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New study examines family business

During a year that is quickly becoming a challenge for most companies, leaders of family businesses may want to consult a just-released study by Laird Norton Tyee.

The Seattle-based wealth-management firm surveyed 200 family businesses in Washington, Oregon and Idaho with the assistance of Herbert Research of Bellevue and three academic advisers.

The result was the 2008 Northwest Family Business Survey. Using plain language, the study calls attention to the strengths and weaknesses among its sample of family owned companies in the Northwest. Among the highlights:

– Most owners expect their company will still be in the family five years from now, but few spend much time on succession planning. Only 39 percent said they spent some or a lot of time making preparations for the next generation to take over. In many cases, that may be because older family members are health-

EDITOR'S NOTEBOOK



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ier than their predecessors and are pushing retirement into the future, the study suggests. In other cases, families have so much personal wealth tied up in the business that senior family members are reluctant to let go because they don't have separate savings for retirement.

– Family businesses benefit by giving everyone a voice. The study's authors offered a family business model composed of three constituencies: owners, managers and family members. Some argue that family-owned companies are less profitable when family members influence business decisions.

But Laird Norton's study came to the opposite conclusion. It found a positive relationship between profitability and a company's willingness to listen to all constituencies.

– Owners of family businesses often have too many eggs in one basket. On average, survey respondents said 50.4 percent of their net worth was tied to the business, excluding real estate. Such a concentration of wealth can put senior family members at risk if the business falters.

– Boards of directors help establish a vision for family businesses. Most of the family businesses' executives who participated in the survey said their boards were valuable contributors.

Laird Norton Tyee has posted its study on the internet at www.familybusinesssurvey.com.

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