

people in focus

The Grant Thornton periodical
focusing on people and
relationship issues in management

Grant Thornton 

In this edition of **People in Focus**, we consider the benefits to your business of a documented family creed

Conventional wisdom, and possibly a wealth of experience, tells us not to mix business with pleasure. However in the case of a family owned business, where it is often tough to separate work from home issues, how does a family effectively manage the business without creating conflict at home?

Families are often managed on a basis of current crisis, prevailing mood, quick fixes or instant gratification - not on sound principles. Clearly this management style does not translate well into business. To ensure that family owned businesses are managed effectively, Grant Thornton recommends that families establish a 'family creed' for the business.



The family creed is a document that embodies the family's values and basic principles in relation to business. It is, in essence, that family's strategic plan. The family creed document should be reviewed at least annually and should be subject to expansion and amendment as necessary. Binding principles, practices and philosophies within the business should be agreed upon and the creed should answer questions such as:

- what is the family's tolerance to risk?
- what is the family's true level of commitment to the business over the long-term?
- how is the business better off because of family ownership and involvement?
- what are family members' obligations to each other?
- how are responsibilities assigned to individual family members within the business?
- how do we best prepare ourselves to be effective owners and leaders of the business?

The stress of working through conflict helps families recognise the usefulness of having clearly articulated principles. What may seem an abstract philosophical exercise prior to conflict occurring may become a practical experience that lays the foundation for conflict resolution and decision making in the future. When individual goals and values are harmonised with those of the family, and the business, all members work together for a common purpose that is deeply and widely held.

Principles embodied within the creed may include:

- family members dealing with each other on a professional level and not bringing personal differences or matters into the work environment;
- family members should respect one another, be loyal and treat each other fairly;
- family members should restrict public criticism, and restrain from private criticism of other family members or the business;
- the family should act in good faith and not place undue pressure on company officials, including requests for employment or other benefits.

Commonly identified family values through this process are as follows:

- loyalty;
- trust;
- respect;
- the need for openness and communication;
- a belief in the concept of the family business;
- family first;
- philanthropic values - responsibility to the employees;
- a desire to make a contribution to society;
- honesty;
- tradition and religious heritage; and

- sound entry principles for family members wishing to join the business.

The family may have more or less policies within their creed document depending on the family's desires. Since the document is a living document, the creed can be revised, expanded, or reduced. The important point is that policies are created before the issues they resolve cause conflict.

When creating policies, it is important to create a process that ensures fairness both within and across generations. It is a good idea to use a fair process, one in which all the family members feel the creed accurately represents the family, so that it is respected by all.

Family is arguably the most important element of a family business. With investment and effort, family conflict can be minimised and good business principles can continue.

Grant Thornton has extensive experience in facilitating the development and documentation of the family creed. If you would like further information on strategies to develop an effective family creed, please contact your Grant Thornton adviser.

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