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## WIFU\_compact\_25: Seven Paradoxes of Longevity

The continuation of the family business over generations is probably ideal for many business families. However, reality shows that multi-generational family businesses – those that go back three or more generations – are not the rule but the exception. This raises the question of what these multi-generational family businesses do better than others.

### Maybe longevity is just a matter of luck ...?

Perhaps a little luck is involved. That may be true. However, when we take a closer look, we find certain patterns in successful, surviving family businesses that are not secret formulae, but tried and tested procedures that stabilise the business and the family. By following these patterns, family businesses can address certain unavoidable paradoxes in such a way that they do not exhaust their energy on (seemingly) unresolvable dilemmas, and ultimately fail.

### The courage to make decisions

Over the course of years and decades, conflict-ridden decision-making situations will arise again and again in the family, among the shareholders and in the business. Longstanding family businesses have a range of solutions at their disposal so that they do not have to engage in complex negotiation processes over and over again.

### But if they are so conflict-ridden, no solution will be optimal.

Yes – and this is an important point. It is precisely the search for an “optimal” solution that leads families into a web of contradictory and individual solutions. Longstanding family businesses do not become tangled up in this way. They are not hampered by the notion of one solution that makes everyone a winner. They accept that certain positions cannot be reconciled and – since this is the case – resort to other solution strategies.

### ➔ Paradox 1: Family influences as a resource and a threat to the business

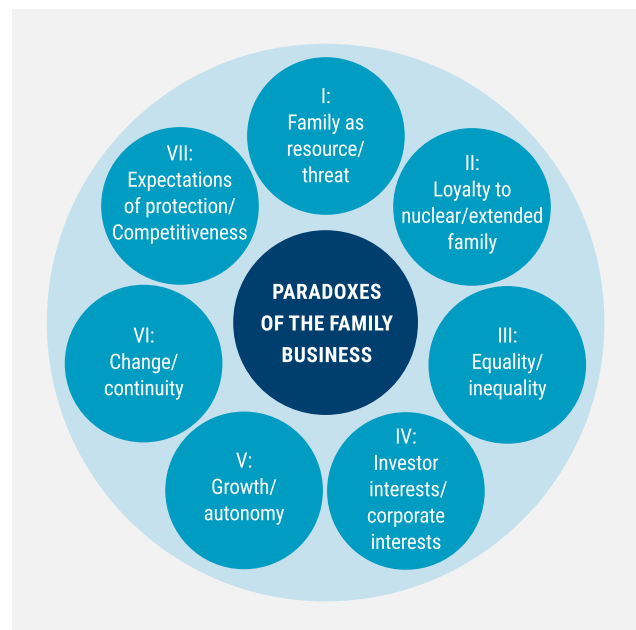
Irreconcilable opposites collide: lifelong family membership versus the ability to terminate employment relationships; the equal treatment of all children versus unequal treatment according to performance; the greater commitment to the business versus the ruthless pursuit of one’s own interests. In longstanding family businesses, the boundary between “family” and “business” systems is professionally managed through clear governance, formalisation and a legally drafted set of rules.

### ➔ Paradox 2: Loyalty to the nuclear family and family unit

Even in the second generation, and even more so in subsequent generations, dynamic complex loyalty structures emerge. Often the extended family is organised in branches (more on this in WIFU\_compact Episodes 26 and 27). It is important to consciously use the cohesive effect of the joint business in the face of diverging interests, especially as families grow larger and larger. It is the business that holds the family unit together and creates an identity for it. Clever family management is indispensable here.

### ➔ Paradox 3: Expectations of family equality versus unequal demands of the business

Longstanding family businesses have decision-making structures to manage personnel changes and transitions in such a way that sustainable relationships of authority are created. These structures are based on the requirements for roles in the business, the family or shareholder circle. Positions are filled according to clear rules and, especially in top management, are based on qualifications not ancestry.





### ➔ Paradox 4: Meeting investor interests or securing the future of the business?

If ties to the family business become looser in enlarged shareholder circles, individuals may be more interested in dividend distributions than investing in the business. This conflict of interests can be defused by establishing a form of second currency through good family management – namely, membership of a reputed business family. Equipped with this identity-building bonus, the owners are usually willing to accept less than an outside investor.

### ➔ Paradox 5: Growth and preservation of entrepreneurial autonomy

The economic independence of the business, especially from external capital providers, is of particular value to business families. This is countered by the fact that growth opportunities are often linked to new forms of cooperation with external partners or bring financial needs that cannot be met from the business's own resources. Many family businesses have failed due to a dependence on outside capital. Multigenerational family businesses set themselves rules to manage this situation which deliberately leaves open the possibility of foregoing opportunities for growth.

### ➔ Paradox 6: Ability to change and awareness of tradition

The balance between continuity and innovation is a crucial factor for the survival of family businesses. Adhering to the tried and tested with only gradual development matches the typical image of the family entrepreneur, focused on detail, but the business will lose competitiveness. Successful family businesses change on the basis of their core competencies, but are consistent and stand firm when it comes to strategic decisions.

### ➔ Paradox 7: Expectations of protection versus demands for performance

The protective system of the family extends to the business, giving rise to expectations of protection on the part of employees that are typical of the family but atypical of the business. However, no business can avoid tough personnel decisions in the long term. These can affect family members working in the business just as much as other employees. Longstanding family businesses resolve these contradictory expectations by clearly defining expectations of performance and stating how the business will react if these requirements are not met.

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