

ENDURING TALES OF FAMILY-OWNED BUSINESSES



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In recent years there has been much talk about family-owned businesses, this despite the fact that the phenomena has been around for centuries. They have in fact become distinctive organizations in the global economy. Research has shown that they operate in almost every country in the world. Moreover, it is in the last few decades that they have taken on an extraordinary significance.

It is with specific reference to their overall benefits that they have become prominent again. More importantly, though, it is the ‘family effect’ that has brought these entities to the fore. The fact that many family-owned enterprises have sustained themselves over generations has also attracted academic and professional scrutiny, particularly from the viewpoint of entrepreneurship. Issues such as their dedication to ‘good practice’, commitment to quality and their caring relationship with employees have stood the test of time. Family-owned businesses, in short, provide for a most unusual social relationship – that between family and business.

Recollections of family members and friends who were literally brought up in a business environment indicate that the experience has shaped their lives to a large extent, especially in terms of social interaction, and training for management and leadership positions.

REGENT Business school provides a Management and Legal Advisory for Business and Succession Planning in Family Owned Businesses.

A colleague who is now the chief executive officer of a very successful medium-sized company informed me that best ‘job training’ he received was when he spent most of his day at the family store. He was able to learn the intricacies of trade, interacting with customers and employees. Not forgetting other family members who ‘popped in’ to share a few social

pleasantries and stories. He informed me that these early experiences of the business environment afforded him the opportunity to learn that business was much more than making profits. It taught him, he said, “The value of money, customer and employee relationships and how decisions are made”. It also alerted him to the need to be empathetic, especially to those less fortunate than himself.

But, perhaps most significantly my colleague believes it was the informal education he received from his father that holds him in good stead as a senior executive. It was as he pronounces a 'life-long learning experience'. My father taught us the importance of integrity and one of his famous sayings was that a person's reputation is their legacy. It took years to build and only minutes to destroy. A value seriously lacking in today's business environment.

Indeed as much as there are distinct advantages to family-owned businesses, there are disadvantages as well. The lack of succession planning stands out as one of the most important challenges. Succession becomes a problematique when the seniors in the family do not allow the following generation to take over and provide new leadership for the organization. The issue can have negative connotations for the future of the business. Most of us aware that family-owned businesses have an ingrained value system - a specific culture or tradition of the organization. Sometimes these traditional social norms can become a problem, especially when they impede the necessary transformation or change processes that are necessary for business progress. Family conflicts likewise can become a major drawback on the future of the organization, particularly when they spill over into the business environment and become intractable.

The problems and challenges of family-owned businesses are not insurmountable. Moreover, we must be cautioned that if these difficulties are not dealt with strategically and expeditiously, they can have negative effects. Research also shows that many of these businesses implode after the third generation of leadership. I am of the firm belief that the 'pros' outweigh the 'cons' and that family owned business will be around for many generations to come. Economists are also well aware of the positive contributions that these organizations can make on economic and societal development. For after all, family-owned businesses make up seventy percent of the global businesses and employ a sizeable portion of the population.

In South Africa, as well in all emerging economies, we must be aware of the overall positive effects of family-owned businesses. Some of these businesses go back generations and are inextricably linked to the development of a region. Any cursory survey of the South African business landscape will definitely make us aware of the role of family-owned businesses in the development of our own lives. For those who can cast their minds back to the last century, remember when dad or mom forgot to buy an essential item and you were requested to go to the local store and wake up the proprietor to provide the service you needed? He or she may have initially objected to the late hour of your request, but service you, they most definitely did.

There is much talk today about entrepreneurship and employment, locally and globally. Let us not forget the institutions that provided the bedrock of our economies. They are enduring and still have relevance and much more needs to be done in terms of research.

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