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Keep the dream alive

You need to plan for succession if you want your business to survive more than one generation, writes **Nina Hendy**.

Family-run businesses passed down from generation to generation make up some of Australia's most robust and prominent enterprises. Often successive generations share a passion and a flair for an industry that keeps the public coming back year after year.

But research suggests these are probably in the minority. Recently, a study in the US found 70 per cent of family businesses don't make it to the second generation, with many going bust before a third generation can take over the management of the firm.

So what's the secret to keeping a business alive over more than one generation?

Success stories usually come down to families being able to work through power issues, plan for succession and define roles for each family member.

According to Dean Sunshine, who is the third generation to work in his family's business, Rathdowne Fabrics & Remnants, in Melbourne, trust and respect are vital.

The company was started by Dean's grandfather in the 1950s. Dean's father, Morre, left school at 15 to work in the business. Dean then joined his father to work on the business in 1986.

The business has flourished throughout the years, which Dean puts down to the strength of their relationship. "I'm really lucky because I get to see my dad every day. It works so well because we have mutual respect for each other. We never argue and have absolute trust in the other's ability."

The two are equal directors in the business but Dean admits his father is

'Having something formal in place makes us all feel accountable.'

Eliza Brown. All Saints Estate

still very much the driving force. They start every day with a meeting to go over current projects. "We both stick to our strengths, while also giving each other the freedom to expand the business in new areas."

For the Brown family of Victorian winery All Saints Estate, having a board has helped professionalise things and remove the potential for discord.

"You can tend to be a bit slack when you work with family because we have

meetings over a glass of wine but having something formal in place makes us all feel a lot more accountable," chief executive Eliza says.

The children of the late company founder, Peter Brown, run the business and take on a variety of roles. Their mother also has a say in the business.

"She has a brilliant palate for wine and comes up from Melbourne and tells us if we're getting it right or not," Eliza says. "We really appreciate her input."

The Australian author of *Your Business Succession*, Leigh Riley, says that all too often, businesses put little thought into who will step up to fill management roles, or assumptions are made without consultation.

Dividing a business in a family situation can be one of the hardest decisions of all, she says.

"Many small to medium businesses think their size stops them from having a board but this isn't the case," she says.

"Even small businesses can benefit from having a mini-board, which ensures some degree of perspective when it comes to making business decisions. This is especially the case in what can be emotionally charged succession-planning issues."



Defined roles ... (from left) Eliza, Nicholas and Angela Brown of All Saints Estate; Dean (left) and father Morre Sunshine at their business, Rathdowne Fabrics & Remnants. Photo: Rodger Cummins



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How to get started

Are you thinking about taking the plunge and working with your family? It's an appealing proposition. After all, it offers the chance to spend more time with loved ones; not to mention financial freedom.

But whether you decide to go into business with your sister, mother, husband or an in-law, make sure you do some careful planning, documenting each person's role in the business, how the finances will be run and set specific ground rules.

Family-run businesses can be slack in areas such as staff reviews, which can cause friction. In fact, 55 per cent of people working with family members were not satisfied with their performance review process, according to a report last year by KPMG and Family Business Australia.

A further 50 per cent said their salaries were not benchmarked with similar roles outside the family business. When asked about performance reviews, one focus group participant responded that "being assessed by my dad seems like a really strange way of doing things".

Working with family could

affect your relationship.

Working together nearly cost William de Ora and Louise Woodbury their marriage.

The Sydney couple has run a business consultancy for 17 years. They presumed rules for marriage would work in business but admit they were wrong. While they saved their marriage, heading down the road of separation prompted them to write a book.

Titled *The Invisible Partnership: How to Work with Your Spouse Without Getting Divorced*, it exposes issues among couples such as power plays, covert behaviour, anger, frustration and disappointment.

De Ora says couples working together should have equal leadership and responsibility, with no compromise or domination by either party.

In their professional coaching capacity, they often see competent, intelligent women who have joined their husband's business but aren't working to their strengths. "In this situation, not only does the working relationship suffer but so, too, does the success of the business," he says.

Nina Hendy