



## Family Businesses: What is Going On?

by [Benjamin Vance](#)

Family businesses in [construction and industrial markets](#) face a unique set of challenges that can make or break the business and the family. This is especially apparent when business is good, but challenges are not slowing down, and unpredictable and emotional family dynamics create added pressures. When managed well, family businesses can pass their success to the [next generation](#). When unmanaged, these problems threaten the health and success of not just the business, but also the family. How did we get here? And, more importantly, what can we do about it?

### How Did We Get Here?

A common saying in family businesses is “shirtless to shirtless in three generations” – recognizing the likelihood of family businesses to not make it to the founder’s grandchildren. Numerous studies back this up, noting that approximately 30% of family businesses make it through the second generation, and only 10% make it through the [third generation](#). Moreover, studies show that over 80% of family businesses either have no plan or have a plan, but it is not formally documented or communicated.

As if managing a family business is not hard enough, conditions in the Louisiana construction and industrial markets raise additional challenges. Louisiana has experienced an ‘industrial boom’ that has benefited many businesses, but also amplified challenges, such as retaining skilled labor at competitive wages, managing safety requirements, deciding how to leverage technology, planning and financing projects, and trying to increase profits. Sound familiar? In addition to these issues, family businesses must address other questions, such as:

- How do we grow to provide for more stakeholders?
- Who should be in the business and who should not?
- Should I keep or sell the business?
- What will the owner(s) do next?
- When will the next generation be ready?
- How will the business finance a sale to the next generation while also financing the growth of the business?

### What Can You Do About It?

It is easy to see how these questions can further stress family businesses. From our experiences, family businesses that are more prepared to deal with these questions have three things in common: (1) the business has a clear strategy, (2) owners focus on running a healthy business, and (3) management and owners regularly talk about succession.

- **Strategy:** Having a [clear strategy](#) allows for decisions to be made in the best interest of the business and the family.

- **Healthy business:** Healthy businesses have clear financial statements and understand the relationships between getting work (sales and marketing), executing work (people and product), and financing work (accounting and finance).
- **Succession:** [Business succession](#) talks are frequent, flexible, proactive, and honest. If you are not prepared to address these issues, deciding where to start can be even more daunting, and shifting between business and family priorities can be exhausting and difficult to manage alone. A team of professional advisors that understands your business and family can help provide structure and accountability to address these issues, minimize emotions, and help your business and family succeed. While there are different factors that may determine *where* to start, the most important question is: *when* are you going to start?

This article is the first of a series of articles focusing on family business challenges in the construction and industrial markets. P&N is a full-service accounting and advisory firm with experienced professionals who can help family businesses succeed.

[Contact us](#) to start a discussion with our valuation team today.