential for them to contact individual businesses and ask them to come. They might perhaps offer a quarterly evening that brings some successful family businesses to talk to others about what they have done. From experience, I would suggest that rather than offer a presentation on a problem, an informal meeting which includes a panel discussion of well known local family businesses, where the older and younger generations share their stories and talk about what they did to be successful, is the best way to energise their community about their services and what they can do. At the end of the meeting, the director can talk about what they offer to help families achieve the same success.

With additional funding, each Centre could develop a family business space with resource material and offer the services of a family business trained advisor under part-time contract. The advisor could help assemble a mailing list of family businesses in the area, and maybe send them a quarterly newsletter with useful materials and activities. They might have an annual or bi-annual evenings or workshops for family businesses, which would introduce them to the Centre and its offerings. Only in this individual way can the family be led to understand their nature as a family business, and then to overcome their reticence about seeking help.

Centres estimate that between one-third and one-half of their clientele can already be viewed as family business. However, they are not explicitly charged with serving family business and they could be more explicit about this in terms of how they present themselves in the community and what they do. For example, some Centres reported that many requests they receive are not explicitly defined family business problems, but rather requests from family businesses for traditional business advice. But in discussion they realised that it may be that families do not feel comfortable or it does not seem relevant to talk about the family aspects of their business. If the business advisor at the Centre was knowledgeable about the unique nature of family business, he or she could help the family open up to that dimension of their enterprise. Not all advisors have this special capability.

To offer more targeted and explicit family business services, Centre directors and advisors will need to augment their skills with understanding of the role of family dynamics on business roles, development and succession. Helpfully, these elements are the focus of programs offered at BEC/RDBs as part of the Better Business Series.

Advisors who are knowledgeable about family business issues could be part of a training program offered by the Family Business Resource Centre that would introduce the unique challenges of advising family business (see later section on advisors). Every one has a group of dedicated advisors who are available to businesses, and each one could have at least one advisor who specialises and is trained in family business.

Foundation for supporting South Australian family business

An expanded program for business families

Each Centre has considerable latitude to innovate and develop offerings tailored to its local community. The most creative and effective programs are those which organise a small group of businesses, that commit to meeting regularly (usually once a month) over the course of a year. These groups might include only family businesses or, as they have at one Centre, be composed of young members of the second generation who are considering entering their family business. This program at one Centre was so successful that the young people who attended decided to remain together as a support group and were invited to join the local Chamber of Commerce as a group. They have also reached out to recruit other young business successors to join their group.

Another area where the Centres have been active is in the area of work-life balance. Every business owner struggles with the time demands of a growing business. When the business is home-based or run by a couple, the pressures of work can overwhelm their personal relationship. The Centres offer programs in work-life balance and find that this issue comes up in many of their networks.

One RDB business advisor talked about a program where she reached out to a specific local community of grape growers. By reaching out to them, many of whom were small family farmers and did not think of themselves as family business owners, they were able to learn about common problems and begin to define themselves as a local interest group. They have named a business leader and begun to

think about their common needs as a defined community.

Another director talked about getting families together and finding a common purpose. One young next generation citrus grower talked about meeting another young man in a similar situation and how they had joined forces to market their fruit globally, and might eventually even merge their companies. Another director talked about how family members might join together like these two young men, and perhaps combine their businesses as a way to make them viable for the next generation.

To summarise, the major areas that each Centre could pursue are as follows:

- reach out to local family businesses and invite them to introductory programs
- offer general and skill-based courses to members of family business
- utilise peer learning – intensive coaching/mentoring programs that include small groups of like-minded businesses and individual coaching/mentoring
- offer similar programs for members of the next generation of family businesses to help them develop and move into leadership
- create local networking opportunities where members of family business can find resources such as young people to enter their business, partners who can work with them and maybe share marketing or other efforts, and a matching program where business buyers and sellers can find each other.

The creation of a central Family Business Resource Centre would not detract from the importance of the BEC and RDB networks. These networks are a significant creative resource to help all business enterprises and are a significant focal point, especially in the regional areas. Both the BEC/RDB networks and the FBA-SA offer direct services to family businesses. While to a certain degree it can be said that the FBA serves larger businesses and the networks smaller ones, that is not strictly the case. There is some overlap and the two groups could work together to provide services in several ways. First, the programs and resources of FBA-SA could be offered at BECs and RDBs. Also, individual families contacting FBA-SA could be referred to local networks where appropriate.

Developing comprehensive, effective family business services

Many educational, advisory and developmental resources for family business are scattered throughout government and the community but their presence is not known to many of the families who could use them. These services can be offered in a 'one-stop shop' statewide through the Family Business Resource Centre and locally through the network of BEC/RDBs. The next set of recommendations concerns enhancing, aligning and developing these services.

Generating public awareness of family business challenges

Recommendation 4

That the Family Business Council oversee the development of a public awareness campaign about family businesses, their unique issues and their significant contribution to the State. This campaign should target the business community, industry associations and professionals charged with helping businesses.

In South Australia, the thousands of family businesses are largely unaware that they are a community joined together by virtue of dealing every day with family members working together and sharing ownership and a desire to see their businesses survive and thrive into the next generation. While they face many common challenges, too many family businesses avoid them or put off dealing with them. They feel they are so busy they don't have time to deal with them or just don't know how to find help and support.

The first priority I would recommend for the Family Business Resource Centre is to create a campaign for public awareness of the common issues facing family business, that will help these businesses learn what they can do to make a difference, and become aware of the range of resources that are available to them.

This campaign must reach out in various ways using various media. While the common obstacles to long-term family business success can often be overcome, many families do not know that they can be helped, or even that they have a problem.

Difficulties of reaching family business

As a community, family business encompasses such diversity that many, perhaps a majority, fail to understand that they have something in common. If you ask a business person if they are a family business, many businesses where family members work side by side, or older generations want to pass on the reins to the next generation, would say, 'No we aren't. We are a restaurant, or a contractor, or a manufacturer, but not really a family business.' Others acknowledge they are family businesses but do not understand all the ways that their family relationships impact on the business and how these impacts might be addressed and modified. Family businesses, like families in general, are private and don't ordinarily talk to others about their challenges or difficulties.

While efforts have been made to provide services to family businesses, it has been reported that when for example, a course or workshop is offered, few families attend. There are several reasons why these resources don't reach their intended audience. This includes:

- family businesses have a different perspective on their needs
- they don't see themselves as family businesses
- they don't see their issues as those that can be addressed or that they can be helped at all
- they don't like to talk about their personal problems
- they avoid current problems and fail to foresee their impact in the future.

Time and access are an issue. They report that they have a hard time finding time to get help. Often, also, they don't know what is available or what is possible. Resources are not clearly announced as available, or not offered at relevant times. So before a family can utilise an available resource, it has to be accessible, they have to make time for it, and it has to come at the time when they need it and are receptive.

Furthermore, the nature of families often makes the message difficult to receive. Many families don't want to come to a program where they have to admit to a personal problem. In addition, the issues are often emotional and sometimes advisors don't know how to open up a family discussion of such issues. These things become barriers that keep a family that needs help from reaching it.

So, while families seek out various business resources, the major challenges they face might be hidden, avoided or not discussed. It follows, therefore, that the first intervention into the family business community must involve events, materials and information that enables families to realise that their problems are shared, common and resolvable.

Some general qualities of these public events seem to fuel their success.

First, rather than have an 'expert' present solutions, the first order of business is for families to see what is possible. These sessions should focus on the positive – what can be achieved – rather than the problems – what gets in the way. Families are hard to reach, and they may be put off if they feel blamed

Developing comprehensive, effective family business services

for having conflicts or problems. It is much more effective to have families present what they have done, in a format that promotes exchange, than to have a lecture. After attending this kind of presentation, I heard several families say 'I didn't know there were others facing these dilemmas'.

Second, these presentations can't just be announced. In local communities the group who convenes the gatherings will need to reach out actively to families who they know might benefit. Families who are presenting should issue personal invitations. The event provides an opportunity to reach out and help the family business community become aware of itself.

Public awareness events are the first step in organising services because the families that attend can learn what courses, coaching, and resources are available, and what they might do to develop their capability.

Industry associations and BECs/RDBs must be made more aware of family business issues, how to identify them, respond to them, and the resources that are available for families. Industry associations and BECs/RDBs will then be in a position to create further awareness among their clients and members about family issues and help them deal with them.

The Resource Centre could reach out to industry groups and offer talks, workshops and lead panel discussions to build awareness among them, and present available resources and support for family businesses.

Greater awareness must exist among government agencies and policy makers about the importance of family businesses to the State and the significant issues they are facing. The Family Business Council should have an agenda about how to reach particular government departments, to make them aware of family businesses, and why government must consider their needs and issues in policy development.

Using media to reach out

It has been suggested that identifying the special place of family business and making them aware of who they are and what they can do can be the subject of a multi-faceted public awareness campaign.

Newspapers, radio and television can highlight family business successes and also their conflicts, challenges and family feuds. During my residency, I had opportunities to reach out to the community in many media including local publications in various regions. These efforts can help busy families learn how to face common challenges.

While traditional media are accessible and important, no media or branding effort is complete without attention to online media and having a web presence. Family Business Australia has a website that families can utilise to find out about local family business resources and events.

The Family Business Council, through the Resource Centre, should design common branding for family businesses to be used across the State. This common branding would be used in any media campaign and by the Resource Centre, industry associations, BECs/RDBs, government and educational providers. Family businesses should be able to identify the branding and associate certain locations and groups as a source of help and support.

Aligning educational resources

Recommendation 5

That there be an alignment of existing skills development courses that are oriented towards the specific challenges of family business, and a tiered education system be developed with a range of offerings to various stakeholders, starting with one or two introductory courses for family enterprises, training for skill development of family business advisors, and education for members of the next generation. These educational programs should be overseen by the Family Business Council, developed in conjunction with all relevant stakeholders across the State, publicised through multiple mediums including the Resource Centre, and run regularly throughout the year.

Educational efforts offer a major pathway for family businesses to develop skills and learn best practices. Courses and workshops are needed for each of the following target audiences:

- family business owners need help in communicating and planning for their family futures
- young people, the emerging new generation of family business participants, want help on how to make the choice to join the family business and develop their capability
- family business advisors from various disciplines (academia, consulting, counselling, financial planning, accounting and law) need further skills to work with inter-generational families.

These programs could best be developed by the Resource Centre and made available through various local centres, FBA and tertiary institutions.

Learning needs of family business

Some assumptions about learning and training need to be questioned in order to be useful to family business. Skill based training courses are based on a premise that there is a particular skill that can be defined, learned and then used for making a difference in the business. For example, courses have been designed for family businesses in areas like creating a business plan or dealing with succession; these courses have been offered but not well subscribed. In addition to these clearly defined business skills, family business people seek softer skills like communication, dealing with family conflict, and deciding the future direction and ownership of the business, which cannot be learned in a simple skill development course.

Developing comprehensive, effective family business services

A second issue is that courses are designed with the assumption that one person in the business will do the learning and develop the skill. But in a family business, people need to learn together, so that skills developed reside in the processes between people, not with one individual alone.

A third assumption is that a family business will wait to take a course when it is offered, and where it is offered. Yet the urgency of family business may mean that they will not be free at the time or cannot wait until a course is offered. They need help in a crisis or at a certain time, but they also need help that can be delivered in their own community. For all these reasons, a traditional course format may not be optimal for family business needs.

As we have seen, family businesses need help in dealing with ways that family issues spill over into the business and vice versa. However, while families say they want to learn how to deal with these issues, they don't view them as skills. This is for several reasons.

The first thing that is needed by a family business (across the great diversity of sizes and types) is a course that offers a general perspective, a common language and set of concepts to understand what happens in a family business. Family businesses need to learn about these things:

- the boundary between family and business, and how relationships cross that boundary and get confused
- the common stages of family evolution, and how they fit with the evolution of the business

- how to communicate as a family, and how to get together to manage differences
- how family members can enter a business, what agreements can be made, and how family members can deal with disagreements.

These are not business skills, but rather they concern the basic nature of the family business.

Consulting firm Square Holes was commissioned to use focus groups and a survey to uncover a clear picture of the training needs required for family businesses. Their report found that family businesses desire learning with the following qualities:

- face-to-face interaction should be at the forefront; online training should be used as a supporting mechanism only
- the facilitators used should have business, preferably family business, experience
- the training should have relevance to their business
- networking, forums, support groups and mentors should be used
- facilitators/guest speakers should be people who are working in senior management roles so as to inspire others
- there should be flexibility in completing the course. Some would like to complete a single subject or subjects to fill skill gaps and others see the importance of acquiring a qualification
- the course should cover a mix of general business and family business topics
- negotiation, problem solving and conflict resolution skills should be included.

Existing courses

There are multiple places where a family business member might go for education about best practices, to develop skills and acquire tools to improve and support a family business. At this time, several providers have begun to design or improve existing courses to help family businesses develop skills, including:

- DFEEST and its network of registered training providers (for example, TAFE and David Foreman Associates) offer several accredited courses for family business (Plan and manage growth in a family business, Plan for family business succession, and Manage relationships in a family business)
- DTED offers three courses in their Better Business Series that are aimed specifically at family businesses and that have content partially aimed at family business, but only small numbers have taken advantage of them
- the University of Adelaide has a postgraduate elective course for Masters (MBA) degree students
- the FBA has developed a half-day course which is being piloted and will be offered in South Australia
- BEC/RDB centres offer informal gatherings and workshops for family business.

While these courses are positively evaluated, they do not have a high sign up rate. This is curious as the need for them seems to be clear. There are several apparent reasons for this lack of take up.

First of all, there is no central registry where a family business can go to find out what is being offered, when, and what the content of the course will be. So, if a family business has a need, there is almost no chance that they will find a timely and useful course or program. Also, the places where they are offered may not be accessible to family business, or they may not be offered at the time that it is needed.

Secondly, the courses select topics that may not be specific to family business needs. Rather than several courses, attention should be paid to making one course with good materials, accessible graphics, and relevant activities and applications.

Thirdly, the courses focus on problems and challenges that may not resonate with many families even though they clearly want help. Several versions of some courses exist, each with some fine elements, and they need some further development and testing to be of optimal value.

Finally, the instructors have differing levels of skill in delivery and for the most part are not directly acquainted with family business. The courses are offered by different providers, in different places and they are not widely advertised.

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Proposal for new courses

I propose that rather than only offering skill-based business courses, which have not been popular for family business owners, several educational entities should collaborate through the Family Business Council to create and offer a single, overview course on the fundamental issues facing a family business as it moves between generations and offer some tools for navigation. It could be designed through a collaborative effort of government, education and business groups, building on the materials that already exist, which seem to be needlessly duplicated. None of the current offerings is designed as a general introduction for family businesses.

This course could have a common syllabus, with good quality learning materials, including visuals, a workbook, and learning guides, and could be offered as a one day course, a modular course, a program that is part of individual coaching, and even an online course. The same basic course could be adopted for a variety of media. The course should have a generic title, such as *Meeting the Challenge of Family Members Working Together through Generations*, which would have the broadest possible appeal and have a positive focus. It would replace the current multiple under-utilised offerings.

A suggested outline for such a course can be found at the end of this section.

Discussions with my residency Partners indicates that there is also a significant need for a longer (perhaps 2-3 day) intensive program, probably aimed at larger families (in business and in family size). This course would bring a group of family members, perhaps crossing generations and including non-family leaders, together to explore the intersections of family, business and ownership. This intensive program could grow out of the proposed one-day introductory program, with the addition of intensive personal and group learning activities, and could be offered by FBA or the universities.

The members of the Youth A-Team group cited the need for a self-learning course on how to create family agreements about the family business. This course could be delivered once or twice a year at each BEC/RDB centre. It could be a two or three evening course, or a one day program, which is the minimum amount of time needed to deliver enough content to be useful. As part of the program, local family businesses could be part of a panel and talk about what they have done, which would be positive, supportive and inspirational to other family businesses.

The Family Business Council should oversee the development of the courses, how the courses should be run, by whom and when. This work should be carried out by the Resource Centre.

Peer learning

One type of program that has been consistently attractive to family businesses (and all businesses) is the Business Owners Coaching Program (BOCP), delivered by DTED through the BECs/RBDs. This program brings together a group of about ten business owners, many of them family businesses, to work together intensively through a guided curriculum in a safe and confidential environment. They meet for ten sessions as a group, and, with a trained leader, go through a series of exercises to explore issues and develop their business. By working together they learn from each other and they form a close group that sometimes continues to meet after the program. In addition to the group sessions, there are another ten individual sessions with the coach.

Programs like BOCP offer business owners an opportunity to make sure that the concepts are applied, and that the specific obstacles that are encountered are overcome. In a workshop run for BECs/RDBs several directors and advisors told how they had worked in this way with family businesses on the family dimension of their business. The BECs/RDBs would be better able to serve family businesses with this program if they could create coaching programs that consisted of a whole group of family businesses, and had a coach who was explicitly trained to respond not just to business issues but to the family challenges that affect their business.

Another option to help family businesses is to develop programs where several family members attend together.

A greater understanding of family business issues by the BECs/RBDs would mean they could ask relevant questions when meeting the family – about the future of the business, about career and personal development of the next generation, and about the desired plans for each member of the family, and how they would all work together to make them come to pass.

This basic peer learning model operates in other places where networks like this become intense and productive learning groups forming the backbone of family business growth and development. In the BEC/RDB network, there have been similar business forums and programs are proposed in the area of business succession.

FBA also offers similar forums, facilitated by a person experienced in family business issues and dynamics. Their family business forums are very similar in design to the coaching program, but instead of being time limited, they are on-going. There are currently two forums operating in South Australia and more are in development, including one that is targeted specifically at the next generation moving into their family business. I envision that these peer learning networks can be offered in many forms throughout South Australia. This model is the best way to provide services that lead to learning and the application of the learning to business challenges.

Developing comprehensive, effective family business services

Universities: Award programs for the next generation

Many young people, some of whom come from their own family business, form the next generation who might work in family business. Unfortunately, business education has a tendency to emphasise larger, public corporations rather than smaller or family business. This leads to the impression that public corporations are more important and more substantial than family business, which is not the case.

There is a need for business education to focus more on family business, with courses that specifically focus on the challenges and opportunities in family business. Such a course has been offered as an elective course at the University of Adelaide. While the course has struggled to find students, there is evidence that many students in university business programs come from family businesses. The university should continue to offer this course and publicise it in order to begin to attract more family business successors. Other schools have found that over time, people hear about the course and seek it out.

Another way that business education can relate to family business is by making sure that its existence and composition is mentioned in all their courses. Too often business forgets its origins as family business and the relevance of families in the background of many businesses. If students were made aware of this as they consider careers, they might consider family business more seriously and place a higher value on their own or other family businesses.

Creating networks of qualified advisors

Recommendation 6

That a cadre of advisors be developed from various professions, such as law, accounting, management consulting, counselling/ family therapy and financial planning, who are committed to and trained for working with family business issues and have an understanding of the particular nature and needs of family business. A common training program and supplementary resources should be developed to educate these advisors, after which they be recognised across the State as family business advisors.

Owing to the special, personal nature of the challenges facing family business, a family usually needs more than a course or program to help them overcome a challenge in family relationships or the future of their business. Families seek out personal advisors, coaches or management consultants.

To serve the needs of family businesses, advisors who understand the special nature of family business and how family and business issues are intertwined, must be developed and available. These advisors would come primarily from two places.

First, they are members of professional disciplines who have taken the added time to learn and apply their skills to the special needs of families. Second, they are a group of elders, senior members of business families who have learned by doing, who have grown up and served their families, and who now have the time and commitment to offer help to other families. This community of advisors needs to seek out professional development opportunities so that their skills and capability can be honed.

Training and development for advisors

Advisors to family business exist in many professions including law, accounting, business consulting, financial advising, wealth management, and coaching, counselling and family therapy. There is also a need for the business trained BEC/RDB directors and advisors to develop their understanding of the family dimension of family business.

In addition to the skills of their discipline, each advisor needs to learn how to be sensitive to issues related to family. For example, they need to learn how a family approaches ownership in the next generation. Some members of the family work in the business, while others work elsewhere. How will ownership be divided, and how do different family members feel about who should inherit ownership? Another issue is how family members enter, work together, and are compensated, evaluated and developed. It is very difficult for family members to also be business partners. There is an emerging body of knowledge about family governance structures – family mission, vision and values, family councils, boards of directors, family agreements

and constitutions, and larger gatherings of business families – that transcends individual professions.

Advisors from every professional discipline have to learn the basic concepts of family dynamics for family business. They need to learn how the history of a family (which existed long before the business) affects their business decisions, hopes and plans. The family is an emotional unit, not necessarily a rational or task-focused one, and the advisor has to learn how to deal with the emotional process of a family. They have to learn how to manage a family get-together to discuss an emotional business issue, which can be a huge hurdle for a family business.

While each one has a particular set of skills to offer, there are some general concepts, tools and ideas that all these professions share when they work with family business. These are starting to be shared and learned in several training programs and networks that have been set up.

There have been some successful workshops for advisors offered by FBA and the universities. Plans are under way to bring courses from the international organisation of family business advisors, Family Firm Institute, to Australia in partnership with FBA.

Developing comprehensive, effective family business services

During my residency, I led a tutorial group of advisors who met fortnightly to share basic skills of working with families and of individual experiences with families. The group explored the following areas by presenting their own work to the others:

- assessing a family business as a whole system
- entering the family business and presenting a plan for consulting
- convening a family meeting
- dealing with family conflict
- creating family governance systems to help families make decisions
- planning for family succession.

The group affirmed that while each profession brings its own skills and tools to a family business, there is a need for different types of advisors to learn together and develop a set of common skills and tools for families. The sessions were videotaped; so the curriculum we offered can be offered to other advisors.

Family Business Australia-SA chapter has a category of membership for advisors. A group of advisors who meet monthly is beginning a dedicated learning group that would have the explicit focus of developing the skills to serve business families. I feel that an advisor needs to participate in such a group in order to develop his or her skills.

There have been several attempts to compile a register of family business consultants who have general skills and might be called upon to work with families on succession and family business issues. In every region, the BECs/RDBs have one or two dedicated or available consultants who can work with families, and many of the centre leaders have extensive

experience in this area. There is a need to make relevant consultants available to families, and also to help the advisors develop their general skills. Some regions report that they do not have a local expert advisor.

The community of family business elders

A unique group has been instrumental in drawing positive attention to the special role of family business in South Australia. These are leaders, most often second, third or later generation heirs of noted family businesses, who have begun to move beyond serving their family businesses to promoting, supporting and advocating for other family businesses in the community. Their input is implicit on every page of this report, and in every activity. They have stepped forward to act as mentors to other families, to help initiate activities like the Family Business Forums for other family leaders, and for emerging next generation family members. This pioneer group has in turn brought forward other elders to take a role in the wider community. This group can be helpful as advisors in several ways:

- they can be part of programs at various BEC/RDB events
- they can help create other family networks and groups of businesses getting together to learn and grow
- they can act as mentors and coaches helping a family move through a tough spot or crisis
- they can help to train and sensitise advisors to their unique problems as family businesses.

Proposed family business course curriculum

Here is a set of key topics that can be part of a basic curriculum for families in an awareness/training program, conducted in one day, over several evenings, or online .

1. What is a family business?

- Defining them
- Why they have problems: intersection of family and business realms
- Why they fail
- What you have to learn to be effective in a family business

2. The three systems of family business

- Family, business and ownership: how they differ
- Defining who belongs where, and what their interests are
- What sort of governance does each system have?
- Looking at how these relationships change across boundaries

3. Advising roles: For advisors only

- Expert vs process consulting
- The various disciplines that help family business
- Working together to help a family
- Engaging the family: defining the task, gathering the family together

4. The legacy of the family

- How family rules and relationships influence the business
- Creating your family tree
- Looking at family patterns and ways of relating
- Work family balance: how to have a life in a family business

5. Entering the family business

- How other family members and the next generation begin to work
- Defining roles and responsibilities
- Moving from family to business roles

6. Family communication

- Dealing with awkward and difficult issues
- Talking directly to each other
- Dealing with different perceptions of what is fair and reasonable
- Convening a family meeting

7. Family agreements

- Creating explicit agreements within the family
- Defining vision, values and mission for the future
- Setting rules about employment, money, inheritance and succession
- A family constitution

8. Developing the next generation

- Entry and moving from job to career
- Different siblings and cousins in the business
- Deciding to work in the family business
- Personal development plans for individuals
- From founder to sibling partnership

9. Succession and family transitions

- Defining the future: different visions
- Engaging issues across generations
- Creating a business and family vision
- Developing skills and commitment of next generation
- Next generation options: transfer, inheritance or purchase

A positive climate for a family business future

Government, education and industry are key factors that shape the community and create positive and negative incentives that support or frustrate family business succession. This section of the recommendations asserts that positive incentives can create a much needed framework through which positive environments can flourish.

Support for the selection, entry and development of the next generation

Recommendation 7

That services be developed that encourage young people to enter into business leadership and ownership, that create a positive mind-set for entering family business (whether their own family or someone else's), and support their business skill and career development, preparing them for eventual ownership of the State's many family businesses.

After succeeding for a period of time, a family business faces a critical transition. Family members who operate a successful business want it to continue as a source of value, which may mean employing members of the next generation and passing ownership to them. Therefore, a process is needed for sustaining the value of the business as it moves between generations.

It is natural for the older generation to look to their children to enter the business and preserve its benefits into the next generation. If children have entered the business, the

two generations working together face the challenge of passing on power, authority, control and ownership. If children do not enter the business the family face the question of who will run the business and who will own it. There may be other family members who might step in and there may be a need to explore other options. Many families do not know how to manage this transition, or they encounter difficulty or conflict as they embark on this journey. At this point a majority of family businesses fail, go out of business or are sold.

The economic vitality of the State and individual families depends on managing this transition process in a positive, productive and thoughtful way. From a statistical perspective, successful intra-family transition of management is only achieved in the minority of family businesses. Therefore, pathways to finding a younger generation to operate and in many cases buy the business must be located and navigated if the business is to survive. This means that there must be ways for non-family successors to find suitable family businesses.

Challenges facing the successful transition

South Australia has a limited pool of next generation candidates. Young people are a scarce and precious natural resource and there are not enough of them to meet demand. In addition to the challenges posed by the State's ageing population and attracting young adults from interstate, young South Australians are often drawn to travelling or finding work interstate and overseas. Efforts must be made to bring back young people who have left, and attract others to the region.

South Australia also faces employment challenges for the next generation of family businesses. The growing mining sector may offer immediate and lucrative employment for young people with only minimal skills and experience. In the short-term it seems hard for family business to compete with this siren song of opportunity, which we can assume will take some young people away from family businesses.

Another set of challenges relates to the future of the business. Globalisation, competition and the need for investment may impact on the sustainability of family businesses. There may be intra-generational conflict between the need to maintain the traditions of the family business and the younger generation's desires for change and development. In order to insure the future of the business, families may require help to resolve these issues and find ways to support both generations.

As the founding generation of a business enters middle age, it also faces difficult transitions. In order to fund their retirement, founding members will need to ensure that there is enough value in the family business. Those with children may want them to continue the business but might find that the next generation is not ready, willing or able to take on this role. Difficulties revolving around family dynamics, including roles, timetables, financial arrangements and ownership can also make the successor unhappy and unwilling. As previously discussed, those without children will face other difficulties relating to selecting appropriate successors. In short, operators of family businesses should be prepared for the possibility that potential successors may not be adequately prepared for the role.

Entering the family business offers a curious mix of opportunities and limitations for young people. In the short-term, the family business may not offer the salary, challenge or excitement of other choices. However, the chance to inherit ownership and the value already invested in the family business may present an unforeseen long-term payoff. It should also be noted that many eventual heirs leave family businesses for several years to develop their skills and experience before returning.

However, given the competing attractions and challenges, the chances that the majority of the 50,000 or so family businesses in South Australia will find a next generation within the family are slight. If these businesses are to continue, they must either be sold or find a successor from outside the family. The high

A positive climate for a family business future

rate of unemployment among young people in certain areas of the State may present an indirect solution to this problem, particularly if these young South Australians are interested, developed and prepared to work in a family business. Young people may have further incentive to join a family business if there is the possibility of succeeding owners who do not have suitably motivated family members of their own.

Schools can play a vital role in increasing awareness among young people about the opportunities offered by family business. At present, secondary schools often focus on careers with large corporate employers, making little or no mention of working for small or family businesses. Inviting parents who operate family businesses to talk to classes at their children's schools could combat this education gap, as could encouraging families to invite students to visit their businesses and perhaps offering part-time employment and internships. The awareness of opportunities for both next generation in the family and for other potential successors begins early in school. If family business operators are presented as role models, young people will remember and potentially emulate them later.

To increase the likelihood and numbers of young people joining family businesses, the skills and attitudes of young people need to change and the willingness and openness of the family businesses to help them take on successor roles needs attention. Achieving these objectives is a four phase process. First, the two groups must become aware of each other. Second, they must understand what each offers to the other. Third, young people

must develop the skills to be employed in the business. Fourth, employers must explore what could make them an employer of choice for young people. For young people this often means developing work-readiness skills, such as punctuality, patience, dependability, positive attitude and willingness to learn, as well as skills specific to the family business. Similarly, business owners must learn how to attract and work with young people who may have different values and will benefit from mentoring.

Therefore, two major opportunities for young people and family business need to be addressed:

- maximising the attraction and retention of family heirs in their family's businesses
- recruiting and placing non-family youth in businesses that do not have heirs.

Heir development

Heirs tend to be young people who have grown up in the presence of their family business, which may be both a benefit and a curse. They see the economic and community opportunities and benefits that the business brings, but they also may see long hours, lack of work/life balance, a low and at times unpredictable salary, and a business that is perhaps stable but without growth potential. Others have a business with growth potential or a very positive standing in the community that is attractive to them. However, whatever they see, an energetic, educated and capable young person is keenly aware of other options. Young people often want to see the world and have some other work experience.

That said, there are ways to help young people make the choice to enter the family business and to ensure a mutually satisfying development path for both generations. In this residency, a Youth A-Team of under 26 year olds was developed by the Office for Youth. This group of twelve young people represented several family businesses, universities and government departments, and met intensively to explore the opportunities for the next generation in a family business. In particular, they explored two major issues in detail:

1. Retaining young people/second generation in the business:
 - creating positive conditions
 - creating a vision for the future
 - work/life balance.
2. Managing the process for succession:
 - how to buy into the business
 - transfer of knowledge and power.

The A-Team's recommendations include the following:

- develop a family charter kit
- develop a family business mentoring program
- expand services to family businesses
- raise awareness of family business assistance groups
- offer work experience in other businesses.

The A-Team's full report is available at: www.officeforyouth.sa.gov.au/Policy/OfYATeam/tabid/422/Default.aspx

The Business Accelerator Program is another interesting network of young people. It included about a dozen young family business heirs who met monthly to develop skills and to talk about the process of working in a family business. Participants found it to be of such value that they agreed to continue as a group after the initial year, and have been asked as a group to join the local Chamber of Commerce as their junior branch. Today the Business Accelerator Program is a much sought after resource and it is anticipated that its membership will double in the next year. The success of programs such as the A-Team and the Business Accelerator Program suggests that, given the opportunity and good outreach, a significant need can be tapped in this community.

Attracting young people to family business

Although many family businesses would like to have a successor within the family, the biological reality is that many of them will not. To ensure the longevity of the business, it is essential that families that do not have a likely successor in place make a priority of recruiting young people who, over time and with guidance, could take over the business. This is a particular need for smaller businesses, those that rely on skilled workers, or people who have long years of specific experience. A family business cannot simply recruit a successor; if the business is to endure and flourish then the successor must be grown from within the business.

A positive climate for a family business future

Therefore, succession begins with the selection, training and development of young people in roles as apprentices and journeyman workers, well before the event itself occurs. This presents a significant challenge. All small family businesses must recruit far in advance to get a person who has the necessary skills and personality to 'fit' the business they are joining. As one home-based business owner pointed out, this is quite a task. He said that he had had a dozen apprentices in a small manufacturing business, and that each one decided to go and work in the mines after a year or so of work. He was frustrated and ready to give up trying to find a successor and instead was thinking of closing down the business when he retired.

There are several actions to encourage the selection, placement and training of young people into family business. First, schools can make young people aware of the existence of such opportunities, by extending visits and talks to opportunities with small family businesses. Second, there should be opportunities for prospective employees to meet business owners and learn more about what they do. Third, there should be a matching program through which young people can spend time learning about possible placements and business owners can learn about the young person. Finally, when a young person is placed, a mentoring and guidance program for both parties will help to ensure that the placement is successful.

Recommendation 8

That the State investigate and support new ways of engaging disengaged youth to link with family businesses. Current disengaged youth offer a valuable pool of potential next generation business owners and operators who, without the right support and guidance, might not have considered entering family businesses. Engaging these groups is a positive for the youths, for family businesses and the community.

Innovative Community Action Networks (ICANs) are a key initiative of the government of South Australia's Social Inclusion School Retention Action Plan and part of the South Australian Youth Engagement Strategy. ICANs facilitate government and communities working together to create opportunities and address student retention issues, particularly for those most at risk.

As part of the framework to link young people and family business, the Southern ICAN will establish a demonstration project for developing a regional strategy for schools to engage small business and key industry stakeholders for the benefit of disengaged young people. The strategy will be managed by schools, TAFE SA, the local Business Enterprise Centre, local government and non government agencies.

Innovative Community Action Networks (ICANs)

ICANs are a vehicle for bringing together young people, families, schools, community groups, businesses and different levels of government. They are finding local solutions to local issues that prevent young people from successfully completing their education. ICANs focus on young people between 12 and 19 years of age who are at risk of not completing their schooling or who have already disengaged from school.

ICANs are not about 'feel good' projects. The task is far more hard-edged. They must support initiatives which address retention rates by:

- providing new opportunities which are creative and imaginative, and operate on best practice principles to challenge and engage young people to see school as important and to increase their enthusiasm about learning and their future
- demonstrating a commitment by all community stakeholders in working together to engage young people, acknowledging that school retention is a whole of community responsibility
- achieving measurable outcomes through a diversity of initiatives which support young people in increased attendance, engagement and retention and which embrace community capacity building
- promoting meaningful working partnerships, which encourage positive, open and transparent communication across agencies, communities, family, social networks and individuals, to identify and address policy, procedure and systems.

Instead of training at-risk young people to enter larger industrial or service businesses, the idea is that at least some of the young people might be more suited to the flexibility and autonomy offered by an apprenticeship or work within a small family business. While this might be attractive, the placement of young people would have to be accompanied by a mentoring program, and resources to help the business owners deal with challenges to working with these young people.

For the demonstration project to work it is proposed that a matching program be established to help young people learn about the possibilities of a family business and for the family owners to meet prospective participants. This might include presentations by family businesses in schools and excursions to family businesses in the community. Many schools offer programs such as Australian Business Week, a week-long simulation exercise that leaves young people excited by the possibility of being in business. It is conceivable that young people will show similar enthusiasm for learning about family business and what it offers.

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After young people find a placement to begin work, there is a need for a coaching program to help both the young person and their family business host to work together and overcome the difficulties that may arise. Family business owners are very aware that for young people other options like working in the mines may present better short-term salaries, so there is a need to find ways to offer attractive longer-term employment along with quality lifestyle opportunities.

Incentives for positive business transfer

The family business is a major asset that works not just for the present, but to provide for the future. Its sustainability is essential for eventual retirement of the current generation, for ensuring the income of some if not all of the next generation, and for funding home ownership, children's education and lifestyle choices. When the older generation reaches retirement age, the question of business transfer arises. The extent to which government can provide an economic climate to support positive pathways for transfer and to sustain the value of the business for the family is a critical factor in creating a next generation for the business. If too many family businesses fail, the State will be immeasurably harmed.

Recommendation 9

That the State government create a positive economic and social climate for family business continuity, by evaluating tax and financial incentives, and improving the availability of capital for business transfer and development, to help more family businesses survive over the long-term.

When a viable business fails, value is lost to the community. People lose their jobs, goods or services are no longer provided, economic value is destroyed, and the associated personal pain can lead to health consequences and other social costs. Therefore, the fact that the majority of family businesses do not survive to the second generation is cause for concern.

Family businesses do not necessarily fail because they are weaker and should be replaced by a stronger competitor in a Darwinian evolution. In fact, perfectly viable family businesses appear to fail for reasons that have nothing to do with their viability. They may fail because the family does not have the skills or capability to develop for the future, or because they do not install and train a successor, or because business and economic policies prevent them from finding the capital or means to transfer the business to the successor.

Business transfer is costly. The business may have to pay a capital gains tax on the transaction, even though the transfer takes place without any financial consideration. The purchaser may be able to run the business, but may not have the means to pay for it. Business policies are created that often do not consider clearly the impact on family business. For example, anecdotal evidence suggests that there are different tax impacts if a business is transferred when the older generation is alive compared to transferring on death. While it is a good thing for a family business to transfer ownership when the next generation is young, enabling the elders to enjoy a new stage of life, tax systems that favour transfer at death add to the problems of business succession. Many countries, seeing the successful transfer of a family business as a source of social value for a vital economy, find incentives for each and less costly business transfer, so that the business can remain viable after the transfer.

Many family businesses have a unique business value for the community. A noted family business advisor once said that the purpose of a family business is to break even at a higher and higher level. By that he meant that while a family business may not appear to be highly profitable, it offers a livelihood for many family members that they enjoy, do well at and care about passionately.

For example, in the Riverland I came upon a fourth generation family citrus producer, rooted in the land and producing wonderful products for national and international export. The fourth generation son, who was about to inherit the family business, was a talented

farmer who had not only served at the side of his father for 20 years but who had also learned about the mechanics of sorting, packaging and marketing for export and invested accordingly. I was surprised to discover how marginal the business was, in that it barely provided enough for the two families to survive. The pending retirement of the parents would greatly reduce their income, and they planned to have a small farm to help make ends meet. Yet the business is a proud and well-known name, and they are a valuable resource for the community.

This family business is highly vulnerable to climate changes and needs support and nurture to remain viable. Having a successor son who is capable and ready to take over means that this family business is sustainable and will continue to be a source of value to the State and the community in which it operates.

Business transfer needs an economic climate where purchasers can find capital and tax incentives that allow them to pay for a business and develop it when they purchase it. When a family business does not have a successor in the family or working in the business, it must seek out a purchaser or liquidate. If it has to liquidate, the community will be diminished economically. The business owners may choose to find a purchaser through a business broker, or through the community. In initiating this process, the presence of resources in the BEC/RDB can help them prepare the business and show it in its best light.

A positive climate for a family business future

Another key challenge for family businesses is accessing small amounts of capital to enable one generation or a non-family successor to purchase the business from other family members. Some families have several family shareholders of different ages, some of whom want to continue the business and some of whom want to move on or retire. If the successor group cannot buy out the others, the business must be sold or liquidated. I saw several businesses in that situation, where the lack of access to capital threatened the business. While these businesses have little collateral to secure a loan, they have a place in the community and a track record that might make them good credit risks. In other parts of the world we are learning that economic aid has most impact when it comes not as a gift or grant, but in the form of a micro-loan that enables business to start and grow. In the same way I think that the State needs to address the ways that families have access to small amounts of capital that enable them to thrive in the time of generational succession.

Increase migration of possible successors

Recommendation 10

That the State investigate innovative ways to increase business oriented migration to South Australia. Population trends in South Australia suggest that there are not enough young people interested to work in or take on business ownership.

We have already talked about the challenge a family faces when they have a good business but no person in the next generation who can act as a successor. In many countries there are large pools of young families who might take over the business and buy out the existing owners. The unique nature of Australia, and South Australia in particular, is that there is an ageing population and there are not large numbers of immigrants and young families urgently seeking opportunity. This engine of growth is limited, so it must be regarded as a scarce resource and nurtured. While immigration policy is a national issue and far beyond my portfolio, I think that the future of family business may be limited if there are not enough young families available to run the otherwise sustainable businesses in the State.

An opportunity for increasing the pool of the next generation is through skilled migration. Skilled migrants coming to South Australia could work in their chosen field for a few years and then either buy an existing business or set up one of their own.

Immigration SA has highlighted a recent example of how it successfully linked a skilled migrant with a business that was looking to sell. The understanding is that this skilled migrant will work in the business on a trial basis with a view to buying if everything goes well.

This is a good example of grooming the next generation of business owners, but more work needs to be done to identify the opportunities and create better connections between current businesses and incoming migrants. These groups also need ongoing support and mentoring to ensure that the relationships continue and a positive outcome is achieved for both groups.

Targeted research on family business challenges

Recommendation 11

That the State, through university research faculties, invest in research projects that examine the specific challenges facing family businesses, and that regularly collect accurate data on family businesses in the State.

I have learned a great deal about family business in South Australia, but there are still many questions. Furthermore, as programs are initiated, there is a need to evaluate their effectiveness and monitor whether they are on track. Gathering that information is a research project and I end my report with a recommendation that research on the problems of family business be a key part of the innovation process.

When I came to Adelaide I tried to source data on how many family businesses there were in South Australia and what they were like. I was only able to get rudimentary data. The best data came from a study of family business in Australia (Smyrnios, K.X., and Dana, L 2006, MGI Family and Private Business Survey 2006, RMIT University).

A positive climate for a family business future

I did an informal poll of directors of BEC/RDBs and got some impressionistic data on the range and size of family businesses in each region. I recommend that there be some strategies to gather data on the degree and range of family business, to enable tracking of their evolution.

However, the most important information that we need about family businesses is more specific and targeted. We need a lot more information about how transfer policies influence succession and about the challenges faced and options that families have to pass their business to the next generation. We need to know about how second and third generation family members act as family leaders and what some of the best practices are for developing their skill and capability.

These apparent knowledge gaps lead to research questions that local university business schools could take up. One of the great challenges to a potential researcher is how to get access to business families so that they can provide research data. FBA and the proposed resource centre could help connect researchers with families. I also see some important research projects that could be undertaken in the University of South Australia's School of Management and Adelaide University's Graduate School of Business on the smaller home and regional based family businesses that enter the BEC/RDBs. I observe that almost all of the research at business schools is about larger businesses and the study of small family business could offer some unique insights about the nature of a business enterprise.

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