

# Family businesses: 'Success and Familiness Go Hand in Hand' according to new research

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Against the backdrop of the toughest economic times in living memory, family businesses seem to be not only surviving, but thriving, according to research conducted by law firm Veale Wasbrough Vizards and the University of the West of England (UWE).

Their recently published 2011 National Family Business Report identifies that family businesses have proved well able to survive the [credit crunch](#) and shown that financial resilience and a commitment to the future are attributes of the family business.

The message from family businesses has been that the outlook is bright, with over 50% actually reporting that they had increased both market share and profitability during these tough [economic times](#). This is set against their reported perception that competitors are struggling. In the survival of the fittest, family businesses have come out fighting.

Of the 233 family businesses who responded to the survey over half were not concerned about raising finance or the availability of funds at a time when other businesses seem to be struggling with financing and cash flow.

For those working in, or owning family businesses, this may not come as a great surprise. Family businesses tend to have their eye on longevity and sustainability for future generations, focussing on reinvestment of profits and low gearing. The result has been that they have been well equipped to survive the banking crisis and the recession at large and this

has been reflected in the survey results.

Dr Lorna Collins of UWE said, "Opportunities to reach a global market have been grabbed with both hands by family businesses with over 30% reporting that they trade internationally. This challenges the popular [misconception](#) that family businesses are small and insular and focused on local markets. On the contrary the family businesses in this survey are demonstrating that they are forward thinking, financially fit and strong players in today's [global market](#)."

What explains their success and out performance of the general market? Nicholas Smith, Partner and Head of Family Business at Veale Wasbrough Vizards, points to "familiness" to explain their success. By this he means the unique characteristics that family businesses exhibit.

The positive influence of the family in business shone through the survey results. 58% of respondents indicated that the primary aim of the family business was to put bread and butter on the table of the immediate family. However over 30% pointed to purely family orientated aims such as building a legacy for future generations (15%). It is this strength and depth of vision which Nicholas believes gives family businesses a competitive edge and this is never more apparent than during tough economic times.

Nicholas Smith said, "Family businesses have a strength and depth of vision way beyond immediate revenue building. The sense of custodianship often felt by the current generation gives them a reason for survival beyond their own immediate needs. This also provides them with a reason for protecting profits for [future generations](#) and I believe it is this that has given them a financial shock absorber needed to survive the [recession](#) and outperform their counterparts."

Familiness can also be seen in the decision making process of family

businesses. 60% of respondents reported that when making a business decision, family considerations were either more important, equally important or factored in to an appropriate degree, depending on the nature of the decision. Only 37% said that business factors always came first. This clearly differentiates family businesses from the non family business sector.

Nicholas Smith said, "Clearly family businesses are thinking and strategising in a different way to their counterparts. I suspect that the holistic nature of their decision making, when coupled with a strength of vision, provides a more solid, rounded basis for decision making and helps to explain why family businesses have proved so adept at surviving the credit crunch."

Family businesses also demonstrated a high degree of flexibility in their decision making. When asked where do you and other family members discuss issues concerning the business, 28% of respondents said they discussed issues at home, with 24% of respondents saying that they discussed issues wherever and whenever they were able to get together. These findings point to a fluidity, flexibility and commitment rarely seen in other businesses.

Nicholas Smith said, "The link between familiness and governance raises a number of fascinating questions about the internal workings of family businesses. It would seem that the shared vision and values of families, together with that inherent lifelong knowledge of how other family members tick, means that families instinctively know what other family members are thinking and are able to communicate with each other effectively and efficiently. This undoubtedly gives them the edge when it comes to acting quickly."

Whilst informality and flexibility are two positive factors, formal governance arguably has a key part to play. All of the large family

businesses reported having formal governance structures in place. Governance structures, like boards, family councils and assemblies are key, both in providing family businesses with appropriate levels of governance to enable them to operate effectively but also in ensuring that the lines of communication are opened and remain open. The survey found that over 64% of family businesses anticipated a transition to the next generation and of these 50% indicated that a lack of successor and/or training or qualifications were obstacles to succession.

Nicholas Smith said, "In our experience, engaging in the process of putting governance in place can help the family to talk about and flush out issues of succession and ownership. Ultimately the family business will then be able to plan for succession and build this into its plans for the business and family. Too few family businesses engage in actively putting proper governance in place and in planning for succession and all too often this damages the prospects of the business and also family relationships.

“This survey bought home to me just how much family businesses offer to the business community, to the families themselves and to the UK economy. We would encourage family businesses to think about succession and governance as early as possible. It is never too soon to start thinking about succession and governance, thus safeguarding the future of the family for subsequent generations”.

Provided by University of the West of England

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