



ALL IN THE FAMILY

Business families are one of the most important, yet often misunderstood, segments of our economy.

by **Randall Mang** / illustration by **Leif Parsons**

A movement is growing to support Canada's business families. Should we care if they succeed? A contingent of Canadian academics and other concerned groups believes the answer is yes. Why? Because it's in all of our best interests.

According to the Canadian Association of Family Enterprise (CAFE), family-run businesses are responsible for some 50 per cent of all new jobs. Professor Lloyd Steier of the Alberta Business Family Institute at the University of Alberta says that business families account for between 80 and 90 per cent of our nation's firms, and research suggests they often outperform non-family competitors. And we're not just talking about ubiquitous mom-and-pop shops; household corporate names such as Bombardier, McCain, Molson, Rogers and Shaw hint at the magnitude and reach of Canadian business families in our society.

Canadian businessman Philippe de Gaspé Beaubien says business families are one of the most important, yet often misunderstood, segments of our economy. "They tend to be closer to their customers and their employees and the communities in which they work. They contribute time, money and personality."

de Gaspé Beaubien speaks from experience. In 1968, he and his wife, Nan-b, created Montreal-based Telemedia Inc., a privately held enterprise that they built into a media and communications empire and eventually passed on to their three children. Along the way, Philippe and Nan-b have lived and breathed the challenges of running a family company, and have advanced the cause of business families worldwide.

Over the past few years, their Business Families Foundation has convinced the University of British Columbia, the University of Alberta, the University of Western Ontario, École des Hautes Études Commerciales in Montreal, and the Memorial University of Newfoundland to open centres dedicated to business-family outreach. "It took 10 years to get them going," says Nan-b. "Now there are chairs, professorships and others organizing research, and the schools are providing courses. The change is very positive."

The timing couldn't be more crucial, says Lawrence Barns, the CEO of CAFE, the nationwide group (headquartered in Oakville, Ont.) that for 25 years has worked with universities, advisers and others to provide guidance and peer support to business families.

He says issues such as sibling rivalry, communication, governance and succession can materially affect business-family success. While family-run companies tend to outlast non-family businesses, statistics show that 30 per cent of business families make it to the second generation, and only 10 per cent make it to the third. Furthermore, Barns says 70 per cent of owners plan to exit the business in the next 10 years. “We expect to see the biggest transfer of wealth that the Canadian economy has ever seen.”

Judi Cunningham, executive director of the UBC Business Families Centre at the Sauder School of Business, says issues facing business families occur naturally when a family, a social structure, integrates with a business, a capitalist structure. “Family is all about harmony, communication, goodwill within family; business structure is all about growth and ROI. Those structures can have inherent conflicts.”

History has proven that, with the right approach and support, business families can endure. Barns says, “If you’ve got an ethos

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you’ve developed in a family firm, even with changes of ownership or structure, that ethos can endure.” He cites Molson, North America’s oldest brewery, as a good example. Despite the Canadian brewing giant’s worldwide reach and its merger in 2005 with U.S. family-run brewery Coors, Molson remains deeply entrenched in Canada, for reasons that transcend Molson’s corporate and family values. “Community involvement has been ingrained in our culture, not just as a family, but as a company objective going as far back as my father and I can remember,” says company vice-president Geoff Molson, a seventh-generation descendant of brewery founder John Molson. “For me, it’s extremely important that Canadians know this company has been here for 220 years, and intends to be here for another 220 years. This is our foundation for expansion throughout the world. When you are rooted in something that is very long-term, you look beyond the five-year plan. My brother and I talk about planning for the next generation.”

Barns says multigenerational success can stem from family members continuing to operate an existing business, finding others to manage it, or disposing of the company and starting something new. He’s concerned that too many heirs-apparent get funnelled into succession rather than transition. “A son or daughter may not want to maintain an existing business, but they may want to start something new.”

For its part, the University of Alberta School of Business is preparing undergrads with courses such as Managing Family Enterprise, which aims to build knowledge of the managerial and consulting practices that can help improve the effectiveness and longevity of family businesses. Hiring specially educated outsiders can also help business families address pitfalls such as unhealthy sibling competition and freeloading, says Steier, though he notes, “when family heirs want to get involved, their altruism can pay enormous dividends.”

For family business leaders intent on seeing their scions take the reins, Barns advises, “We still believe the best practice is to

send your successors out to earn their stripes.” Geoff Molson is a good example of why. “From the time I turned 18, I asked my father if I could work for the company. My father said, ‘The company will hire you when you’re ready.’” Molson realized, “Had I chosen to not work in the beer business, it would have been good for the company. And if I chose to work in the beer business—and I earned it—it would also be good for the company.” While he worked at Molson seasonally during his student days, he later spent 10 years working in marketing capacities at various companies in Canada and the U.S., earning an MBA along the way. Eventually, he was hired by Molson as an on-premise merchandiser, a role that saw him working long hours in bars, setting up promotions and dealing directly with customers and local sales reps. “When I started here, I felt like I was adding value,” he says.

Karen Flavelle, the president and owner of Vancouver-based Purdy’s Chocolates—a company now celebrating its 100th year—also believes in self-reliance. She says her father, who acquired Purdy’s in 1963, never assumed his children would take over the company. After earning her B.Com. at Queen’s University, Flavelle spent a decade building her career in the food and retail industries in Canada, Asia and the U.K. When she eventually approached her father about her desire to lead Purdy’s, she was a seasoned executive and her expertise was well known among Purdy’s staff. Hired as executive vice-president, Flavelle nevertheless spent time learning the ropes, including several months in retail and on the road with the company’s shipping team.

Now, with teenage children of her own and her eye on the future, Flavelle has drafted a family employment guideline. “You’re welcome to work during the summer—assuming you are as capable as the next person,” she says. “If you plan to work here after graduation, it would be at an executive level. So you’ll have to earn your stripes elsewhere through 10 years of experience.” Among other benefits, Flavelle says the plan will help ensure that her children follow their passions, “and that it’s not an easy ride. It will also help them build confidence in themselves and in Purdy’s staff. It probably also means that they’ll have to find jobs from time to time and learn how to negotiate compensation and be self-reliant.”

So where can business families learn how to achieve such lasting success? CAFE is a good place to start. Its services include facilitated peer gatherings where business-family members can confidentially share their experiences and help one another. Many universities also offer courses based on the Three Circle Model developed at Harvard. It outlines the overlapping roles of owner, family member and person working in the business, and how individuals can have responsibilities in one, two or all three circles. Unless responsibilities and rights are clearly defined, confusion and conflict can reign, for example when non-owner family members assume that their rights as family members carry over to ownership issues. Governance structures can alleviate such issues and address others including wealth preservation—in terms of both human and financial capital, says Cunningham. “But it takes a lot of foresight and work.”

As with other Canadian business families that have achieved lasting success, Geoff Molson and Karen Flavelle both say they and their families have worked with personal advisers and within peer networks, benefiting from counsel on matters concerning wealth management, succession, family communication and other issues.

Will other Canadian business families fare as well? Lawrence Barns says, “The universities have made huge strides, but a huge education void remains that the universities are looking to fill. It’s an all-hands-on-deck scenario. The clock is against us.” ●