

AIB Sustaining Your Family Business

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Starting the Family Business Professionalising Process

When professionalising the family business, a good place to begin is by identifying the stakeholders of your family firm using the **Three-Circle Model** of the family business system. This model visualises the three interdependent groups that comprise the family business system namely family, business and ownership.

Each of these individual groups come with their own perspectives, goals and dynamics. The long-term success of family business system depends on the **effective operation and respective support** of each of these groups.

After identifying all these groups, many family business go on to complete a **Family Charter**. The family charter establishes the definition of the family business and its relationship with all the family members and captures the purpose and values for the next generation.

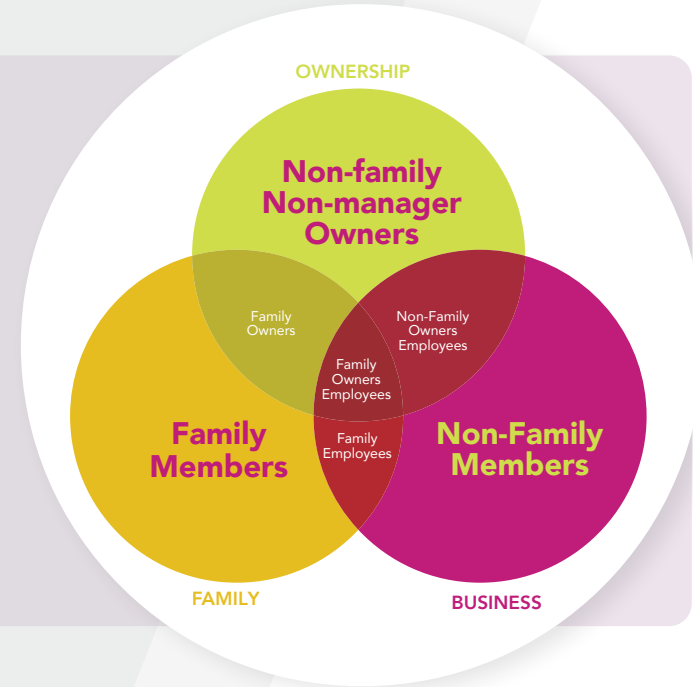


Image source: Adapted from Tagiuri, R., Davis, J.A (1982). Bivalent attributes of the family firm. Working Paper, Harvard Business School, Cambridge, Massachusetts. Reprinted 1996, Family Business Review IX (2) 199-208.



Essential Tips

CLEAR AND CONSISTENT COMMUNICATION

- As the family business expands and grows in complexity, continuous communication becomes key in achieving objectives.
- Successful families not only keep clear and consistent communication among all the groups, but also try to create “a sense of involvement” by engaging them in the decision process.

LONG-TERM VISION

- Family firms commonly pursue shared long-term goals that avoid risking the family’s wealth and control of the business.
- Common long-term goals in family firms include: securing next generation involvement, transferring family based values, traditions and knowledge; or implementing a proficient and steady management team.

SEEKING OUTSIDE ADVICE

- While many consider external advisor involvement in the organisation as invaluable, other family businesses are reluctant to share their plans to a non-family member.
- Seeking advice and guidance from external advisors can contribute significantly to the professionalisation process. Advisors are objective in their decisions and can avoid issues deriving from family involvement in the business.

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