

Legacy Matters

Third-generation Family Firm shows No Signs of Lacking Entrepreneurial Drive



The Klassen family at their annual family retreat (Parksville, B.C., May 2012).

Many families hesitate to call themselves members of family businesses because of the negative stereotypes that usually come along with the term. This is also true of the so-called 'entrepreneurial family firm,' again because the stereotypical family company is seen as traditional, perhaps conservative, and likely stagnant. The term entrepreneurial family has long been considered an oxymoron. But in recent years, entrepreneurial and innovative characteristics have

been more frequently identified amongst multi-generational family enterprises. These families are finding new ways to diversify, adapt to changes in technology and industry, and leverage their competitive advantage with new ideas and energy from members of the second-, third-, and subsequent generations who are entering the business. For lack of a better term, these unique traits are sometimes called 'familiness,' an umbrella term that is being used more often to encapsulate the variety

of ways family firms capitalize on their competitive advantages.

It is their sense of familiness that Travis Klassen, General Manager of Valley Pulp and Sawdust Carriers in Abbotsford, B.C., credits the success of his family's firm to, and thanks his grandfather for nurturing within their family. The third-generation family enterprise, founded by Klassen's grandparents in 1963, is a landscaping and agricultural services company which was recently awarded the Family Enterprise

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of the Year Award by the Canadian Association of Family Enterprise (CAFE) Vancouver chapter.

In order to stay relevant and dynamic, Klassen says, the family members involved in the business simply try to continually push themselves beyond the status quo.

"I don't think it necessarily comes naturally," he said in an interview with *Research Matters*. "Some of us are definitely inclined more than others in the family to pursue entrepreneurship rather than the day-to-day maintenance of the operation."

To stay ahead of the curve, he says, family members aim to act intentionally and always ask questions.

"Something we do is question everything, every day, and that's sort of a mantra that goes around the family. Just not getting stuck into processes but instead questioning, seeing if there's a better way to do it, asking if there is something else here. And looking at related industries and related customers and seeing if there are other needs

and other things we can do to better serve them."

While the company operates primarily in the forestry sector, Klassen says that they have become active in several related industries as a result of pursuing opportunities which have blossomed into their own unit within the business. When opportunities arise, he says, it's a matter of acting quickly to grab it.

"It comes down to that service aspect," he said. "Because when we're already there, interacting with the customer or a market, there's usually something else that spins off, if we have our eyes open and pay attention to that and are ready to move quickly, rather than bureaucratically, over a long period of time."

Six family members from the third generation of the family, who are now all directors and full-time employees in the firm, are spurring the entrepreneurial drive in the business and are itching and ready to take on new challenges. They have fostered a closer connection with the community, fundraised and

supported charity causes, hosted activities for environmentally-friendly events such as Earth Day, and have generally steered the company to become more active in the community, more sustainable, and more philanthropic. The impetus for the new direction of the firm was first voiced by Erin, a member of the third generation, while in a board meeting several years ago. Klassen remembers a member of the second generation questioning why the firm would want to push for growth, and Erin answered that they still had a lot of work to do in order to become a model corporate and philanthropic citizen. So by focussing on teamwork, and working together as a family, there is no battle for control of the company, Klassen said, but rather a dance of respect between generations as they each transition into their own individual roles. That dialogue of respect is key to the success of the business today and into the future—and if history teaches us anything, Valley Carriers shows no signs of slowing down.

The first truck owned by the Klassen family, with second-generation family members Lando, Mervin, Dennis and Reg (1963).



From our Executive Director



JUDI CUNNINGHAM
EXECUTIVE DIRECTOR,
BUSINESS FAMILIES CENTRE

This spring I have been travelling—I've had too many trips to count. While it is challenging to be away so much, I find it rewarding to spend time on these trips talking with so many families and advisors, as well as spending time with my colleagues in the field. In all of my recent travels—from Kelowna to Ottawa, Boston to Edmonton—I am seeing firsthand how the needs of enterprising families are now topics of conversation everywhere I go.

More and more professionals, academics and practitioners of all backgrounds are now attracted to this space and the field is growing exponentially. This is happening in Europe as well—it is not just a North American phenomenon. Other signs indicate the growing recognition of the importance of family firms in our economy—the demand for professionals to get educated on the unique needs of enterprising families is ever-increasing. Our education partner, the Institute of Family Enterprise Advisors (IFEA), has now designated 85 professionals who have demonstrated their commitment and skill while working in a

multi-disciplinary team for enterprising families. If you are looking to connect with an IFEA-designated professional, you are welcome to contact us anytime.

Seeing the growth in the professional advising industry has also fueled our passion for working directly with business families. We have resources that we are dedicating to new family programs, including our newly revived program *Preserving Families, Preserving Wealth*, and we are looking to create new programming for younger and second-generation members of family firms. We would welcome your input if there is a specific type of program that your family is looking for. Any of your ideas or suggestions would help us to develop more offerings that are both relevant and effective for families.

Although summer has just begun, we already have a busy season lined up for the fall. We are actively planning our annual Family Legacy Series Gala dinner, which will be held on November the 7th, 2013. This year the Business Families Centre honours the Graham family based in Vancouver,

founders and owners of Graymont Limited, the second-largest lime producer in North America. Our gala evening event will be a celebration of the Graham family's success and indeed the success of all enterprising families. If you have not yet attended this event, please join us this year, as it is always a wonderful evening to connect with enterprising families and those who have dedicated their careers to family-owned firms.

We will also be delivering a number of family programs in the fall, including *Road Map* (the foundational business family education for any family firm), and the aforementioned *Preserving Families, Preserving Wealth*, an exceptional family retreat in a private luxury setting, which provides a unique opportunity to design your family's future with world-leading experts for guidance and support.

Here's wishing you a wonderful summer and a few opportunities to spend some relaxing time outdoors with your families this season.

Innovation, growth into new markets key to future success of Canadian family firms: survey

Canadian family firms need to be more innovative and grow into foreign markets if they want to succeed in the global marketplace, according to a PricewaterhouseCoopers' Canadian Family Business Survey. The **report**, published in March 2013, shows that only one percent of Canadian family businesses are adopting aggressive growth strategies while all other family firms in Canada are more focussed on the domestic market, making them reluctant to expand into international markets.

The survey ranks Canadian family firms third-to-last in percentage of international exports compared to 27 other countries in the world. In international sales as a percentage of total sales by market, Canada grew only 2 per cent in the last five years. Canada trails far behind European and Scandinavian countries, the Middle East and South Africa.

Canadian family firms say their single biggest internal challenge is attracting and recruiting talented and skilled staff. They are also facing an unprecedented

wave of workers—the baby boomers—who plan to retire in the next five to ten years. But at the same time, the increased demand for skilled workers comes with unparalleled changes in technology and global markets. The aging workforce, restricted talent pool and the relative stability of the Canadian economy are all factors that are preventing family firms from seeking out new markets for growth, according to the results.

Keeping Family Together: Elements of Dissension/Elements of Cohesion

BY DAVID LANSKY, Ph.D



Most wealthy families, and most business owning families wish to see their assets perpetuated from one generation to the next. To aid in that goal, professional disciplines have evolved best practices around strategies and structures for business succession planning, for multi-generational wealth transfer planning, for developing next generation inheritors and business successors, and for teaching wealth stewardship. But these strategies and structures of business and wealth management, while essential components of long term wealth preservation, overlook a simple fact:

That healthy family dynamics and family cohesion are at least as important as any of these other strategies in ensuring long term preservation of family wealth.

This observation was summarized quite succinctly in personal correspondence I recently had with my colleague, attorney John Duncan: Family disunity and dissension pose the greatest risks to sustaining family wealth, at least over the short term.

In a similar vein, Stuart Lucas (who is both an inheritor and a wealth manager) and I recently wrote an article in which we commented:

All growing families face risks to cohesiveness from increasing numbers, increasingly diverse backgrounds and interests, and a progressive dilution of the affinities that define them as family.

Jay Hughes, another thought leader in this area, has devoted much of his professional career to assisting families in creating strategies for the long-term preservation of family wealth. Jay has written about avoiding “Shirtsleeves to shirtsleeves in three generations”, and more recently about “Entropy to entropy in three generations”.

The “Shirtsleeves” saying refers to the widely observed phenomenon in which the first generation in a family creates wealth, the second generation spends it, and the third generation is required to build it again.

The “Entropy” adage refers to a concept from physics, where the term entropy describes the degree of disorder in a system. Systems tend to go from a state of maximum order (low entropy) to a state of maximum disorder (high entropy); thus, systems tend to become increasingly disorganized over time, and the breakdown of organization is a natural phenomenon. Energy is required to restore a system to a higher level of organization. Entropy explains why the universe is expanding, and why it’s more difficult to put the toothpaste back in the tube than to take it out!

Families are subject to entropy as well: It’s natural for families to tend toward disorganization and distance over time; and it is certainly true that energy is required to keep a family together. Viewed in this

way, the disunity or dissension that may threaten the perpetuation of a family’s wealth can be seen as a ‘force of nature,’ a predictable and natural threat to the effort to keep the family together in the first place!

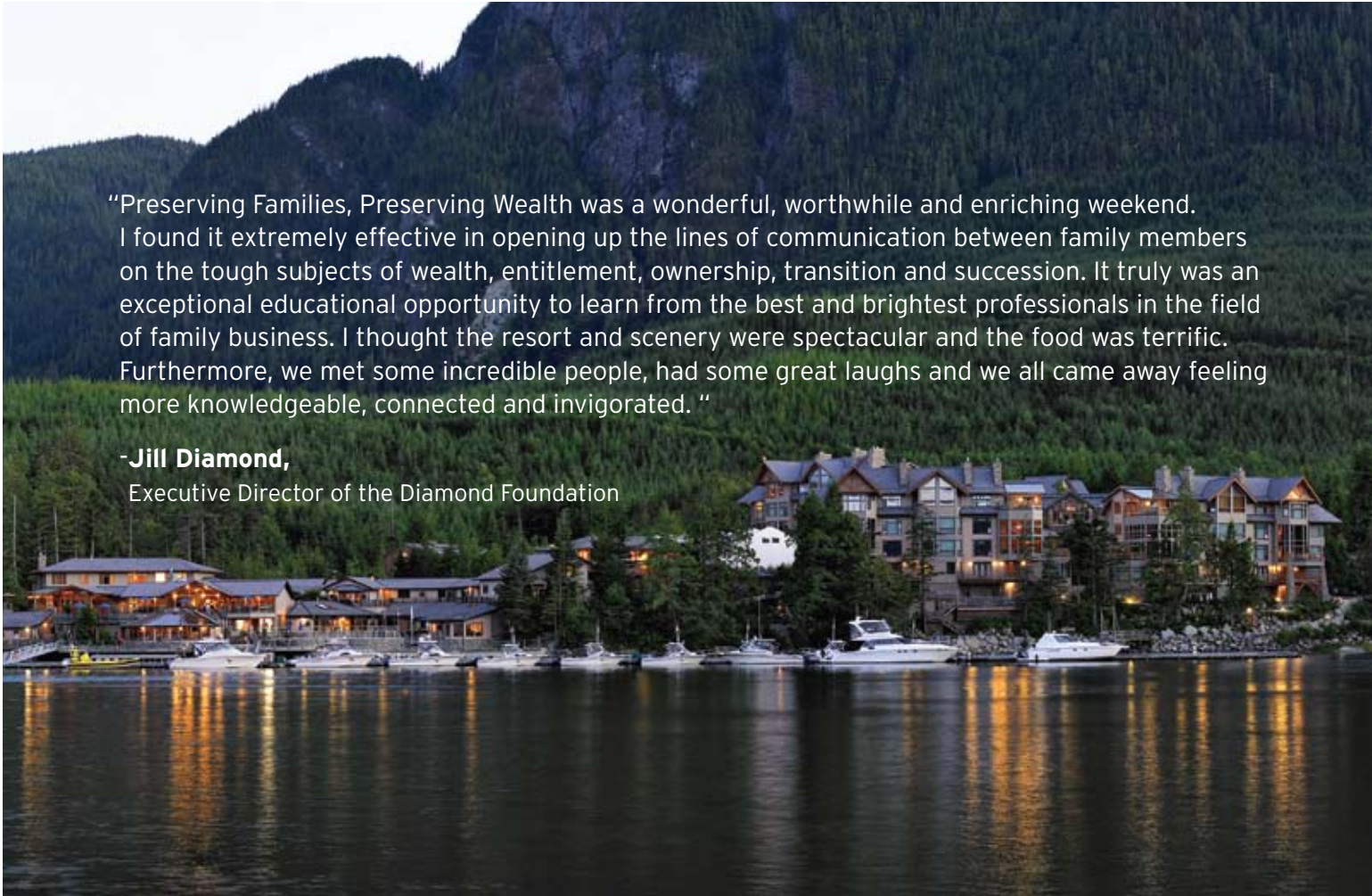
While we can’t control the natural inclination of families toward entropy, we can try to understand—in order to manage—factors that contribute to, or hasten entropy, and we can try to better understand—in order to implement—factors that will mitigate the effects of entropy.

I call the first set of factors “Elements of Dissension” and the second set of factors “Elements of Cohesion”.

I have advised scores of families who have struggled with entropy, dissension and disunity, and I have identified a number of Elements of both Dissension and Cohesion that seem to occur consistently among asset owning families. I do not have an exhaustive list—I am sure there are many factors that I have not identified—and I don’t believe that it is possible to prioritize these elements in any absolute manner because their priorities differ depending on the age of a family and other circumstances. Nevertheless, I discuss below a few elements of both classes that I think are particularly consistent, important or interesting.

It is necessary to note that simply being an Element of Dissension does not make something “bad” or “wrong”. Something may contribute to dissension, yet still be an essential component of family or business life.

To read the full article “Keeping Family Together” by Dr. David Lansky, [click here](#)



"Preserving Families, Preserving Wealth was a wonderful, worthwhile and enriching weekend. I found it extremely effective in opening up the lines of communication between family members on the tough subjects of wealth, entitlement, ownership, transition and succession. It truly was an exceptional educational opportunity to learn from the best and brightest professionals in the field of family business. I thought the resort and scenery were spectacular and the food was terrific. Furthermore, we met some incredible people, had some great laughs and we all came away feeling more knowledgeable, connected and invigorated."

-Jill Diamond,
Executive Director of the Diamond Foundation



Preserving Families, Preserving Wealth An Exclusive Retreat for business families

**October 3 - 6, 2013 at Sonora Resort,
Sonora Island, British Columbia**

Preserving Families, Preserving Wealth is at once an unparalleled education experience, a family retreat and a unique opportunity to work with world-leading experts to design your family's future.

Take this opportunity to gather with other successful enterprising families from around the world. Step away from the day-to-day pressures to connect with your family in a meaningful way. Surround yourself in the idyllic wilderness and luxury of Sonora Resort on Sonora Island, British Columbia, Canada. Most importantly, build

a solid foundation for what is important to your family—now and across generations.

For more details about this transformative weekend retreat, please contact our Family Program Specialist

**Mischa Ragona at 604.827.4604
or Mischa.Ragona@sauder.ubc.ca.**

Excerpt of Research Matters: The Entrepreneurial Family: A Contradiction in Terms?

BY JENNIFER HALYK
BUSINESS WRITER,
BUSINESS FAMILIES CENTRE

In the field of entrepreneurship, the term “entrepreneurial family” was long considered an oxymoron (Uhlener, Kellermans, Eddleston & Hoy, 2012). Any self-respecting capitalist investor scoffed that family businesses were stagnant, risk averse and conservative to a fault (Miller & Le Breton-Miller, 2008; Ward, 2007; Steier, 2003; Gómez-Mejía, Haynes, Núñez-Nickel, Jacobson, & Moyano-Fuentes, 2007).

Since “earl[ie]r family firm research put family and business objectives at opposite poles—as family first versus business first” (as cited in Uhlener et al., 2012), family enterprise gained a bad reputation, and with such slow growth in the academic field of study the myths persisted. This division of business and family objectives implied that the two were in competition with each other. Business interests gradually became characterized as “good” and family interests as “bad,” and eventually they were seen as functional versus non-functional organizations (Habbershon & Pistrui, 2002).

More recently, scholars started to encourage the view of family business as potentially high-performance enterprising systems rather than entities hindered by internal conflict (Habbershon & Pistrui, 2002), and ultimately began to “recogniz[e] family as the oxygen that feeds the fire of entrepreneurship,” in the words of a 2003 editorial in the *Journal of Business Venturing* (Rogoff & Heck, 2003). As awareness of how “families create, indeed breed, entrepreneurs” (Rogoff & Heck, 2003) has grown, so has the recognition that family businesses “enjoy special niches in the competitive landscape” (Sirmon & Hitt, 2003).

When combined, these unique family “resources and attributes can enhance the management . . . of family firms’ resource profiles,” though they must be managed appropriately in order to produce value (Sirmon & Hitt, 2003). Furthermore, these resources must be bundled and leveraged for family firms to gain a competitive edge over non-family firms, and how these resources are managed can make the difference between high- and low-performing firms (Sirmon & Hitt, 2003).

Redefining “Success” and “Succession”

As scholars were identifying and exploring the unique values and traits of family firms, the for-profit sectors and institutions that strove to win family business clients were using and re-using succession figures that condemned family firms to a 30 percent survival rate from the first generation to the second and a mere 13 percent survival rate from the second generation to the third. The original adage of “shirtsleeves to shirtsleeves in three generations” became perhaps the most frequently cited phrase in family enterprise literature.

This trite phrase encapsulates the theory that the first generation of an enterprising family spends its lifetime working very hard and living frugally, and the second generation enjoys post-secondary education and a comfortable lifestyle, eventually entering elite society. Finally, the adage infers that the third generation grows up in luxury, doing little or no work while squandering the family fortune and ultimately consigning the next generation to return to manual labour and frugality (Hughes, 2004). These so-called statistics became so ubiquitous that their true meaning

was misinterpreted and then lost. They became something of a scare tactic for marketers, preying on the fear and insecurity of enterprising family members who dreamt of being able to provide for their children and grandchildren. Unfortunately for those who work in family businesses, and particularly those who aim to educate others about the importance and relevance of family enterprise in our global economy, these succession statistics have gone largely unchallenged by experts in the field, and indeed anyone who has written about or repeated these figures. The repetition of these statistics also contributes to and reinforces the widely held and erroneous perception that family relationships complicate business activity (Zellweger, Nason, & Nordqvist, 2012).

Dr. Thomas Zellweger, Managing Director of the Center for Family Business at the University of St. Gallen, Switzerland, recognizes that family firms exhibit unique traits, values and non-financial forms of capital. He argues that the capacities for value creation and longevity in family firms have been both misunderstood and underestimated and believes that the aforementioned figures on succession are oversimplified, outdated and inaccurate (Zellweger et al., 2012). Within the last several years, he and his research team have aimed to re-frame the debates and beliefs around these qualities by focusing on entrepreneurial tendencies and developing a new way of measuring them. Believing that the dynamic nature of family enterprise had been historically neglected, Zellweger and his team sought to dispel the assumptions that survival of one family firm—a single operating business—is the

ideal (or the only) way to pursue and achieve long-term success and that low succession rates mean that a family enterprise is inept or incapable (Zellweger et al., 2012).

Instead of looking at the operating business and its lifespan as a “problem,” they used the family as the level of analysis to examine longevity through generations. By examining how family members drive entrepreneurial activity and growth over time, the research team could see that multiple business “entries” and “exits” were natural occurrences of enterprising families, rather than deeming the operating

business a “failure” if it was sold or closed. Applying this long-term perspective gave them insight into how families contribute to their enterprises in a variety of financial and non-financial forms, regardless of whether an operating business was sold, another one was started or the original one was re-invested in for growth.

In this vein, Zellweger says the terms originally used to define successful or failed succession, such as “family business,” “business exit” and “business entry,” are too restrictive and do not encompass the variety of ways in which a single family can own, operate and re-invest in multiple

operations at any given time. The dynamic nature of the family unit should be credited as a creator of success and a driver of economic activity, as opposed to just one founder-owner or individual operating business.

Excerpted from the white paper Entrepreneurship and Innovation in Family Firms: Reassessing the Fixation on “Success” and “Failure” in Family Enterprise.

News and Events



HOW THE GRAHAM FAMILY PROSPERED

FOUNDERS AND OWNERS OF GRAYMONT LIMITED,
THE SECOND LARGEST PRODUCER OF CHEMICAL LIME
IN NORTH AMERICA



The Business Families Centre's intensive weekend retreat for multi-generational families, **Preserving Families, Preserving Wealth**, will be held October 3-6, 2013 at the secluded Sonora Resort on Sonora Island, British Columbia. This four-day weekend includes specialized education for families working to incorporate another generation into the family wealth, create strategic wealth plans for the longevity of the family, and learn from internationally-renowned wealth-management experts and leaders in the field.

The Business Families Centre's **FAMILY LEGACY SERIES GALA** will be held November 7th, 2013. This spectacular gala, **sponsored by BMO**, honours one successful family enterprise while celebrating the success of all family firms. It is one of the premier business events of the year. Please join us for a presentation with the family of honour, as well as a fantastic evening of cocktails, a multi-course dinner and a celebration of the vital role of family enterprise in our business community.

Our partner in education, The **Institute of Family Enterprise Advisors (IFEA)**, graduated another cohort of professional family enterprise advisors in May 2013, and boasts a total of 85 advisors who are designated as a result of their specialized training and experience in the family business field.

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OF FAMILY
ENTERPRISE
ADVISORS

Business Families Centre Programs

Advisor Programs

Family Enterprise Advisor (FEA) Program

Become a Leader in Family Enterprise Advising

Families are becoming more discerning about the advisors they bring into their fold. Graduates of the Family Enterprise Advisor Program (FEA) put themselves ahead of the curve by being one step closer to receiving their FEA designation. The FEA Program not only puts you on the path to your professional accreditation—it also provides the world-leading business family advising education that can help you create lasting results for your business—and the families you serve.

NEW DATES ADDED!

The FEA Program consists of 15 days in the classroom over the course of the year. The next cohort begins in November 2013 in Alberta, followed by January 2014 cohorts in downtown Toronto and downtown Vancouver.

Online: Business Family Fundamentals for Advisors

Learn about the fundamental interdependence of family, ownership and business issues that every family member - whether they are involved with a business, investments, a family office, or a family foundation - will inevitably face. Find out about tools that have been successful in addressing the dynamics around these issues.

Self-paced, approximately 15 hours

For further information about any of our advisor programs, including costs and group discounts, please call **Peter Cotterill** at **604.822.2790**

Family Programs

Road Map

The Road Map Program provides a unique, safe and exciting opportunity for growth, discovery and affirmation of your family business and its future. It addresses the shortfall in business-family planning, enabling business families to remain healthy and successful over multiple generations. Participants in this intensive family enterprise weekend seminar come out of it with new business strategies, improved relationships and defined goals for the future.

The Road Map Program is a set of two weekend educational seminars designed with the goal of establishing a plan and charting a course of action for your family. It is led by experts in the field.

Road Map Part 1

VANCOUVER: October 25-27, 2013

October 25: 4:00 pm to 9:00 pm
October 26-27: 9:00 am to 5:00 pm
Location: Metropolitan Hotel Vancouver
645 Howe Street, Vancouver, BC V6C 2Y9

Preserving Families, Preserving Wealth

SONORA ISLAND: October 3-6, 2013
An exclusive weekend retreat for business families.

The Business Families Centre also offers custom programming for families who have more specialized needs, including alternative dates or geographic location. Please enquire about any of our family programs, including costs, early bird and group discounts, by calling **Mischa Ragona** at **604.827.4604**.

Business Boards and Family Councils

Learn how to put leadership structures in place to support future growth as you gain insight into governance structures and processes needed to address the unique needs of the business and the family. Discover how to manage family dynamics, align family interests around wealth, business, and the future of the two. Understand the three main family leadership structures—the Board of Directors; the Family Council and the Ownership Council—and learn how to begin implementing them in this workshop-based program.

VANCOUVER: March 6-7, 2014

TORONTO: March 10-11, 2014

EDMONTON: January 21-22, 2014

TOO BUSY TO ATTEND A CLASS?
CHECK OUT OUR ONLINE OFFERINGS

Online: Business Family Fundamentals

Learn about the fundamental interdependence of family, ownership and business issues; the structures and procedures of a successful family enterprise; and some effective tools and techniques to manage the unique dynamics of family business.

Self-paced, approximately 5 hours

What are your business family experiences like? Click on the icons to join the conversation on twitter, Facebook or LinkedIn.



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