

Ties that bind family companies

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Exactly a year ago, I had the privilege of addressing a 3-day Family Business Forum at Abu Dhabi's Emirates Palace, dedicated to family businesses, in which I praised their strength and potential for surviving changing conditions.

Now, in the teeth of the credit crunch, Barclays Wealth and the Economist Intelligence Unit declares "Family businesses may be more resilient to the global economic downturn as they focus on long term survival and have built in flexibility to adapt to change".

And a new study of family firms within the Gulf Cooperation Council (GCC) declares that these businesses provide a viable model for competing effectively in the global economy, achieving impressive long-term growth and increasing family wealth. The study by global management consultants, Booz & Company, identifies special advantages for family firms in this region ie limited external competition, concentrated control within families, and respect for traditional rules of succession.

But can the traditional strengths of the family firm be adapted to other kinds of business, as we urgently review our business model at this time of major economic change?

The adherence to long-term survival is one clue. A second or third-generation firm will have been through recessions before, and will be experienced in holding a team together through necessity, not choice. And where this leads to internal conflict, a good mediator can often resolve matters - a role I have often fulfilled everywhere from London to Dubai to Capetown.

This bonding factor is what marks out the family firm from non-family corporations where an executive will stay, on average, only five years before moving on. That executive is working purely for himself. The family firm executive is working for himself and his family, with a stakeholder attitude and a commitment to the future of the firm. This is the attitude, which underwrites the future of the family firm, leaving it a valuable legacy.

What about the perceived negative aspects of family firms?

The obvious one is insularity - a refusal to accept new methods, although in a contemporary family firm, that is now changing. Younger members are more likely to have studied and worked abroad and may instinctively question both unproven assumptions and a reluctance to modernise.

A year ago, I got an unexpected burst of applause when I ended my speech by saying "World-class corporate giants, often soulless and impersonal, have plenty to learn from the community mind, spirit and heart of the well-run family firm." That seems to confirm my profound belief that family firms can offer an instructive business model in these difficult times.

Key points: Inherent strength

- Family firms are especially well-placed for surviving a recession
- Continuity enables sensible perspective and long-term planning
- The family business model has inherent strengths that can be copied .