The Ying and Yang of Family Entrepreneurship

Ken McCracken

Family entrepreneurship is important because, looked at demographically, wealth created and bequeathed by one generation will have to continue growing to support the needs and aspirations of a larger family in in the next generation.

Continuing to grow wealth entrepreneurially in a business family poses different challenges to other types of business, because it involves a family.

Regrettably, this fact is ignored in a most entrepreneurship literature because of the common view that family businesses with a generational investment horizon are traditional, slow to change and not the zippy, funky kind of heroic entrepreneurial business that is usually started and sold in a few years.

This narrow and mistaken view of family businesses is easily countered by pointing to the many that have thrived over generations. They have got to be doing something right to keep their businesses moving forward in an ever-changing environment and the obvious question is how do they do it?

To help answer this question there are resources that cannot easily copied by other types of business and which could promote entrepreneurship in family firms, if used wisely. That has got to be the best definition of a competitive advantage, having something your competitors not just don’t have, but can’t have.

These resources are embedded in the family. But here is the rub. If these are not deployed carefully, a potential strength or advantage easily becomes a weakness or disadvantage, which is why I refer to these resources as the yin and yang – or light and dark -of family entrepreneurship.

The resources are:

- Family commitment to support an entrepreneurial venture.
- Generational involvement that provides access to wisdom, experience and affordable mentoring compared to the hard costs of entrepreneurial education and formal coaching.
- Inspirational role models of successful entrepreneurs in previous generations who had successes and failures.
- Trust that makes decision making quicker and easier.
- Access to affordable capital.
- Willingness of investors (relatives) to invest for the long term.
- Balanced attitude to risk.

Every family needs to be aware of these resources and has to decide how to orchestrate them to encourage entrepreneurship.

Ken McCracken is a family business consultant and teacher who works with family businesses, family offices and the advisers who help them. For more information:

Ken McCracken, Director, MFBC Limited **ken@m-fbc.com** **www.m-fbc.com**