



**VALUE ADDING:**

*Families in business, such as Angove in wine, Grossi in food and Fishman in manufacturing, contribute much to the economy*



# THE FAMILY

# WAY

AS MANY AS SEVEN IN EVERY TEN AUSTRALIAN BUSINESSES ARE RUN BY FAMILIES. THEIR HUGE CONTRIBUTION TO AUSTRALIAN LIFE HAS BEEN HIGHLIGHTED BY A PARLIAMENTARY INQUIRY. Story: [Geoffrey Maslen](#)

**T**hey range from vast global enterprises such as the Visy, Linfox and Lowy corporations down to the corner milk bar yet they all have one thing in common: they are all family-owned businesses. These family enterprises make up a majority of business firms in Australia and, even more amazingly, employ more than half the national workforce.

“Family businesses play an important role in creating employment, generating innovative technology and improving our quality of life. They are also essential for incubating and financing new businesses that create employment and promote economic and technological progress,” says the organisation representing them, the appropriately named Family Business Australia.

According to FBA, a 2006 business survey found that 67 per cent of all businesses in Australia were family-owned, they employed an average of 39 workers and the average tenure of the chief executive was 17 years. At the time, the estimated wealth of Australian family firms was \$4.3 trillion.

But despite their crucial role in the economic and social fabric of the country, there is a lot we don't know about family businesses and how they can best be sustained into the future.

Enter federal parliament's Joint Committee on Corporations and Financial Services which has just completed a seven-month investigation that received 38 submissions

and heard from more than 70 witnesses at public hearings in Canberra, Sydney, Melbourne and Brisbane. Its 250-page report, *Family businesses in Australia*, includes 21 detailed recommendations.

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According to that report, very little information has been systematically or regularly compiled about family firms – not even a general agreement on what constitutes such a venture. Without an adequate definition of family business, “there is no adequate data”, and the little that is available derives from surveys by consultancy firms, the accuracy and reliability of which are questionable, the committee says.

During the inquiry the committee heard from family businesses in retail, tourism, agriculture and hospitality, with turnovers ranging from hundreds of thousands to billions of dollars. Yet, as the report says, this enormous business sector has been overlooked by Australian governments, while government agencies have ignored their characteristics, the economic contribution they make and the unique challenges they face.

Photos: [newspix](#) and [barefootphotographer](#)



“Despite their diversity, family businesses have common features and traits that distinguish them from non-family enterprises in terms of their risk averse, long-term approach; flexible decision-making; greater commitment to retaining staff; significant contribution to the community in which they operate; and higher labour productivity than non-family firms. [Yet] there is no reliable data that could test the strength of these attributes and compare them to those in non-family businesses,” the report says.

The committee argues these characteristics deserve the attention of policy-makers; so among its recommendations it calls for the establishment of an inter-departmental committee (IDC) drawn from at least seven of the big federal departments and the Australian Bureau of Statistics. The members of this group would consider the issues “uniquely relevant to family businesses, how they interconnect with distinct policy areas; and how a definition could capture these issues”.

“The IDC should consider identifying the number of family businesses, their location and the industries in which they operate; the need for policy-makers to identify first, second, third and later generation family businesses; [as well as] the number of family businesses established from culturally and linguistically diverse communities; along with data on family businesses’ contribution to GDP, employment and export earnings,” the report states. “It should report back to the Industry and Innovation Minister within six months.”

Policy-makers and stakeholders have an important role to play in the creation of an official survey of family business. The joint development of such a survey would provide

for stronger links between government and the family business sector.

In its submission, FBA says the lack of data collected by the Bureau of Statistics about how many family-run firms there are, their governance mechanisms and employee numbers contrasts with other developed nations where family business is specifically recognised as an important type and for which specific policy has been formulated.

The bureau admits in its submission that although it does not have a definition of a family business it does have the means to develop one for the collection and dissemination of statistical information to support decision-making. “Currently the ABS has no capacity to undertake this work but is willing to provide advice should another agency take on this project or additional funding for the ABS become available,” it says.

In its report, the committee singles out for praise the Australian Centre for Family Business at Queensland’s Bond University. The centre brings together a group of family business owners and managers, advisors and academic researchers to offer a series of six one and two-day courses for people running businesses as a family.

In a submission from the centre, Mr Frank Barbera says family firms play a key role in the Australian economy, particularly in the construction, retail trade, manufacturing, and accommodation, cafes and restaurants sectors. He illustrates this with a table listing a sample of 11 major industries that includes a total of 3,450 firms of which 1,758, or just over half, are family-owned. As well as employing more than half the workforce, Mr Barbera says family-run businesses own nearly 30 per cent of all assets and contribute 32 per cent of total outputs from all sectors.



#### CHOSEN FIELDS:

*Families, such as Paech of Beerenberg, Rogers in Pimlico and Lowy of Westfield, commit to a business over generations*



“The family name is all over the business, so it is very important that family values are transmitted into the business.”

## A TRADITION CONTINUES

- Lionel Samson & Sons, industrial packaging and distribution established in 1829 in Fremantle – the oldest continuing family business in Australia
- A.H. Beard, fifth generation Australian bedding company started in 1899
- Angove Family Winemakers, fourth generation wine producer established in the 1880s
- Beerenberg, South Australian-based farm product firm begun in 1969 by fifth generation dairy farmers
- Dysons Group, a family-owned bus company commenced operating in 1952
- Haigh's Chocolates, now up to its fourth generation, started in Adelaide in 1935 and the oldest family-owned chocolate manufacturing retailer in Australia
- Haymes Paint, a paint-making company first opened in 1935
- Tobin Brothers Funerals, formed in 1934

Source: *Soul Stories: 100 Australian Family Businesses 2012*, Free Run Press, 2012.

The University of Adelaide also has a family business education and research group and three of the academics involved also sent a submission to the inquiry. They too were disappointed the ABS had dropped the sole family business question from its longitudinal business characteristics survey after the first year. When they asked the ABS to reintroduce the question and include additional ones, the bureau said lack of funding made this impossible.

The Adelaide team, however, says other surveys highlight an issue the committee decided to devote a chapter to: the serious matter of succession. The academics point out that some 60 per cent of family business owners plan to retire within the next two years and that half will be unable to hand the business on to the next generation (“the preferred option for most firms”) because no qualified successors will be available.

“Trade sales are not a viable alternative succession strategy given the scale of the problem. Yet the successful transition of family firms, for example to the next generation, or via management buy-out or sale, is critical to national economies,” the academics say. “This is because a successful transfer is estimated to conserve, on average, five jobs whereas a start-up firm generates on average two jobs. Again, having appropriate official data available will help

## DETERMINED TO SUCCEED



To read Jan Taylor's presentation to the committee investigating family businesses in Australia is to marvel at the doggedness, commitment and sheer courage required to keep a family firm going for 75 years, despite two of the key players dying tragically along the way.

Mrs Taylor stepped down last year as chief executive of the Tasmanian slipway and engineering company, Taylor Brothers, but she remains a director as the family's fourth generation joins the firm. Her involvement with what started out as a small slipyard in Hobart run by two brothers, Athol and Norman Taylor in 1936, goes back almost 55 years when she married Norman's son Geoff and became the firm's payroll officer, then accountant and, eventually, its CEO.

The first tragedy struck a year after the family business began when Athol was lost at sea and Norman was left to run the slipyard himself until young Geoff had completed a carpentry apprenticeship and could join him. The second disaster happened in 1995 when Geoff was killed in an industrial accident, leaving his wife to take charge.

"As I was the only payroll officer the day prior to Geoff's funeral, I had to attend the office to perform the payroll. Overnight, I had to take on a leadership role in a male-oriented marine industry," Mrs Taylor says. "But Geoff had the foresight to know the business had to diversify to be able to withstand trends and pressures due to changes in our major income provider, the fishing industry.

"Opportunities existed in the construction industry and we quickly became involved in local projects and jointly my sons and I have built a business based in Hobart but mainly operational in projects outside the state, including the air warfare destroyer project – a \$25 million contract to fit out three vessels for the Australian navy in Adelaide."

Today, Taylor Brothers undertakes work across Southeast Asia and New Zealand, including offshore support services, rig maintenance and equipment installation, accommodation units, defence contracts, Antarctic projects, and shipping refit and repairs. Mrs Taylor says the appointment of a non-family commercial manager reinforced the firm's direction and that, even after 75 years, "we intend to continue our relentless

pursuit into previously unexplored markets seeking development and success in new areas of activity".

"From an employee base of approximately 20 in 1996, we now have 60-odd full-time employees," she says. "These include two naval architects, an engineer, three draftsmen, an accountant, a credit manager, interior designer, a data entry clerk, and trades people including boilermaker-welders, machinists, electricians, fitters, carpenters, shipwrights, diesel fitters, and so on. We also have several apprentices."

Even so, there are pros and cons to running a family business, Mrs Taylor says: "There is no such thing as an eight-hour day – or a five-day week. There is only 24/7. If there is a need then someone must be available to take care of it. Usually 'the boss'! Holidays rarely coincide with family school leave, and wives are not usually able to find a job which allows them to down tools and follow the husband. How often have I spent cooking meals at a remote location where a pipeline needs repairing, or there is a fishing boat to salvage."

advisors and policy-makers address the challenge of the impending succession issue in family firms."

One of the longer and most interesting submissions is by a Monash University doctoral student, Chris Lowe, who is executive director of the Bus Association of Victoria. Although Mr Lowe is writing his PhD on that state's bus businesses, his proposed solutions to the problems they face apply to family ventures in other business fields.

"Family values are very much transmitted to the family business, unlike with non-family firms. With family businesses, it is all about continuity and continuance," he says. "There is ... the legacy factor: the family name is all over the business, so it is very important that family values are transmitted into the business ... This is the industry the family has chosen to commit itself to over generations, and this is how the family has made its name."

Mr Lowe notes that a family firm can carefully husband its resources because the family owns them. Likewise, they have the ability to employ "idiosyncratic criteria" and set goals that deviate from the typical profit maximisation concerns of non-family companies. He says these characteristics provide family firms with advantages in terms of efficiency, social capital, and "opportunistic investment" that demonstrate

how and why the family form of governance is unique and what the outcomes of that uniqueness might be. Organisational culture can be a strategic resource that generates a sustainable competitive advantage, Mr Lowe says.

In the report's conclusion, the committee notes that family businesses come in all sizes: micro, small, medium and large; and in all legal forms: companies, trusts, partnerships and sole traders. But they all face particular challenges including internal governance and dealing with sibling rivalry, developing and retaining the family's skill-set while employing outside talent, and planning and executing succession.

"The proposed inter-departmental committee is an opportunity for policy-makers to consider carefully the issue of succession ... a key and unique challenge for family businesses that should be of concern for government, given evidence of the large number of family business owners intending to retire over the next decade," the report says. •

The **Family businesses in Australia** report by federal parliament's Joint Committee on Corporations and Financial Services is available at [www.aph.gov.au/joint\\_corporations](http://www.aph.gov.au/joint_corporations) or for more information email [corporations.joint@aph.gov.au](mailto:corporations.joint@aph.gov.au) or phone (02) 6277 3583.