

Family Business

Transfers

Wealth to

the Next

Generation

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Growing up in a family business can have its benefits. But if the next generation of owners think their businesses are there to serve them (and not the other way around), they are sure to suffer a decline in fortune and status.

Rob Sobey says his grandfather impressed this profound lesson upon him at an early age. At an event held by the Canadian Association of Family Enterprises, Rob explained how years ago his grandfather was driving him through the countryside and suddenly stopped the car. He asked him to describe what he saw. The young Rob started to point out the large stretch of farm land with a barn and then, further away, the farm house.

"Go on," his grandfather said. "Describe the barn and farmhouse in detail." The barn was spectacular, while the farm house, in comparison, was solid, but not at the same level as the barn. "There is a family who will benefit from the well-run farm."





Rob realized his grandfather's key lesson that has helped the Sobey's pass down the family business: Fix the barn and not the farm house. When you look after the business, it will look after the family. If you don't, everything else is moot. Too many founders assume the next generation will continue their virtues and work ethic, while too many successors fail to be professional, and take liberties that would not be accepted if they were working for another company.

Family businesses account for over 90 per cent of the world's companies and although many are mom and pop stores, there is a growth in family businesses that are sophisticated public companies.

The main threshold to cross to ensure longevity of wealth is the institutionalization of the firm. Rob says, "Just because you are related, does not mean you relate. Governance structures are used by the European and Asian family businesses who have forced themselves to get independent advisors involved in their business."

Sobey's Inc. has more independent board members that outnumber the family board members. Quite a few of the outside advisors are from family businesses themselves and understand the strengths of family businesses. One of those strengths is the driving, long-term vision that pushes beyond the quarterly results which can trackle public companies, and this view of the business as a long-term investment gives room for dynamic business decisions. The outside experts also understand the typical weaknesses of

family businesses, such as the internal family dynamics around succession and wealth. They are human, after all. Outside experts give the good advice which may be hard to hear, but will push for the professionalism required to compete with global players which makes it worthwhile.

The Sobey family has set up a family office to organize the family and the finances across the generations. This reduces uncertainty and surprises for the family. Family business that understand the role they play as a mechanism for the transmission of wealth from one generation to the next will embrace professionalizing. Good governance pays off as the trust builds and allows family pride to shine.

Rob believes that the trend of family businesses declining once the second generation takes over, and disappearing once the third generation takes over the leadership, can be reversed. Far from retreating, family businesses should work harder to maintain their positions in the Canadian competitive landscape



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Prior to joining UBS, Ms. Loewen specialized in finance for private capital business, owner-operators and family businesses, specifically acquisitions, restructuring, sales, successions and private equity

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