

Emba 530 student replies week 9

[Business](#)



Family Business: Replies Reply to the post of Kevin Gillin Kevin's post identifies five important conditions that drive the success of family businesses, namely family, business and portfolio governance, ownership, wealth management, and foundations. In some way, all of these factors even at first blush have a direct and self-explanatory link to the success of family businesses. However, in the case of business and portfolio governance, ownership, wealth management and foundations, these same factors are attributable to all businesses in general, whether or not they are family businesses, sole entrepreneurships, partnerships between non-family members, and corporations with a disperse, public ownership.

As for the first, the mere mention of family may be taken both as advantage and disadvantage, since it is well known that families can be either harmonious or contentious (Werbel & Danes, 2010). In money matters for instance, a family business might be in urgent need of new capital, and the best way for this is to reinvest earnings. However, other members of the family who may be shareholders but who do not participate in the management of the firm may be looking forward to regular dividends in order 'to help support their lifestyles' (Houlihan, 2013, p. 1). Easily, families in which long-standing personal grudges are present (which is practically all families) will encounter one or two members who would express impatience or irritation at not receiving regular dividends and may pick a personal quarrel with the managing family member.

It would be interesting to identify and scrutinize those conditions that are precursors to family business success in particular, which other types of businesses may not be impacted by.

References

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Reply to the post of Christopher Gilbert

Christopher's post was extremely informative and incisive, and touched on many topics which impact significantly in family businesses. There is a bit of difficulty, however, in identifying the five specific conditions which the exercise required, and there are several conditions discussed which tended to contribute to the failure, rather than success, of the business. For instance, the mention of the increasing number of family members for each new generation as being a negative factor influencing business, appears to be more of a disadvantage than an advantage as it was discussed in the post. Actually some cultures would consider a growing progeny as an advantage (Werbel & Danes, 2010). Families cannot, after all, help but grow, and family members will tend to multiply.

However, there is no requirement that a family business should involve all family members; this is a different matter from requiring that all board members, or all shareholders, or all top executive positions, should be occupied by family members (Erven, 2012). Five directors to the company can all be brothers; however, there may be eight brothers, which means that three brothers shall not be directors. That does not detract from the nature
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of the family business. Furthermore, other family members may contribute to the capital, but not necessarily manage. The statement that for effective succession, family members must diversify their background, does not quite ring true. Many family businesses hire professionals and experts in fields not within the competency of family members. Again, a family businesses does not require all jobs be handled by family. Also, it depends upon the nature of the family business. If the family runs a savings-and-loan, then although the family members are all specialized in finance (rather than engineering and manufacturing), they would still be very important to the family business because they were assisting in the main activity of the business.

References

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