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WE CAN HELP SUPPORT
YOUR BUSINESS.**



HOW TO SET UP AND RUN A FAMILY BUSINESS

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2 OUT OF 3 UK BUSINESSES ARE OWNED OR RUN BY FAMILIES, MAKING FAMILY FIRMS CRUCIAL TO THE UK ECONOMY¹.

If you have an idea to start a business and are wondering whether a family member could help you - there are a lot of successful role model companies out there! Some of the biggest businesses in the UK are family companies, including Clark's shoes and JCB. Most family businesses have less than 10 employees, but they are also common in the rest of the SME (small and medium enterprise) sector. As with any business idea, thinking about starting a family business means that you need to consider a few things carefully before you start.

¹ Institute for Family Business (2008). The UK Family Business Sector.

THIS MINI-GUIDE WILL HELP YOU TO:

- Weigh up the pros and cons of running a family business.
- Pass on top tips to you from others who've already done it.
- Make sure you communicate effectively with others in your business to get off to the best start.
- Complete practical exercises to identify the mix of skills you and your family members have.

WEIGHING IT UP: ADVANTAGES AND DISADVANTAGES

In a family business, trust and commitment are usually very high and there can be many business benefits from this. Family staff members are also loyal, motivated and committed to building up the business. Other advantages of a family-run business include:

- Family members are more likely to think about, and invest in, the business in the long-term
- Family businesses are often able to offer more flexible ways to work than other businesses
- Family members working as employees in the business are likely to stay for longer than other staff and so they build more experience and reduce staff turnover

As with every type of business there are also disadvantages for you to think about including:

- If family businesses are only recruiting from other family members the business might not get all the range of skills and experience it needs
- Non-family members might be put off from coming into the business if they think they won't be treated as well as family members - making it hard to recruit the best people
- Family conflicts, such as divorce and fighting between family members for example, might disrupt the business



SOME KEY QUESTIONS TO ASK YOURSELF BEFORE YOU GET STARTED...

TOP TIPS FROM OTHERS WHO'VE STARTED A FAMILY BUSINESS INCLUDE:

WHAT TYPE OF FAMILY BUSINESS WILL YOU START?

While most businesses can easily be run by families, some types of businesses are perhaps more suited. Restaurants, takeaways/cafes, newsagents, shops and Bed and Breakfasts all lend themselves well to being run by a family. Just remember, the choice needs to be based on the combination of skills and experience you have within your family.

WHO'S GOING TO HELP YOU TO START AND RUN THE BUSINESS?

You might get on well with your sister when you see her at a family party, but running a business and working together every day could be a different story. Think carefully about how you choose the right family members for the business idea.

THINK ABOUT FAMILY MEMBERS WHO HAVE A SIMILAR OUTLOOK ON LIFE (SHARED VALUES) TO WORK WITH. WHO SHOULD BE EASY

THINK ABOUT THE DIFFERENT SKILLS EACH PERSON WILL BRING TO THE BUSINESS - MAKE SURE THERE'S A GOOD MIX OF SKILLS AND AND GOOD EXPERIENCES TO MAKE THE BUSINESS STRONGER.

BE CLEAR ABOUT EVERYONE'S ROLE IN THE BUSINESS TO HELP AVOID UNCERTAINTY OR MISUNDERSTANDINGS ABOUT WHO IS SUPPOSED TO BE DOING WHAT FURTHER DOWN THE LINE.

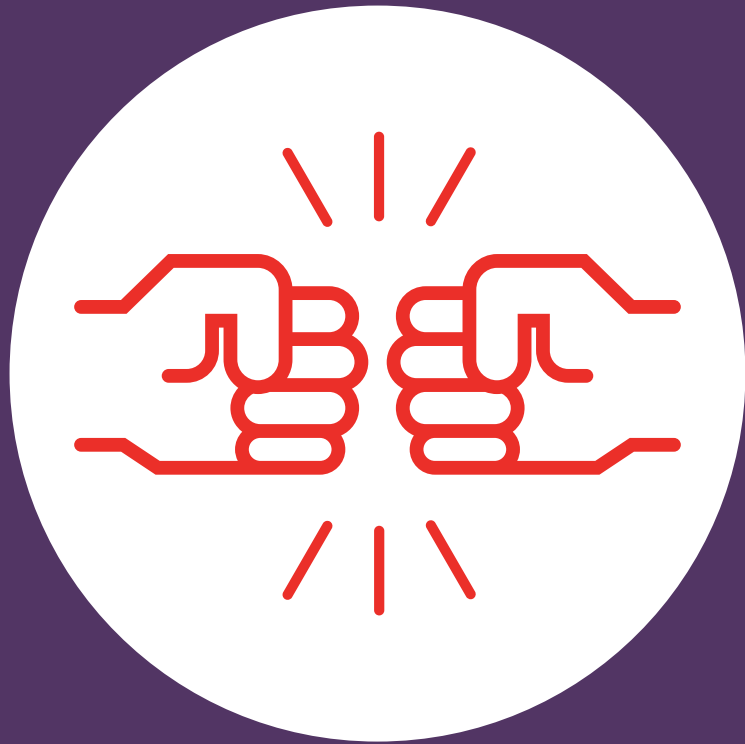


STARTING OFF WELL TOGETHER

Starting up a family business can be an exciting challenge. Before you get started, take some time to think through how you would deal with some of the potential difficulties of running a family business. Organise a meeting with the family member(s) you are thinking of starting your business with and discuss each of the thinking points listed opposite. Openness and honesty are essential to your family business being a success so make an effort to get the communication going well from the start.

THINKING POINTS TO DISCUSS WITH FAMILY MEMBERS:

- How can we make sure that the decisions we make are taken for business reasons, and not personal ones?
- What do we each think are our roles and responsibilities in the business? Who's going to be doing what?
- What salary will we give to family members, and will it be different for non-family members? What problems could this cause and how will we deal with these?
- How will we cope with conflict/disagreements between us, if or when they happen?
- How are the business' shares going to be split between family members? Equally or not?
- Will we have non-family starting off Well together shareholders?



MANAGING CONFLICT IN A FAMILY BUSINESS

The potential for conflict or disagreements in family businesses can often be greater than in other businesses due to clashes between business and family issues. Conflict is usually seen as negative and something that we want to avoid. Trying to see conflict in the business as a potentially positive thing can help you deal with it. For example, a disagreement over the direction the business is taking in looking for new customers (if managed well) might lead to change in the way the business is marketed and a new business vision for success!

WAYS TO AVOID CONFLICT IN YOUR FAMILY BUSINESS

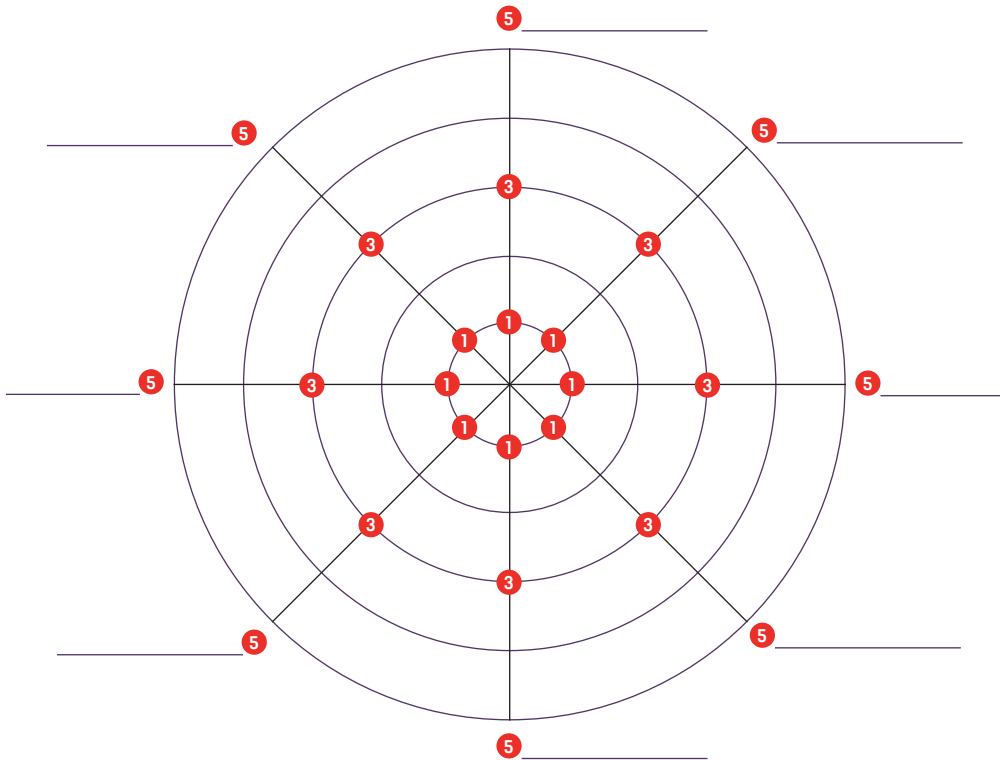
1. Think about how people in your business talk to each other. Are emotional issues kept separate from business discussions? Even though it's hard at times, keep arguments about family issues at home and don't bring them into the business. Do all staff (not just family) feel listened to?
2. Do you have a family business agreement in place? This could help to stop misunderstandings from happening and be a useful agreement that says how you'll deal with conflict and disagreements from the start.
3. You could bring in someone from outside to act as a mediator (someone who looks at both sides of an argument equally, to hopefully help you reach agreement) to stop a disagreement getting out of hand.

EACH FAMILY MEMBER COULD DRAW A MIND MAP AND THIS WILL GIVE YOU AN OVERALL PICTURE OF ALL YOUR SKILLS AND WHERE THE GAPS MIGHT BE.

MAPPING YOUR SKILLS

What types of skills or abilities are going to be most useful for your family business to be a success? Do you have the skills now or do you need help and support to build them? Mind maps (originally created by Tony Buzan) can help you to quickly get down your thoughts on one piece of paper. Draw a mind map with you or your family business name in the middle. Use different colours to show different issues, skills you have now and skills you want to develop in the future.





YOUR WHEEL OF SKILLS... FOR STARTING UP AND RUNNING A FAMILY BUSINESS

Have a look at the mind map that you completed. Choose the eight skills you think are most important for success in your family business. Using the wheel below, write down the eight skills at the end of each spoke of the bicycle wheel and then score yourself honestly on each skill:

5 = very Confident
3 = not sure
1 = not Confident.

Put an X on your score. Once you've gone round all eight, join up the Xs. You'll see a spider's web that shows you which of the top eight skills you need to focus on getting help for first when starting up your business.

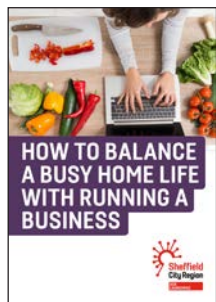
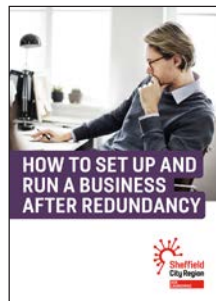
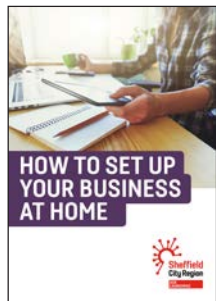
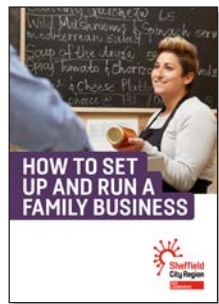
CHECKLIST

You might find it helpful to make a list of the things you need to think about when starting up a family business. Here's one to get you started. Work your way through the list and tick things off as you do them. You could add other things you can think of at the bottom of the list.

- Do you have a clear idea of what type of business you want to start up with other family members?
- Do you have a clear picture of each of the team's skills and experience they will bring to the business? You could all try completing the exercises on pages 9, 10 and 11 to find out more about this.
- Have you met with the family members you are thinking of starting up with and discussed all the crucial issues? (for examples of questions to get you started see page 3)
- Have you contacted The Growth Hub to get advice on setting up a family business agreement or getting started on a business plan? (see page 13 for useful resources)
- Have you thought about how to manage conflict in the business and discussed this with other family members? (see page 7 for ideas on this)

OTHER TITLES IN THIS SERIES...

- How to... understand if I'm suited to working for myself
- How to... balance a busy home life with running a business
- How to... manage the move from employment to self employment
- How to... set up and run a retail business
- How to... increase self-confidence and self-belief for starting up in business
- How to... set up and run a business after redundancy
- How to... set up and run a family business
- How to... set up and run a business if you are new to doing business in the UK
- How to... set up and run a business when you have been out of the job market



USEFUL RESOURCES

To find out more about legal, financial or general information about starting a business from home contact us:

SCR Growth Hub **03330 00 00 39** or growthhub@sheffieldcityregion.org.uk

Visit our website for useful information on starting up or running a business and to watch video case studies of how other businesses have overcome different barriers to make their business a success.

institute for Family business an independent organisation supporting the UK family-owned business sector

www.ifb.org.uk

the Family business network an international network that is run by family businesses for family businesses.

www.fbn-i.org

DISCLAIMER

This information is intended to give an overview and introduction to the subject. Any legal information is provided for guidance only and should not be regarded as an authoritative statement of the law. Sheffield City Region Growth Hub cannot be held responsible for any actions taken as a result of this guide.