

Basic Business Skills Course for Accredited Drug Shop (ADS) Owners

Module 3

Running a Family Business

Objectives

As a result of actively participating in this module, the individual will be able to:

1. Name at least two challenges a family business is likely to face.
2. For each challenge, state one way to deal with it.
3. State at least two reasons why succession planning is important to the success of family businesses.
4. Name at least two critical success factors for a family business.

Introduction to Family Business

Family business:

- Any business undertaking aimed at yielding returns for the survival of a group of people termed as a relationship (i.e., not necessarily based on blood only).
- At least one member of the group is involved in running the business.

Globally, family-owned businesses account for over 30% of all businesses.

Examples of Family Businesses

- Uganda:
 - Spear Group
 - Mukwano Group
 - Madhivani Group
- East Africa:
 - Mulwana Group Sameer Group
- United States:
 - Walmart
- Korea:
 - Samsung Group

Family Business Challenges

Meeting family member expectations of the family business:

- Founders: financial returns
- Spouse and children: means of survival

Balancing family member contributions and expectations:

- Family members who contribute (directly or indirectly) to the business should expect to benefit.
- Those who do not contribute should not expect to benefit.

Engaging and developing generational leadership:

- Educate and involve succeeding generations to ensure continuity.

Succession Planning in Family Business (1)

- “Succession planning is a process for identifying and developing internal people with the potential to fill key business leadership positions in the company.”

(Wikipedia - https://en.wikipedia.org/wiki/Succession_planning)

- Identifying potential
- Developing it
- Leadership

Succession Planning in Family Business (2)

- A significant challenge faced by multigenerational business-owning families is the transition from generation to generation.
- *“If the business is to survive as a viable enterprise in a competitive marketplace and remain family-owned, the family must not only **engage** and **educate** succeeding generations, but also encourage an **entrepreneurial mindset**.”*

Critical Success Factors in Family Business

- A well thought through business plan that is sensitive to the different personalities.
- Family governance systems.
- Great communication and conflict resolution skills.
- Multigenerational leadership.
- Wise long-term investments.