



Starting the Family Business Professionalising Process

*Professionalising the family business can be managed and implemented if viewed not as one giant undertaking, but as a series of objectives requiring planning, communication, vision and advice. CFB's **Eric Clinton** and **Vanessa Diaz** explain further...*



Professionalising family business management is not an easy undertaking. Tensions and disagreement in family businesses occur at various times and for many different reasons, but generally they appear when the business is undergoing a transition. The transition, from an informal to a more formal management structure, can result in rising conflict among family members in the business. Understanding the professionalisation process and how to prepare for it enables family business managers to reduce the likelihood of conflict.

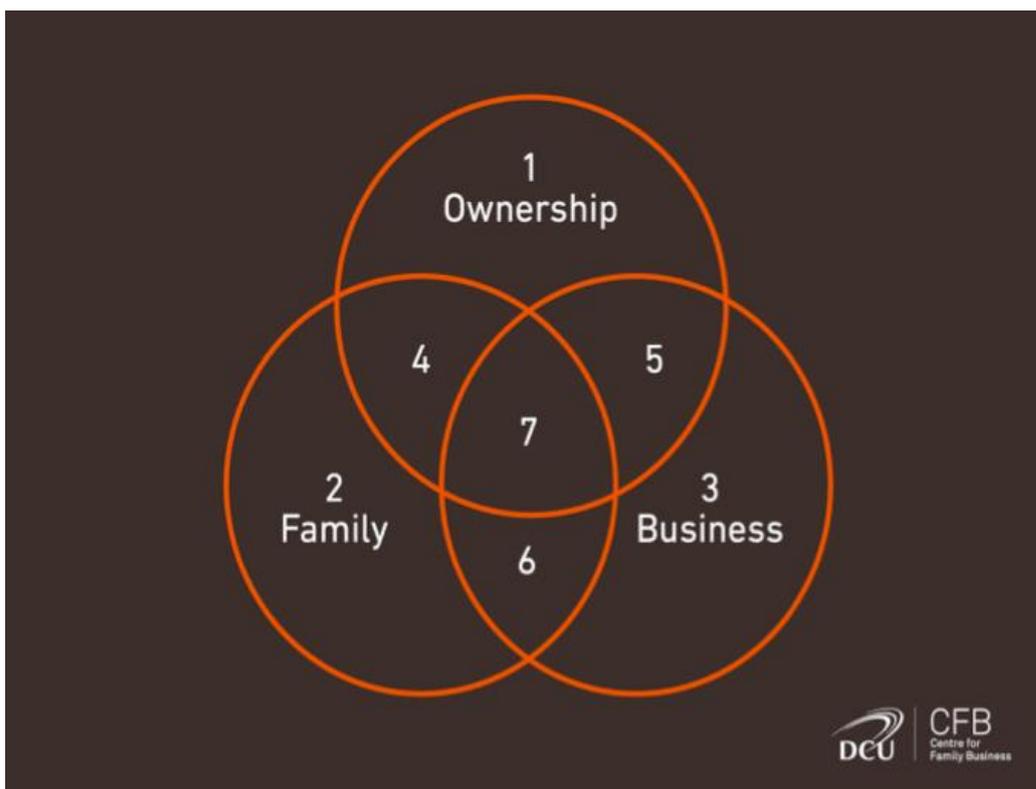
Family firms consider professionalising their business for several reasons: to achieve best practice, to increase competitiveness, to aid the succession process, to enable business restructuring and more. Whatever the motivation is family business leaders must facilitate the process and understand the needs of their business.

Planning

Professionalising the family business is focused on ensuring continuity not only of the key management positions, but also of the family business. Management aiming for a successful transition should recognise the professionalisation process as a strategic objective of the family business that should be planned and executed carefully. The formation of such strategic objectives enables the family business leader to decide the structural changes required in the business, and the systems and processes necessary for change.

It may seem impossible to know where to start when preparing to professionalise the family business. A good place to begin is by identifying the stakeholders of your family firm using the **Three-Circle Model** of the family business system. This model, developed at Harvard Business School by Tagiuri and Davis in the 1970s, visualises the three interdependent groups that comprise the family business system namely family, business and ownership.

As a result of the overlap of these three groups, seven interest groups are presented below:



- 1- Non-family and non-employee owner.
- 2- Family member not employed and not owning any business shares.
- 3- Non-family employee.
- 4- Family owner and non-employee.
- 5- Non-family owner and employee.
- 6- Family employee.
- 7- Family owner and employee e.g. a parent who is the CEO and has 100% ownership of the business.

Each of these individual groups come with their own perspectives, goals and dynamics. The long-term success of family business systems depends on the effective operation and respective support of each of these groups.

Clear and consistent communication

As the family business expands and grows in complexity, continuous communication becomes key in achieving an effective transition. Successful families not only keep clear and consistent communication among all the shareholders, but also try to create **“a sense of involvement”** by engaging them in the decision process. Open communication regarding goals and strategies, help family business leaders to achieve their plan and monitor the process.

Long-term vision

Family firms commonly pursue long-term goals that avoid risking the family's wealth and control of the business. Common **long-term goals** in family firms include: securing next generation involvement, leaving an enduring legacy, transferring family based values, traditions and knowledge; or implementing a proficient and steady management team. Accordingly, the structuring of management and building of a unified vision —all of which are part of the firm's professionalisation process— require a long-term perspective to be implemented.

Seeking outside advice

While many family firm owners consider outside involvement in the organisation as invaluable, other family firms are reluctant to share their plans to a non-family member. Seeking **advice and guidance from external advisors** can contribute significantly to the professionalisation process of the family business. Outsiders are objective in their decisions and can avoid issues deriving from family involvement in the business. They usually act as facilitators when family issues overlap with the business and provide an impartial perspective when addressing these issues during the professionalisation process.

Understanding the needs of the business is first and foremost to formalising the family business structure. Identifying all business stakeholders, planning carefully and thoroughly, openly communicating, using long-term perspective and seeking external advice are all ways of professionalising the family business, successfully and sustainably.

Image source: Adapted from Tagiuri, R., Davis, J.A. (1982). Bivalent attributes of the family firm. Working Paper, Harvard Business School, Cambridge, Massachusetts. Reprinted 1996, Family Business Review IX (2) 199-208.