CENTURIES OF SUCCESS

by André Diederichs

It is a well-known fact only 25% of small businesses survive for more than three years, while the average lifespan of those that do survive is around 25 years. However, there are family businesses that have been doing business for centuries and a few, for even more than a millennium. The question is, if the average lifespan of businesses is 25 years then why do some family businesses survive for centuries?

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William T. O'Hara's book, *Centuries of Success*, starts with the words: "Profit. Conflict. Love." These words form the essence of a typical family business. In his book, O'Hara relives the legacies of the most enduring family businesses in the world.

Some family businesses that have survived for centuries are:

- Kongo Gumi, a Japanese construction company, began as a temple restoration business in 578 and was assimilated as a subsidiary in 2006. This company's motto was: "Challenge new things with new perspectives."
- Hoshi Ryokan, a hotel in Japan, was founded in 718. This company's motto is: "Take care of fire, learn from water, cooperate with nature."
- Marchesi Antinori, an Italian winery, was founded in 1385. This company's motto is: "The pursuit of excellence."
- John Brooke & Sons Holdings Ltd, United Kingdom, is a textile company founded in 1541. This company's motto is: "Whatsoever thy hands findeth to do, do it with thy might."

Family businesses were around long before multinational corporations emerged. Even before the Babylonian, Greek and Roman empires, they were a reality. And sibling rivalry, a prominent feature of some family businesses, dates back to the biblical brothers Cain and Abel!

Family businesses were even interesting enough for Shakespeare to regale Elizabethan England with his tale of King Lear's daughters and the king's succession woes. Nothing has changed since biblical times and the era of Shakespeare. Sibling rivalry, succession challenges and love-hate relationships are still a reality today.

From a pure business point of view, successful family businesses have shifted their focus in line with major shifts in the marketplace. As the concept of value changes in the minds of the customers, family businesses need to adapt. Kongo Gumi, for example, had to change their traditional business of restoring temples to other construction opportunities, as the demand for temple restoration declined.

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Market demand and changes in the way business is done are prompting leadership in family businesses to be less traditional and more adaptable. As family businesses grow into larger companies, management teams from outside the immediate family assume wider leadership roles, changing inward thinking towards the family to outward thinking towards customers and business opportunities. Judging from the tremendous growth in family businesses many seem to be adapting successfully to a changing marketplace.

According to Tom Herman of The Wall Street Journal, the biggest international transfer of wealth in US history will occur in the decades ahead. Economist Robert Avery has predicted there will be a US$10.4 trillion net worth transfer between generations in America, by the year 2040. Says O'Hara, "A decade and a half ago, estimates pointed to the existence of roughly 10 to 12 million family businesses. Today, that number has grown to 20 million. After the out-of-control gyrations of doing business in the 1990s, a saner, wiser population seems to be gravitating back to stability, to a sense of ethics and values."

Except in traditional socialist countries approximately 75% of the world's business is carried out by family businesses.

Governance structures and governance tools such as a family business constitution, advisory committees, family forums and proper succession planning remain vital for family businesses to succeed, from generation to generation.

However, ethics and values are the underlying ingredients that keep it all together. Two important values are:

Fairness. The answer is to create a fair balance between the business and the family. Just think of a scale – if the weight buckets hang unequally there will be no balance. The balance will be disturbed if the business expects profits to the detriment of the family members and other employees. The opposite also rings true. When family members and other employees expect wages to the detriment of the business, the balance will also be disturbed.

Stewardship. In a family business stewardship and leadership constitute two sides of the same coin, as leadership and values do. Family business leaders are true stewards when they believe the businesses they serve are larger than themselves. They lead responsibly, thinking of the future and not about personal immediate gain.

A few months ago, at a conference where I gave a presentation, an American delegate stated, "Stewardship is the biggest gift you can ever give your children." This reminded me of the interview I did with Carl van der Merwe from Boplaas in the Koue Bokkeveld – South Africa's oldest family business. One of my questions was, how did they manage to survive and thrive for nine generations? His answer, "From generation to generation we were taught that Boplaas doesn't belong to the present generation, but is merely borrowed from the children of the future generations."

This statement proves that without stewardship, no family business will have any chance of long term survival. S

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