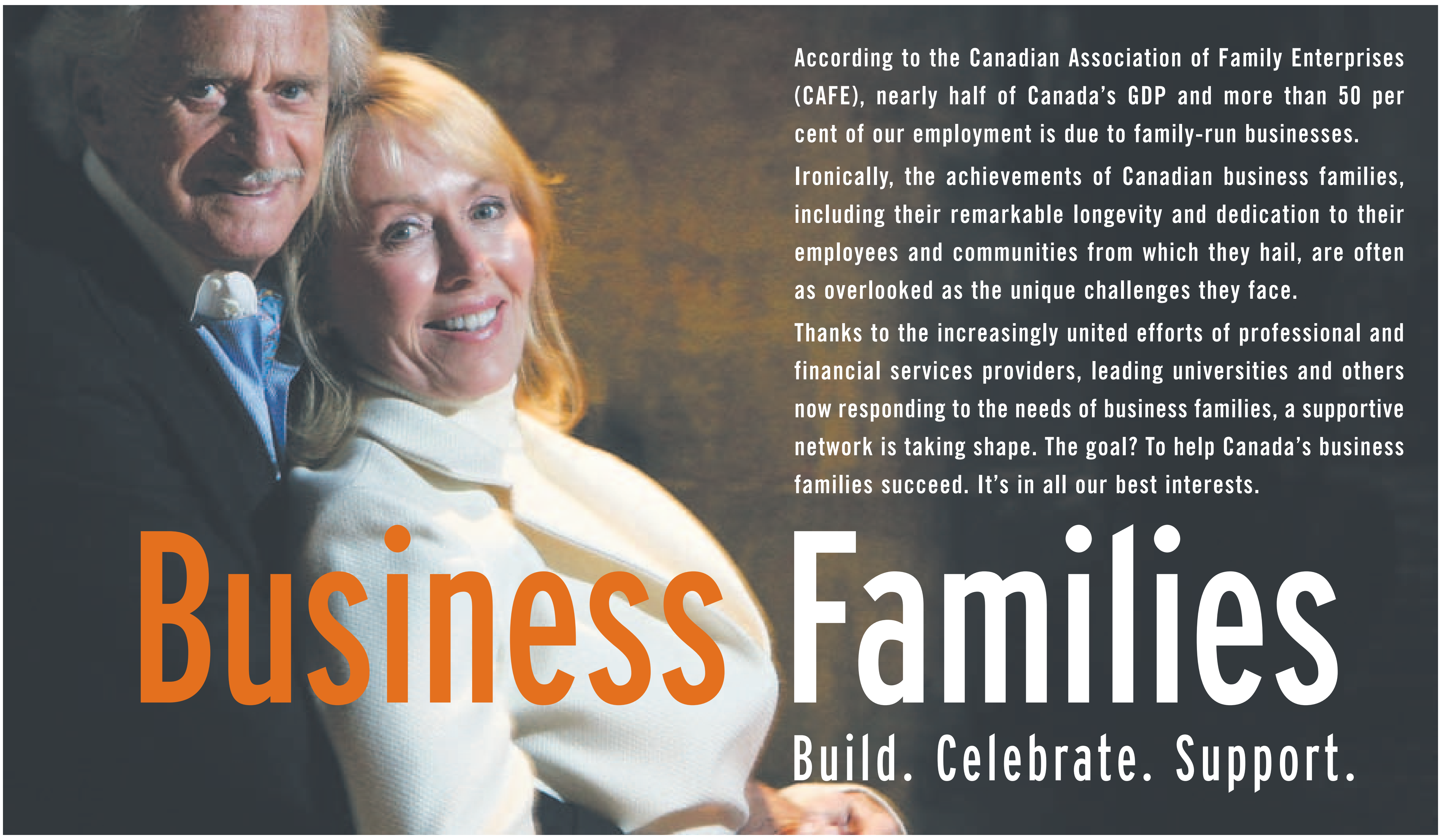


According to the Canadian Association of Family Enterprises (CAFE), nearly half of Canada's GDP and more than 50 per cent of our employment is due to family-run businesses.

Ironically, the achievements of Canadian business families, including their remarkable longevity and dedication to their employees and communities from which they hail, are often as overlooked as the unique challenges they face.

Thanks to the increasingly united efforts of professional and financial services providers, leading universities and others now responding to the needs of business families, a supportive network is taking shape. The goal? To help Canada's business families succeed. It's in all our best interests.

Business Families

Build. Celebrate. Support.

PHOTO: CHRISTINNE MUSCHI

Meet the driving force behind business family education and outreach – Philippe and Nan-b de Gaspé Beaubien. Their dedication has led to the creation of business family centres at universities across Canada.

BY RANDALL ANTHONY MANG

From startup to succession, Philippe and Nan-b de Gaspé Beaubien know more than a thing or two about the rewards – and challenges – of running a family business.

In addition to being the founders of Telemedia Inc. – a privately held company that they started in Montreal in 1968, grew into a media and communications empire, and eventually passed to their 3 children – the de Gaspé Beaubiens are recognized worldwide as champions of research, education and outreach focused on the needs of business families.

Their workshops at World Economic Forums in Davos, Switzerland, have enlightened some of the world's brightest minds. For more than a decade their Business Families Foundation (BFF) has supported enterprising families – and the professionals who serve them.

Recently, however, they reached a significant milestone – they convinced an exclusive handful of Canada's top business schools to open centres of excellence dedicated to business family outreach.

As a result, the existing support network offered by professional services providers and non-profits such as the Canadian Association of Family Enterprises (CAFE), which have long recognized the importance of business families to Canada, has been substantially bolstered through intensified university research, teaching and enhanced community engagement.

"The fact is that the majority of Canadian businesses are family driven, yet the needs of these institutions have been largely neglected," says Philippe, who describes the relationships revolving around family, the business and its ownership as complex and interrelated.

These issues – sibling rivalry, family communication, business ownership, corporate governance, succession and other matters – literally straddle the boardroom and living room.

"These families are so important to their communities and the economy," says Nan-b, noting that in addition to providing employment, business families tend to be loyal to their communities and invest in the arts, research and other philanthropic causes that strengthen social fabric.

"They need to know that there is encouragement, education and support available on a continuing basis," she says.

Business schools at the University of British Columbia (UBC), the University of Alberta (UofA), University of Western Ontario, École des Hautes Études Commerciales in Montreal and Newfoundland's Memorial University have answered the call.

Their timing is crucial. With a swell in the number of Canadians nearing retirement, the country has plenty to gain, or potentially lose, as business families deal with their succession plans.

While statistics show that business families tend to outlast typical corporations, proponents would like to see them succeed even longer.

"The average tenure of a corporate CEO is 5 years. In a family business, it's 25 years," says Steven Dyk, executive director of the Alberta Business Family Institute at the UofA School of Business.

He and other experts, such as CAFE CEO Lawrence Barns, note, however that only 3 in 10 business families make it to the second generation, and 1 in 10 make it to the third.

"We'd love to see that success rate increased," says Mr. Barns, noting, "With a swell of boomers about to pass over the reins, there is a crying need in the market for greater attention in areas ranging from management training, network building, relationship bridging and others needed to increase the success rate and longevity of these enterprises."

Nan-b says, "We're understanding more and more that it takes a systems approach to effectively manage a family business."

Leading scholars, notably John Davis at Harvard and Canadians including Lloyd Steier, Danny Miller and Isabelle Le Breton-Miller of the UofA, have in recent years substantially advanced research and thinking on business families.

Nan-b says the "three circle" model originally developed at Harvard, for example, is now used to teach constructive business family structures at Business Family Centres and through programs offered by CAFE and professional services providers.

PricewaterhouseCoopers (PWC) established its Centre for Entrepreneurs and Family Business in 1997.

PWC national partner Luanna McGowan says, "The traditional approach of working with business families regarding succession and strategic planning was typically from a tax planning or legal perspective. We felt that it needed an objectives-driven approach by the entrepreneur and that the technical approach would follow."

PWC now employs facilitators who help families identify and address their goals. PWC is also working closely with academia.

"Universities in Canada that recognize the importance and uniqueness of business families are conducting research that is helping business families and us as professionals," she says.

A growing circle of business families and service providers such as PWC are coming forward with financial and other support. CIBC, for example, recently announced a million-dollar donation to the UBC Business Family Centre.

Philippe and Nan-b are encouraged by what they see.

"One of our greatest hopes now is to see these universities working together – to do collaborative research, send faculty to teach elsewhere, exchange young adults who come from family business," says Nan-b.

"We've primed the pump," says Philippe. "Now it's up to communities."

David Simpson, executive director of the Business Families Centre at the Richard Ivey School of Business is inspired. "We're trying to connect the network of this school into any other to build this momentum, and get the word out that business families are to be celebrated," he says. ■

The role of boards of directors in a family business

Three-circle model helps define roles

NANCY LANGTON, PhD
Sauder School of Business
University of British Columbia

Boards of directors are often underutilized by family business owners. A well-considered board of directors can help a family business manage its financial health, while helping the business family understand its roles and responsibilities in the business. To this end, consider some of the unique issues that directors face when they serve on the board of a family business.

In many family businesses, family members are intimately involved with the day-to-day running of the business. This means the owners, leaders and vision-setters of the business are related to each other. The first difference that a director might notice is that the roles and relationships of people involved in a family business are more complex than in a non-family business.

Shareholders in a family business may have very different concerns than those in a non-family business.

For instance, while the financial health of the business, including the overall return and risk-reward of the business, are important to shareholders of both family and

PHOTO: SUPPLIED

nonfamily businesses, shareholders in a family business may feel

See **Board** P3

Tackling the succession question

Mentors, coaches, services providers there to help

BY LORI BAMBER

Succession, long one of the key hurdles for business families, is perhaps an even greater challenge than ever before. Fortunately, help is available.

In today's faster-paced, global business world, traditional family succession has become less likely than the alternatives: professional management or transfer of ownership through an equity or income trust IPO or private sale.

"My observation," says David Bentall, founder of Next Step Advisors and former CEO of Vancouver-based family business Dominion Construction, "is that more families are choosing to sell the business or go public. I think that's a shame. They're missing out on an

See **Succession** P2

Business schools respond to needs of enterprising families

BY TED DAVIS

Concern among aging baby boomers over matters of inheritance and succession are the number one issues in family business management, say educators. Select Canadian universities have responded with increasing focus on family business research and teaching and programs administered through dedicated community outreach centres.

For example, at the University of British Columbia's Sauder School of Business, succession issues are being addressed through innovative counseling services at its Business Families Centre.

"Our focus is on relationship dynamics within the family business – that is, how to understand each family member's role in the business and how to negotiate those roles," says Nancy Langton, the centre's

See **Schools** P2

Managing for the long run – the family secret

BY DANNY MILLER AND ISABELLE LE BRETON-MILLER

"Shirtsleeves to shirtsleeves in three generations" is the common refrain about the vulnerability of family businesses (FBs). But recent research has shown family businesses to vastly outlive their non-family peers and to trounce them in financial returns. In our recent book, "Managing for the Long Run" (Harvard Business School Press, 2005), we examined both star and struggling FBs to get at the roots of the outperformance.

First, what we did NOT find.

• A focus on quarterly numbers. The attitude was that earnings and sales would take care of themselves if the firm delivered on a relevant mission.

• Emphasis on competitive analysis, grand strategizing or the best practices of other companies. Firms focused on doing something unique, not copying.

• Major changes in strategy, initiatives towards unrelated diversification, downsizing.

• Sophisticated organizational structures. There were few tiers in the hierarchy, little bureaucracy, and a reluctance to pore over small units. Instead the emphasis was on the substantive achievements and health of the whole organization.

• Charismatic leaders. CEOs had little interest in drawing attention to themselves, or in lavish lifestyles, perks or compensation.

• Gamesmanship or confrontation with stakeholders. Co-operation was more common.

• Attention to shareholder PR, market analysts or stock price.

What we DID find: All our best companies were dominated by the same theme and approach: "managing for the long run." The "four C priorities" of that philosophy follow:

Continuity. Our winners favoured a substantive mission, not a dollar-driven strategy. They invested deeply in focal competencies and built these cumulatively over a sustained period. At Corning and Tetra-Pack, investment sometimes started 10 to 20 years before payback time. Firms also fostered long executive apprenticeships and tenures to match these investment time horizons.

Community. These firms also embraced strong values, were super-choosy in people selection, under-hired, trained and mentored deeply, and were unusually loyal and generous to employees – often to free their initiative and fight bureaucracy. SC Johnson had the first pension plans, avoided layoffs for over a century, and consistently out-paid rival P&G. But they insisted that everyone buy into the values of the company.

Connection. Our companies favoured long-term, win-win relationships with external stakeholders over bargains and transactions – especially with customers, suppliers and partners. IKEA rebuilt the plants and redesigned the processes of its suppliers. Bechtel has worked with some of its clients and suppliers for over 50 years, Corning and Michelin for over 100.

Our fourth component is **Command.** The first three priorities could only be realized via governance: that is, if executives and boards had the freedom, knowledge and incentive to invest for the long run. Our family executives had the clout to stay in power, the benefit of years of apprenticeship and learning, and the future reputations, fortunes and careers of their children at stake.

Managing for the Long Run presents important challenges – and opportunities. The challenges come from American and foreign businesses that DO manage for the long run, and have daunting capabilities that can torpedo short-termists. But there are opportunities too. A long-run approach can build market share, quality and innovation. It can open doors to huge foreign markets – where relationships only materialize from lots of patience and up-front investment.

However, nothing will happen unless investors, boards and top executives are given the incentives and metrics to take a longer-term approach. Executives must act as stewards over the long-run interests of all stakeholders, not just shareholders but employees, clients, partners and society at large. It is a blessed paradox that shareholders, ultimately, will gain the most only when these other interests are taken care of. Here, travelling the high road benefits everyone – in time. ■

Danny Miller is President of Paradox Learning Resources and Chaired Professor in Strategy and Family Enterprise at HEC Montreal and the University of Alberta. Isabelle Le Breton-Miller is President of OER, Inc. in Montreal, a strategic and organizational management consultancy, and Senior Research Associate at the University of Alberta.

PHOTO: SUPPLIED

Husband and wife research team Danny Miller and Isabelle Le Breton-Miller's recently published book examines star and struggling family businesses.

Moosehead succeeds

Maritime brewery in its sixth generation of family ownership

BY MICHELLE LANGLOIS

It's not often a business survives fire, prohibition, the Depression, two world wars and a massive explosion. Rarer still, for that company to take on the federal government in a bid to save one of our country's national symbols, the moose.

But Moosehead Breweries isn't just any business.

It's a family-run tradition, dating back to 1867, when Susannah Oland first brewed a batch of homemade brown ale in her backyard in Nova Scotia.

Now, 138 years and 6 generations later, Moosehead is Canada's oldest independent brewery, the third largest brewery in the country, and based in New Brunswick, is the only brewery in the Maritimes to be locally owned and operated.

At the helm these days is Susannah's great- great- grandson, Derek Oland, Moosehead's chairman and CEO.

"Any company that's been around this long has definitely had challenges. But we've survived them all and we'll keep going."

Mr. Oland grew up in the brewing industry. From the time he was a teenager, he worked various jobs in the family business. He remembers sneaking into the brewery with his brother late at night to impress their dates and whet their whistles. But both he and the business have come a long way since then.

"Family business is an important part of the corporate structure of Canada. They're a challenge to manage, but it's worth it, when you get it right."

And Mr. Oland has certainly got it right. You can now enjoy a cold Moosehead lager in New York, Los Angeles and Honolulu, as well as in 15 other countries around the world.

"I enjoy the tradition that's involved, but you can't live on that. You have to be prepared to grow."

Among other things, Mr. Oland introduced innovative computer technology to aid production. Today, the Saint John brewery cranks out more than 1,600 bottles of beer per minute.

But those changes aside, Mr. Oland has tinkered very little with what is clearly a good thing. The craftsmanship and quality of the beer is the same, using a blend of malt, corn, hops and a secret strain of yeast.

Moosehead's success lies in more than just its ingredients, however. It is also grounded in strong leadership and brand recognition for a beer that's as Canadian as the moose on its label.

That's why, when the Canadian Tourism Commission decided to stop marketing the moose to attract visitors earlier this year, Oland took up the fight, inviting Canadians to bring back the moose by signing a petition on the company's website.

"People around the world know that when they see a moose, it's like seeing a maple leaf – it's Canada."

And while two of his four sons now work for Moosehead, Mr. Oland is quick to caution that family businesses need a good combination of family members and outside management to succeed.

"My job in life is to pass the family business on in better shape than when I got it." ■

PHOTO: SUPPLIED

Brewing Moosehead beer is an Oland family tradition that dates back to 1867. Here, company chairman and CEO Derek Oland is flanked by sons Patrick (left) and Andrew (right).

Symposium offers networking opportunities

Attention, Canadian business families; mark May 3 to 6, 2006, on your calendars. That's when the Canadian Association of Family Enterprise (CAFE) is hosting its upcoming 2006 Symposium, "Unsung Heroes, Sharing the Wonderful Stories of Families in Business."

"A CAFE symposium is the ultimate venue for business family members to gather with their peers," says CAFE CEO Lawrence Barns. "Our blend of social and learning experiences combines to create an atmosphere unlike anything else you will have ever come across."

The event, which will be held at Le Royal Meridien King Edward Hotel in Toronto, Ontario, will include expert speakers, break-out sessions and other special events.

"We always have a tremendous cross-section of families willing to share stories of growth, of change and of success," says Mr. Barns. "There will be ample time to mix and mingle with other business families from across the country."

During the symposium, CAFE and the Canadian Institute of Chartered Accountants (CICA) will also present the CICA Achievement Award for Family Enterprise of the Year. This award recognizes the significant achievement made within a Canadian family enterprise. ■

Call 1-866-849-0099 for more information, or visit www.cafenational.org

– John Arden

Succession

From P1

opportunity to leave a legacy."

It's also unfortunate for the economy. Research shows that family-run companies outperform their counterparts, and as 85 per cent of businesses in North America are family-owned, that out-performance is an important component of Gross National Product.

Succession presents a number of challenges that are unique to family business, beginning with the fact that most business families find the leadership transition from the founder to a new generation involving siblings difficult.

Karen Flavelle, the second-generation CEO of Purdy's Chocolates, points out that succession issues affect not only family-owners, but the entire employee team.

"It's important for us to remember that this affects (employees) deeply," she says. "It's important that they love to come to work. We worked hard to make this a smooth, seamless transition for our people."

According to Ms. Flavelle, a seamless transition means avoiding a sense of entitlement.

"I had someone tell me some time ago that they were conceived to run their company," she says. "That view can turn into falling into your first summer job and waking up at the same company 15 years later, still not knowing what your strengths are."

David Bentall and Karen Flavelle both emphasize the importance of working outside the family company first.

Ms. Flavelle says she has never spoken to her 3 children about their potential places in the family business. She believes that it is most important that the dreams and aspirations of all involved are honoured. "They need to follow their hearts, with a sense of independence."

For families struggling with succession issues, the confidential Personal Advisor Groups orchestrated by the Canadian Association of Family Enterprises (CAFE) can prove invaluable. Small groups meet monthly for many years, creating a level of trust that can evoke important, challenging questions about assumptions that would never otherwise be examined.

Further support is provided through a growing number of courses available through select Canadian universities. One of them, the UBC Roadmap Program provides insight into the three factors that are most closely correlated with succession success: formalized strategic planning, the development of an independent board of directors, and effective family meetings.

Professional advisors such as those at PricewaterhouseCoopers (PWC) also offer services tailored towards succession planning.

Luanna McGowan, national partner for PWC's Centre for Entrepreneurs and Family Business, lists just some of the benefits of formal succession planning: minimizing tax liability, financial stability, family harmony, and harmony among employees.

Despite the complexity of the tax and legal issues involved in succession, Ms. McGowan provides a reminder that the foundation for a harmonious and effective succession: "Communicate, communicate, communicate," she says. ■

Schools

From P1

academic director. "The goal is to keep the family together under the pressures of business and to ensure that family relationships stay healthy."

Among the services offered at the UBC centre is a course on family and business interrelationships. Held over two weekends, the course is delivered to small groups of between 15 and 25 people, allowing participants to benefit not only from instruction, but also from interaction with one another. The centre is also developing a specialized module for an MBA curriculum and hopes to have that in place by the spring, says Dr. Langton.

A recently opened business family centre at the University of Alberta in Edmonton is the latest addition to that institution's well-established academic focus on business family issues.

A $5-million endowment to the UofA from an anonymous donor 5 years ago allowed it to create its Centre for Entrepreneurship and Family Enterprise (CEFE). Since then, the UofA has assumed a leadership role in the field, spearheading and participating in numerous family business research conferences and papers in Canada, the U.S. and abroad.

"The level of research activity is definitely growing," says Lloyd Steier, a chaired Professor in Family Enterprise at the University of Alberta School of Business.

He says he expects the school to soon raise in excess of $5 million for its family enterprise initiatives and bring its investments in family business research, teaching and community service programs to more than $10 million over the next seven to eight years.

John Ward, PhD, the co-director of the Center for Family Enterprise at Kellogg Graduate School of Management in the U.S. says, "The University of Alberta's Centre for Entrepreneurship and Family Enterprise is a global leader in the study of family firms, and does more combined teaching and research on the subject than any university I know."

Dr. Steier acknowledged, "Over 60 research papers have been done that would not have been written without the UofA as a catalyst." UofA research forums and papers have studied a wide swath of issues related to family businesses, ranging from corporate governance to entrepreneurial renewal to the chain of family succession.

"The demographics determine that there will be a huge transfer of wealth in the next 10 to 15 years, and we want family businesses to be ready for that," said Dr. Steier, who is the academic director of both the CEFE and the Alberta Business Family Institute (ABFI).

Despite efforts at UBC, UofA, the University of Western Ontario and other select universities, courses on family business management available through Canadian universities remain limited. ■

This special information supplement was produced by Randall Anthony Mang in conjunction with the advertising department of The Globe and Mail, Richard Deacon, project manager • e-mail: rdeacon@globeandmail.ca

Board

From P1

accountable to family members, including some who might not be shareholders. As a result, when it comes to relatives, these shareholders might not be able to make tough decisions about whom to hire and fire.

Further, family members interact with each other more frequently and more intimately than shareholders of non-family businesses. This can make ownership decisions by a family business shareholder more complex.

Because of the sometimes-overlapping roles of shareholders and family members, directors need to be familiar with how these roles relate to each other.

The Three Circle Model developed by Renato Tagiuri and John Davis of Harvard University in the 1980s can help directors and family members better understand the role relationships involved in the business family and the family business.

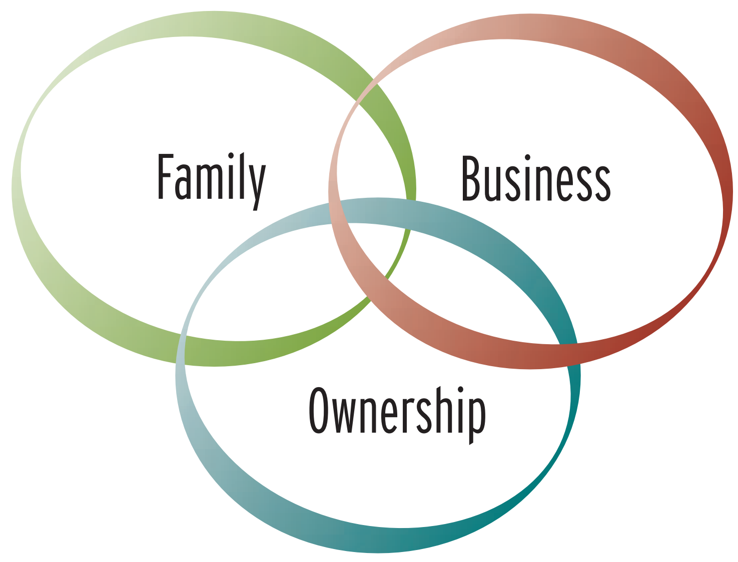
That model outlines three overlapping roles, those of: a family member, a person working in the business, and an owner. Individuals involved with a family business can have responsibilities in one, two, or all three circles. The responsibilities and rights governing each circle are quite different. Confusion and conflict can reign when non-owner family members assume that their rights and responsibilities as family members carry over to ownership issues.

In guiding the family business, directors need to consider the family vision: what does the family as a whole want for the business? What do individual family members expect of the business? Is the family business meant to be a legacy for the family, or just a source of revenue?

Finally, directors need to consider how to create dialogue around succession. These are delicate and intensely personal matters for most owners of family businesses.

The owners often don't share these their succession plans with family members. Nevertheless, the consequences of succession and estate planning can have a lasting impact on the business itself. Family members may expect that they have a right to be employed in the business, or to take over as CEO at some future time. Directors need to encourage the family business to develop succession plans that address these issues.

When serving as a director for a family business, the goals for the board of directors should be clear. Just as in a non-family business, they need to protect the interest of the shareholders, provide fiduciary oversight, and focus on the big picture for the business. However, they do this in the context of recognizing that family members want to be involved in the business. They need to help the family create processes for family member involvement that enhance the business. Thus, the board of directors has to establish ways to work with the family's governance structure so that the family business and the business family support each other's goals. ■



RESPONSIBILITIES IN THE THREE CIRCLES

Family
Personal finance and estate plans: how do we take care of the family and individual family members?

Business
Strategic and operational plans: how do we run the business, expand the business, change the business?

Ownership
Ownership and successor plans: how do we provide for an orderly transition of ownership that considers family involvement in the business?

Nancy Langton, PhD, is the Academic Director of the Business Families Centre at the Sauder School of Business, UBC. The centre helps families focus on two bottom lines: the financial health of the family business and the relational health of the business family.

Professional advisors respond

Managing wealth brings unique challenges

BY RANDALL ANTHONY MANG

PHOTO: GETTY

The complex needs of wealthy business families have given rise to "family offices," financial advisory groups that integrate multi-disciplinary teams that may include an investment officer, accountant, estate lawyer and other professionals.

Business families generate significant wealth in Canada both through their ongoing operations and disposition of assets. While dealing with wealth and its transference may sound like a problem most people would welcome, these are serious issues for business families, whose decisions can seriously impact family harmony and the income security of family members.

Such issues have given rise to specialized service providers that employ processes designed to enable business families to better navigate wealth management issues.

In his national best seller, True Wealth – an expert guide for high-net-worth individuals (and their investors) – private wealth advisor Thane Stenner, writes, "As wealth grows, so does complexity. This is especially true for those who have crossed the threshold from high net worth ($1 million or more) to ultra-high net worth ($10 million or more)."

Mr. Stenner heads the Vancouver-based T. Stenner Group of CIBC Wood Gundy, which focuses on integrating and managing financial affairs of businesses, charitable organizations and families with a minimum net worth of $10 million.

He notes that the necessary skill set to manage significant wealth and generate tax-efficient cash flows from an investment portfolio and various structures such as trusts is vastly different than expertise in running a business that generated their wealth to begin with.

The result is a rise in "family offices" like Mr. Stenner's – a model originally developed by the Rockefellers – that integrates a multi-disciplinary team of professionals and may include an investment officer, accountant, estate lawyer and other experts.

"A family office makes it easier for ultra-high-net-worth (UHNW) families to secure customized wealth management solutions," writes Mr. Stenner. "Most important, the family office structure offers UHNW families stability: working with a family office means working with people who know the family and its financial affairs inside and out..."

Russ Cook, managing director of RBC Private Client Group in Toronto says, "The decisions business families make with regards to wealth management, succession and tax planning need to be aligned with their family values and life objectives. Often these objectives change over time depending on the stage of life.

He notes that families may be less aligned than they think. "Business family members may have grown up together, but they may be looking through different lenses," he says. "Through a discovery process – a set of questions exploring individual and family objectives – we ensure that our clients' decisions support their family values."

From that process, Mr. Cook says the RBC team builds a financial plan that may include a succession or estate plan and investment management to meet the family's objectives.

Among his suggestions, Mr. Stenner says a third-party coach can help ensure a harmonious outcome. He writes, "Using an independent third-party professional can help reduce the likelihood of various family members feeling as though they have been unfairly treated or taken advantage of."

"There are many good professionals in the market. Find a team that you can trust and that suits your family and personal style," advises Mr. Cook. ■