

# Unique challenges face the generations that work together running the family business

Because of their shared history, some family members can make incorrect assumptions

BY CAITLIN CRAWSHAW

EDMONTON— For many of us, cooking Sunday dinner with the folks is the closest to working together we'll ever get. And given Aunt Helga's obsession with perfect vegetable slicing and Grandpa's tendency to leave the kitchen a complete disaster, that's a good thing.

But for some Canadians, family members are also co-workers. In fact, this isn't a small number. The majority of businesses in Canada are family businesses, from mom-and-pop convenience stores to large corporations like Purdy's Chocolates, owned and operated by the Flavelle family since 1963.

According to the Alberta Family Business Institute at the University of Alberta, family enterprises generate about 60 per cent of Canada's GDP, employ six million Canadians, and provide 55 per cent of all charitable donations.

"When you look at the figures, [family businesses] are certainly the most prevalent organizational form in most of the world," says University of Alberta business professor Jennifer Jennings, adding that their impact on the economy is significant.

Nonetheless, 70 per cent of family-owned businesses fail before they're passed to the second generation. Experts

agree that all family ventures need to deal with their unique challenges to succeed in the long term.

Communication is one of the biggest issues for family businesses, Jennings says. While family members may have a long history with each other and know each other well, they're prone to making assumptions as a result.

"Often those assumptions are so inaccurate," she says.

Fortunately, the solution is simple.

"It's one of those prescriptions that sounds so obvious, but difficult to practise: It's just consistent, open, honest communication," Jennings says.

Business adviser Francine Carlin, who owns Business Harmonizer Group in Vancouver, helps family enterprises to succeed and has worked with companies large and small.

"The companies that are successful have a compelling sense of purpose and policies that help them achieve that purpose," she says.

Carlin says family ventures need to be strategically structured to keep family life and business life very separate. This means separate meetings for family and business concerns, clear governance of the company and well-defined roles for everyone, even if family members wear multiple "hats" in the business.

One of the most important things families can do to ensure harmony, she says, is to create a "family business charter" — an agreement of expected behaviour and attitudes to keep everyone working cohesively.

Generational issues are also a source of conflict for many families, as they are for any workplace. Jennings figures about 70 per cent of her students are involved in family-run businesses and she hears complaints that their parents, often the founders of the company, aren't receptive to their ideas. Sometimes the founders have built a very successful enterprise without university

education, unlike the upcoming generation who "may be seen somewhat as a threat by the senior generation," she says.

But it can also be the case that an idea just doesn't work, and younger generations are quick to presume their elders don't accept them as valuable contributors.

"The students are often interpreting the response with their family hat on, when really, raising a new business initiative is a business sphere issue," she says.

It's better for everyone if the younger generations can treat their parents as bosses and themselves as an employee.

Sometimes, two generations are going through periods of extreme change at the same time. A middle-aged parent might experience a crisis of purpose or become concerned with the legacy they're leaving at the same time a 20-something child is struggling with his or her identity. This can make communication — particularly about succession planning — difficult.

Jennings' solution: "Just not rushing it." Taking a break from working together can be a good thing for the relationship. Also, if the child launches a career outside the family business, they can return to the company with wider experience.

While there are unique challenges to working with family, there are also wonderful advantages, Carlin says. "A lot of people say, 'If it wasn't for the business, I wouldn't have a relationship with my family.' It provides an opportunity to create a community, to create a legacy in the community."

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