

Brought to you by the Business Families Centre at the Sauder School of Business and the Vancouver Chapter of the Canadian Association of Family Enterprise.

LEGACY MATTERS

Non-Family Executives in Family Firms

Family businesses are those in which members of a family exert significant influence through ownership or management of the firm. According to a Deloitte & Touche study, Canadian family firms are estimated to employ 4.7 million full time and 1.3 million part time workers. In these large numbers family members are a minority. An average Canadian family firm employs 1.5 family member managers (6.8%), 2.5 non-family member managers (11.4%), and 18 employees (81.8%). Therefore, it is crucial to understand how to hire, select, develop, motivate, and retain the most talented non-family members in family businesses.

Although family business owners rate maintaining the commitment of non-family employees as one of the top two highest priority concerns (the other being leadership succession), remarkably little attention is being devoted to these integral stakeholders in family firms. The perspectives of non-family employees in family business seems rarely to have been considered in the family business literature, even though—as just noted above—it can be estimated that over 80 percent of people employed in family business are not family members.

This perspective is important, because the large proportion of non-family employees working in family business may not always think in the same way as family members.

For example, when non-family members make judgments about the family business system using the achievement of economic objectives as the standard of evaluation, the family business system can sometimes appear to be in conflict with rational business practice. And conversely, the economic objectives system can appear to be insensitive to important family priorities, leading family members to be defensive in dealings with non-family decision makers in family business. Thus the family business setting can be seen to be cognitively demanding when viewed from the perspective of the non-family employee. Because of the preponderance of non-family employees in family business it becomes important to step into the mental shoes of these employees and attempt to understand the expectations that they must negotiate daily to effectively conduct their work.

With significant advances in sanitation, nutrition, and medical knowledge, the Canadian population has experienced incredible increases in life expectancy. In turn, longer healthier lives are leading to longer work spans for Canadians. Moreover, women have joined the workforce in large numbers. Over 60% of all women between the ages of 16 and 64 are currently active participants in Canadian workforce. The combined effect of these two major changes in Canada has led to a unique historical first—men and women

belonging to FOUR different generations are simultaneously active in today's family firms. Thus, family business leaders must not only plan to go through their own longer stretch of work life, but find ways to productively engage family and non-family members of different generations and genders going through varied life cycle stages.

In addition, increasing numbers of family business leaders are considering partial or full retirement. Many of these leaders choose to keep the business ownership in their family, rather than selling when they retire. However, their children may not be ready, or may not be interested in working in the business. As a result non-family executives are increasingly becoming a permanent or interim solution for many family-owned businesses.

In short, it is ripe time to devote careful attention to how to attract, retain, motivate, and compensate the most capable employees in family firms.

DR. PRAMODITA SHARMA IS THE RESEARCH DEVELOPMENT DIRECTOR AND PROFESSOR OF MANAGEMENT AT WILFRID LAURIER UNIVERSITY

DR. SHARMA WILL BE TEACHING A TWO DAY SEMINAR ON WORKING WITH NON-FAMILY EXECUTIVES AT THE BUSINESS FAMILIES CENTRE ON FEBRUARY 21-22, 2008.





Words from the Executive Director

Judi Cunningham

Executive Director,
Business Families Centre

As we approach 2008 and reflect on the last year, it's rewarding to think of the milestones we've reached and the gratification we've receive from working with you, the families and advisors in the business family community.

This fall the Business Families Centre proudly held the fifth annual Family Legacy Series Dinner with the captivating Gillespie Family of COBS Bread, and it was a pleasure to see many of you there.

With regards to our programs this fall, we're happy to have run our first international program for business families, which took place in Hong Kong, and we're looking forward to returning in the spring for a second program. Our four-day retreat for business families at Sonora Resort on Preserving Families, Preserving Wealth was held with rave reviews and we're planning to run this program for a second time next fall.

In December we launched our brand new Business Families Advising Certificate Program, the first program of its kind in the world offered by a university. It's off to a great start and additional modules for this certificate will be held in 2008 as we continue to roll out the program. This is our first entry into the Advisor market and we anticipate that the program will be a strong success, based on the first module that was held this winter.

The future looks bright. In February we'll be offering, for the first time, a two day seminar on Working with Non-Family Executives. This topic is emerging as one of the most crucial issues that business families are facing.

On February 25th we're excited to be launching our new event, Inside the Entrepreneur, which gives you the opportunity to hear first-hand the behind-the-scenes stories of some of Canada's most innovative and engaging entrepreneurs: their challenges and their triumphs along the path to success. For the inaugural evening of Inside the Entrepreneur, we are proud to present Yves Potvin, health-food maverick and pioneer of the surging meat-alternatives food industry. Set in a cozy theatre-style venue, Mr. Potvin will be engaged in a candid on-stage interview by Dan Muzyka, Dean of the Sauder School of Business at UBC and the RBC Financial Group Professor of Entrepreneurship. We hope that you will be able to join us.

Best wishes to you and your family for a happy and fulfilling New Year, and we look forward to seeing you soon.

Bring a Friend Program

If you know of a business family that could benefit from our programs, please invite them to attend with you and you will both receive a referral discount. Upcoming programs include Working with Non-Family Executives in February, Strategic Planning for the Family Business in April and Governance for the Family Business in June. For details, please call us at 604-822-0102 and for registration, please call us at 604-822-8400.

2008 Business Families Programs and Events

Inside the Entrepreneur

This event gives you the opportunity to hear first-hand the behind-the-scenes stories of some of Canada's most innovative and engaging entrepreneurs: their challenges and their triumphs along the path to success. For the inaugural evening of Inside the Entrepreneur, we are proud to present Yves Potvin, health-food maverick and pioneer of the surging meat-alternatives food industry.

Feb 25, 2008

**4:00pm registration
& presentation**

**6:15pm reception
Robson Square**

Navigating the Business Family Relationship: Road Map Part One and Two

Our foundation seminar for Business Families.

Road Map Part One

February 15-17, 2008

Road Map Part Two

January 18-20, 2008

Working with Non-Family Executives

Family firm owners and non-family executives will explore best practices for bringing in non-family executives, ways to integrate family and non-family members in a family business, and what systems and policies to have in place to ensure maximum business effectiveness and family harmony.

February 21-22, 2008

Strategic Planning for the Family Business

This workshop looks at strategic planning from both the family and business systems perspective.

April 29-30, 2008

Business Families Advising Certificate Program - Module Two: Business Family Governance and a Multidisciplinary Approach to Advising

Gain insight into family business governance structures and processes, and enhance your understanding of how to utilize an integrated approach when working with clients.

May 5-8, 2008

Governance for the Family Business

This workshop explores family governance structures; governance for the family, business, and ownership.

June 2-3, 2008

Executive Breakfast Briefings

These briefings explore issues around corporate social responsibility and sustainability. Two out of the eight topics will be specifically tailored to business families:

Managing Values: Organizational and Business

April 10, 2008

Family Values Philanthropy for Community Change

June 3, 2008

To register, or for more information, visit our website www.sauder.ubc.ca/bfc

All programs and seminars are held at UBC Robson Square, 800 Robson Street, in downtown Vancouver, BC.

Get Insight Get Inspiration Get Inside the Entrepreneur

THE BUSINESS FAMILIES CENTRE PRESENTS
Inside the Entrepreneur

Discover the Secrets of Canada's Most Intriguing Entrepreneurs

Inside the Entrepreneur gives you the opportunity to hear first-hand the behind-the-scenes stories of some of Canada's most innovative and engaging entrepreneurs: their challenges and their triumphs along the path to success.

Inside the Entrepreneur is a celebration of Canada's vigorous entrepreneurial sector, and an opportunity to focus on the business component that is so vital to business families. Whether you are a business person, a business family member, advisor, student or simply have a keen interest in the personalities and ideas that drive our economy, this event is an unparalleled opportunity to learn from the best—live and in-person.



YVES POTVIN

Featured Entrepreneur: Yves Potvin

For the inaugural evening of Inside the Entrepreneur, we are proud to present Yves Potvin, health-food maverick and pioneer of the surging meat-alternatives food industry. Set in a cozy theatre-style venue, Mr. Potvin will be engaged in a candid on-stage interview by Dan Muzyka, Dean of the Sauder School of Business at UBC and the RBC Financial Group Professor of Entrepreneurship. Your questions and a reception will follow.

February 25, 2007

4:00pm registration,

6:15pm reception

Robson Square, 800 Robson Street,
Vancouver

Admission: \$150

CAFE Members: \$125

Students with valid ID:
\$45 (20 student tickets are available)

To register call (604) 822-8400 or at
www.sauder.ubc.ca/bfc

2007 Family Legacy Series -Featuring the Gillespie Family of COBS Bread

On November 28, 2007 five members of the Gillespie family, owners and operators of COBS Bread, discussed their family business with a full audience at the 5th annual Family Legacy Series Gala Dinner.

All five members of the Gillespie family were on stage, including Co-CEOs Roger and Lesley Gillespie, Aaron and Elise Gillespie and David Christie. This company, founded in Australia in 1980, is the world's most successful franchise bakery chain employing approximately 15,000 people in over 700 bakeries across Australia, New Zealand, Canada and the United States.

Interestingly, COBS Bread is a family business, built on a foundation of family businesses. Many of the bakeries are franchised by first, second, and sometimes third generation owners and operators. The Gillespies explained that this is one of the reasons for the success of the business. Aaron stated, "It's about the local business being run by the local family—the franchisee... people want to go back and be connected with their local businesses. I don't think there's anything more local than the local bakery run by the local family franchisee." Elise expanded on the idea saying, "I think

it's the way we're a big business but we still have that family feeling you get from a small business because we've got so many families within COBS Bread. There's that passion and that love that you get from being part of a larger family."

The opportunities available to employees and the culture of developing people is another success factor. Lesley stressed that their family values are embedded in the business and they emphasize giving more than they get, whether it's through charitable donations, or the support of community organizations, and giving people the second, third or fourth chance. As Roger stated, "people are the heart of the business."

LEFT TO RIGHT: DAVID CHRISTIE, ELISE, AARON, LESLEY AND ROGER GILLESPIE, ON STAGE WITH THE EVENING'S FACILITATORS JUDI CUNNINGHAM AND MARK CUNNINGHAM. PHOTO BY KA-KEI LAW CREATIVE.



We'd like to thank our generous sponsors for supporting this event:

Presenting Sponsor:

BMO  Financial Group

Gold Sponsor:

 Canada Life
STRONGER COMMUNITIES TOGETHER™

Silver Sponsor: Bronze Sponsor:


BORDEN
LADNER
GERVAIS



Making the Case for the Family Office

As a business owner you have a formal structure in place to support the family business. But do you have a formal structure in place to support the business of your family?

How does your family look after its investments? Is the running of your business intermingled with family business? Are you planning to sell all or a portion of the business, to an outsider or your children? Is there a plan for transferring wealth to the next generation? Are your children entrepreneurs, requiring capital for their new ventures? Are you concerned about how your children or grandchildren will handle wealth? These are some of the issues a comprehensive family office can address.

Simple in concept, a family office runs the business of your family, whatever that involves. In reality, running the business of today's wealthy families, especially business families, is not a simple task. As both your family and its wealth grows so does the complexity of running the business of your family.

A Primer on the Family Office Concept

A successful family office will coordinate all of your investments, tax and estate planning, trust administration, and philanthropic endeavours. In addition, it can take care of family record keeping and documents and handle compliance and risk management. Often, a family office will also look after more personal business—school applications for children and grandchildren, education of family members in philanthropy, management of family properties and arranging family conferences, for example.

The first family offices were single-family offices established by individual wealthy families. Employees were hired to run the family office, creating a business entity to look after a family's personal financial needs. The economics of running a single-family office makes sense when the family has substantial financial resources. Multi-family offices emerged to allow like-minded families, with similar goals and values, to pool their family office resources and create a viable family office that required a lower operating contribution from each family.

More recently, corporate family offices, which handle the family office duties of a large number of families with diverse interests, were

created to serve families that either do not want to establish or do not have the resources to establish their own single/multiple-family office. Corporate family offices provide a broad pool of professional expertise and sophisticated information systems to monitor and report on each family's interests.

A growing need for family offices

In Canada...

More than 7,000 Canadians have investable assets in excess of \$20-million and more than 444,000 hold assets of between \$1 and \$20 million.*

...And around the world

The number of millionaires on the planet more than doubled from 1996 to 2007, numbering 9.5 million in 2007. Forbes listed 946 people on its billionaire's list in 2007, a 19% increase over 2006.**

* Source CRA, Capgemini Analysis, 2004

** Source Forbes.com

manage family interests such as investments and trusts? Can he or she advise on estate planning and philanthropy? Is there potential for the operation of the family business to be compromised? And what happens if the business is sold or the individual retires?

For wealthy business families, several factors can tip the scales in favour of establishing a formal family office. As a family business is passed from generation to generation and its governance moves from founder to sibling partnership to cousin consortium, a family office can be the focal point for coordinating the affairs of the family, especially those family members not involved with the business. Also the full or partial liquidation of the family business can trigger the need for a family office, as the family suddenly goes from being immersed in the day-to-day operation of a successful business to managing the proceeds from the sale—a dramatically different job than running the family business, requiring a different skill set and dedicated expertise.

For many, this sudden change can be transformative, requiring a new vision and direction for their family. The trusted advisors who make up your family office can help to develop the structure and support to manage the opportunities wealth can bring, working with you to establish a family vision and appropriate governance for the business of the family.

The objective of a family office is to simplify your life and relieve you and your family of the many tasks associated with running the business of your family. But it's also about peace of mind, knowing that you have developed the structure and procedures to create a legacy that will see what you have built live on for generations to come.

JOHN BATHURST, C.A., CFP, TEP, VICE PRESIDENT & REGIONAL DIRECTOR OF WEALTH SERVICES FOR THE BC REGION OF BMO HARRIS PRIVATE BANKING.

The Tipping Point for Many Business Families

A convenient alternative to the family office is to ask the CFO of the family business to take on the tasks and responsibilities typically associated with a family office, but there can be several drawbacks to this approach. Does this individual have the expertise and time to

Return to:

Business Families Centre
& CAFE Vancouver
The Sauder School of Business
The University of British Columbia
800 Robson Street
Vancouver, BC Canada V6Z 3B7



The Business Families Centre and CAFE Your Partners in Family Enterprise

The Business Families Centre (BFC) is one of Canada's foremost centres of academic and teaching excellence for all matters relating to family business, its members and advisors. Built on the simple fact that business families are a major force in Canadian business with a unique set of needs, the BFC exists to offer the current and coming generations of family business leaders the tools that can help their businesses—and families—grow and prosper. We achieve this through solid research, critical thinking and an uncompromising dedication to the ever-changing needs of business families and their advisors.

The BFC is aligned with the Vancouver Chapter of the Canadian Association of Family Enterprise. CAFE the only national organization dedicated to supporting family businesses and their members.

Focused on the Business Family

We serve the varied needs of the business family community by:

- Creating new academic curricula at the undergraduate and graduate level focused on business family issues
- Offering programs for business family members and their advisors in areas such as wealth preservation, managing family dynamics and organizational structure

- Providing access to a multitude of resources to assist families and their advisors with the challenges of business succession planning
- Supporting research on the issues facing business families

Owners, non-active family members, spouses, successors and advisors are all part of the mix, and can all benefit from BFC initiatives.

Why Join CAFE Vancouver?

The Canadian Association of Family Enterprise is A CAFE membership is more than a gateway to an influential network of like-minded business people who share accomplishments and challenges; it is an invaluable asset to help business family members like you navigate the challenging terrain that is family enterprise, ensuring that families and family enterprises build on their achievements.

For more information on CAFE membership, please contact us at cafe@sauder.ubc.ca or 604-822-0102.

Join a Personal Advisory Group

A Personal Advisory Group (PAG) is a group of 8-10 business family members who meet monthly to share personal and business ideas and support. It provides members with expert, objective and confidential advice. Peer Advisory Groups are consistently rated the best value by CAFE members.

Thank You to Our Legacy Matters Newsletter Sponsors

 **ZLC FINANCIAL GROUP**



THE BUSINESS FAMILIES CENTRE
& CAFE VANCOUVER
THE UNIVERSITY OF BRITISH COLUMBIA

Tel : 604-822-0102
Fax : 604-822-8496
www.sauder.ubc.ca/bfc

 **SAUDER**
School of Business
Business Families Centre