

Business can be better with family

IN THE EARLY 1970s, a prominent Harvard Business professor argued that family members working together in business was an economically flawed model and that the best thing for them was to move to professional (non-family) management as quickly as possible.

However, such views have ignored this one common fact, namely, that throughout history, families and the skills and capital they bring, have been – and continue to be – the engine room for entrepreneurial activity and growth of economies around the world.

There is a growing body of research that suggests family businesses often outperform other business ownership forms. For example, in our study which was published in the leading international journal *Family Business Review* this year, Australian family firms outperformed their non-family counterparts, largely because of superior profit margins.

This supports our findings reported in the KPMG Family Business Australia National survey which we were commissioned to do in 2013. In this study, the majority of family business owners believed they outperformed their key competitors in the areas of product and service quality, productivity, innovation, growth and consequently, financial performance. Also, 83% believed that being a family business assisted them in surviving uncertain economic conditions such as that created by the global financial crisis.

Taken together, the above points suggest that rather than being a flawed economic business model, families working together in business makes very good economic sense. This is not to say that family businesses don't have their challenges and potential weaknesses too.

Their unique challenges include balancing the needs of the family with that of the business, managing family conflict, issues surrounding succession to the next generation, and their preference for total family control over the business.

Around 40% of owners report that family issues have equal or greater effect on firm performance than business-only issues. This highlights the importance of family firms implementing appropriate governance structures to manage the business, as well as the family's interaction with the business to ensure that family involvement in the business continues to be a source of competitive advantage, rather than the firm's Achilles heel.

Past successes do not guarantee future success

A preoccupation with what has brought success to the family firm in the past risks turning the family's mission into a monument. That is, being remembered for what they were/did as opposed to what they are currently doing.

Today, family firms are increasingly challenged on how to remain competitive and viable in the current



After working his way up through the family company, Toby Bensimon became managing director of Shiels Jewellers last year.

economic climate. In such times, there is an increasing imperative for family firms to look towards creating new and innovative ideas and new business processes to take them beyond their current circumstances and create new capabilities and/or opportunities in new markets.

Three examples of family businesses that have reinvented themselves to survive and thrive

PINZ: founded by the Snoad family in the early 1980s, Pinz's early success was through designing and producing high quality, made to order sewn products for the South Australian market.

With the decline of the textiles, clothing and footwear industry in Australia, Pinz had to transform the business to remain viable. With succession to the next generation, David Snoad led Pinz through a significant transformation to become manufacturing specialists in domestic and commercial blinds, and shade products.

Since 2009, they have more than tripled their annual sales turnover. Pinz's success is due to the ability to continually innovate the way in which they go about their business, which has enabled them to reduce their lead time for fully customised products from 6-8 weeks to six days. Such innovations have enabled them to grow their business and compete with other producers (in China) with lower cost structures.

ENNIO INTERNATIONAL: in the late 1950s, Italian immigrants Gervasio and Giovanna Mercuri founded Mercuri Knitwear, a South Australian manufacturer and provider of quality knitwear garments.

The business experienced great success, employing 80 employees and winning numerous fashion awards. But like Pinz's story, the Mercuri family realised the need to reinvent the business because of the decline of the sector. Second generation son, Ennio, joined the business and worked with the family to transform its business model. Together, they took their expertise with fabrics and applied it to a totally different industry – netting and casing solutions to the meat and poultry industry.



Gervasio and Giovanna Mercuri founded Mercuri Knitwear in the 1950s. It now trades as Ennio International.

Now named Ennio International, the family business has grown and succeeded on the back of continuous innovation.

SHIELS JEWELLERS: the Bensimon family purchased the jewellery business from the Shiels family in 1977. Albert Bensimon has brought significant change in the retail jewellery industry since 1977, including profitable growth through discounting, opening suburban-located stores and offering the widest jewellery range possible.

Shiels Jewellers is another example of how involvement of the next generation can assist in further entrepreneurial renewal and innovation. As part of working his way up through the business, son Toby Bensimon has had opportunities to assist the firm's response to changes in customers' shopping behaviour – it's now one of Australia's largest online jewellers.

Combining his entrepreneurial flair with passion for coffee, Toby established Bestpresso in 2011 to address the problem of escalating costs associated with the utilisation of the Nespresso machine by employees in the family business. Holding the national import licence for the Espresso 1882 range (Nespresso-compatible coffee capsules), the new venture has been an instant success, supplying more than 3000 retail outlets across Australia.

eChallenge

Because of the importance of innovation and the need to encourage entrepreneurial activity within the family business sector, the University of Adelaide's Business School will be introducing the Australian Family Business eChallenge in South Australia next year.

The FB eChallenge puts family firms through a structured learning program to enable them to translate their entrepreneurial ideas into reality. This may include the development of new products, services, or processes that serve to create innovative ways to engage with existing, emerging, and new markets, both interstate and overseas.



Dr Chris Graves
Senior lecturer family business
University of Adelaide