FAMILY & BUSINESS

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Association of Family Business Enterprises

Siblings in family business

INSIDE

Educating the Family on the Family Business

Message from the Chair

"Starting a business with your brother either ends business or ends brotherhood."

Amit Kalantri

This quote illuminates the challenges that many family businesses face as a result of conflict and misunderstandings. Despite this, the role of siblings in a family business can be seen as a boon or the bane of the business. Siblings invariably play a critical role to the success or failure of family business.

Even in the absence of a business, sibling rivalry is rife and can be a detriment to the well-being and cohesiveness of a family. If this is then coupled with the business dynamics of control, hierarchy, succession and other factors, it can be a potent cocktail for disaster.

However, siblings have gone on to create wealth in businesses that they have either started, or inherited. Some of these have gone on to be multi-generational businesses. Families are the oldest social institutions in mankind. Therefore, the role of siblings will almost always be relevant in family businesses and will chart the future of the business.

In this issue, we interview 3 sisters who run a family-owned business in the hospitality sector. They share some insights on how they work together, sibling rivalry and disruption. We hope that you enjoy the magazine.

JOE OKELO

Chairperson - Association of Family Business Enterprises

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WHO WE ARE

The AFBE was founded in 2015 to strengthen the success of family businesses over generations. We provide family businesses with a safe space to share experiences, challenges, skills and knowledge and address common issues that family businesses face.

MISSION

To provide a nurturing, enriching and empowering environment through which Family-Owned Businesses can flourish over generations.

OUR VISION

To promote and support family businesses to prosper into future generations.

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Educating the family on the family business

BY DR. PETER MUTINDA MUTUA

" Education must enable one to sift and weigh evidence, to discern the true from the false, the real from the unreal, and the facts from the fiction."

Martin Luther King, Jr.

"Asian family businesses succeed because their children spend all their free time minding the shop" is a truism commonly bandied about. In seeking to execute this strategy to fast track their success, some family businesses have adopted the trait of engaging their children within the family business from a young age and, as they grow up, encourage them to tag along on business calls and meetings.

To many a leader's disappointment, it has not yielded the expected results. This is because while the opening statement is generally true i.e. that dividends accrue from spending time within enterprises, it is not the whole truth. That one factor i.e. continuous presence in the business premises is neither the only precursor to enterprise success or the surest method to attain business skills.

Whereas it's a good and important first step to engagement, it should not be mistaken for an entire education sufficient to fully prepare heirs for leadership roles within the family business.

Many have discovered, to their chagrin upon assuming full responsibilities that they are completely unprepared for the rigors of being in charge in addition to being unfamiliar with the rational basis upon which the venture operates. That it is not enough to simply focus on sealing loopholes through which fraud/theft occurs but also to be aware of the fundamental industry and business drivers.

Nor is it adequate to imitate successful organizations by bringing in consultants to develop corporate vision, mission and values, which turn out to be well-meaning statements at complete dissonance from the operational reality within the business.

Even worse, the assumption that a perfunctory study of accounting as a subject in school together with occasional glances at institutional business reports/ speaking the lingo demonstrates financial literacy can be tragically costly.

It takes years to master the numerous dynamics that affect family businesses regardless of their size. In order for the skill to be deliberately passed on to successors, leaders have to carefully curate an educational system that suits their particular circumstances e.g.

Photo/rawpixel

" It takes years to master the numerous dynamics that affect family businesses regardless of their size. In order for the skill to be deliberately passed on to successors, ..."

accommodating differences in educational levels/ areas of specialization.

Such an education is best deployed real-time i.e. in dealing with live business events/activities and then, as soon as possible thereafter, reflecting upon the process followed in assessing the situation and coming up with a decision. Where external experts are brought in, it must be made very clear what they are coming to do, why it is that the particular service providers were selected and how it is that the information shared/ learned will be used for the benefit of the organization.

The objective of an effective business education within the family enterprise is not so much the passing on of knowledge/expertise specific to the area in which it operates but a reliable basis upon which leadership decisions are made. If these are clear, they stand the test of time and are transferable to whatever industry heirs put their hands to.

Leaders of Family Business must not assume that it is enough for their children/protégés spend time with them in the ventures, watch them operating the businesses/making decisions and accompanying them on trips to evaluate competitors/establish benchmarks for them to understand the business. Nor is it wise to imagine that an expensive school education (the costlier the better) is adequate to fully prepare heirs for the rough and tumble of enterprise leadership. Leaders must strive to provide, and where necessary, customize a special education that deliberately addresses critical subjects that are of interest to the family business.

An effective education provides more than a cursory understanding of the subject matter particularly in the area of the businesses vision, mission and values. It sets a historical context of how these were developed, prompts thoughts about why they are important and paints a picture of what it is intended to look like when they are actualized.

A useful education provides more than a basic knowledge of concepts; it guides learners towards understanding the correlations between various indicators and how one action in one aspect of a business can impact a seemingly unrelated element. In doing this, such an education provides leaders with a broad view of how the business works.

A functional education provides one to assimilate knowledge, context, and understanding into actionable leadership decisions that provide direction to the entire organization. The result of a credible education is competence in making judgments based on a robust frame of reference is the most useful attribute one can pass on to one's heirs.

About the Author

Peter is a graduate with a BSc. Mechanical Engineering, MSc. Entrepreneurship (both from the Jomo Kenyatta University of Agriculture and Technology) and a Doctor of Ministry in Peacebuilding and Conflict Transformation from the Africa International University (AIU). The title of his dissertation is "Biblical Principles for Shalom in African Family Businesses".

Family-Owned Businesses and Conscious Governance

BY FARAH ESMAIL

Family-owned businesses (FOBs) are critical in Kenya's economic landscape, constituting a significant share of its small and medium-sized enterprises (SMEs). SMEs contribute 31.4% of Gross Domestic Product and approximately 70% of jobs in Kenya. Around 70% of SMEs are family owned, employing 60% of workers in the small business space.[1] Consequently, FOBs have a huge economic footprint and make substantial impact in the country.

You, as a leader in or founder of an FOB, are part of that impact and have the opportunity to impact even more – internally and externally – if you work strategically enough.

Do you spend sufficient time focusing on strategy and governance as opposed to operational issues? Do you know what all governance encompasses? Do you practice good conscious governance which positively impacts your generational wealth and that of others supported by your business?

The Era of Conscious Governance

Given the increasingly complex and competitive commercial environment, globalisation, constant environmental threats, human issues and crises, FOBs are operating in a new landscape today. They need to be able to address the challenges of this landscape so as to build business sustainability and to maintain generational wealth beyond the founder.

Roger Hitchcock, a senior partner at Sirdar, shares, "Understanding the changing environment and the subsequent levers of success is essential – even more so given COVID and in planning for a post-COVID world. The pandemic highlights how developing a sustainable enterprise and proactively addressing challenges faced by FOBs supports longevity. The era requires design and 'conscious governance' – whether that be family or corporate governance or both."

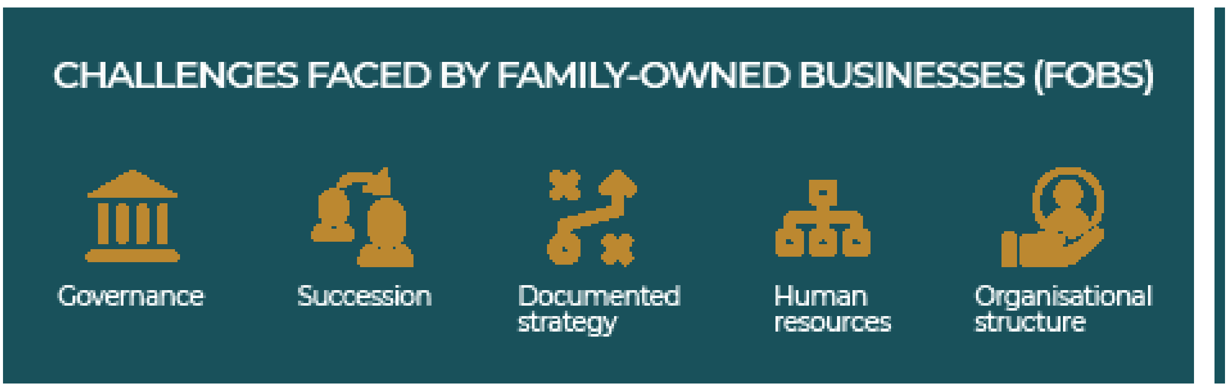
In COVID-19: African M&A Trends During the Pandemic, Bowmans highlights the following "The pandemic has brought issues of social responsibility into sharper focus, with the world experiencing first-hand the consequences of not paying attention to broader societal issues including health, climate change and poverty alleviation. As the pandemic subsides, we can expect a greater focus on 'governance activism', and a growing recognition of the importance of monitoring the impact of corporate activity."

Challenges for FOBs

Common challenges faced by FOBs have been in the areas of governance, succession, documented strategy, human resources and organisational structure.

Founder-managed FOBs tend to be run informally with decisions often being made as one would in a family: during meals. At other times, decision making may be tactical, opportunistic and without consideration or discussion of the larger impact and risk. This is often the case when a clear strategy has not been documented. The long-term result is a lack of proper measures, suitable structures and knowledgeable people – all causing issues when the business grows too fast.

We often also see that an FOB's funds are not



1. Asoko Insight: East Africa's Family-Owned Business Landscape

differentiated from that of the founder – it is often all in the same pot with a lack of transparency and separation.

Hiring decisions are regularly based on trust and on providing family members with opportunities rather than on adhering to formal recruitment, promotion, organisation and compensation structures. The result could be that roles are filled by less-qualified individuals due to preferential treatment of family members and that organisational culture is eroded due to nepotism. FOBs often experience this gap in knowledge and experience at middle-management level. Ultimately, the organisation's strategy cannot be achieved successfully, value is decreased, and competitiveness and ability to respond to external threats are jeopardised.

Intentionally working on succession planning is critical for FOBs and many times goes unaddressed. It requires foresight and consideration of what practically happens when the founder is no longer around as well as who takes over the leadership role. There are two cases that can ensue: either there are no heirs to continue the business (due to having no children or lack of interest from the children), or there are multiple potential successors. The challenge with the latter is that often no one specific has been identified and therefore mentored, which can lead to challenges and disputes. This can be exacerbated by the case of family leadership versus business leadership which needs to be openly addressed to prevent family conflict.

About Sirdar

Sirdar is Africa's leading guide, appointer and educator of high-performance boards. Their promise is meaningful economic impact. Sirdar believes that effective boards grow companies, helping them to become more sustainable with less risk and better returns. Services offered include education, board appointments, diagnostics and evaluations. Sirdar works throughout Africa, the Middle East, New Zealand and Australia from its offices in South Africa, Ghana, Kenya and New Zealand.

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About the Author

Farah Esmail
Partner and Head of Kenya, Sirdar
BSc., MBA, LLB

Farah Esmail has over fifteen years of experience in senior management roles in North America and Africa. Farah has acted as a business partner to start-ups, family run businesses and multinationals in various industries implementing best practice legal, HR, compliance, risk management, strategy, organizational change and corporate governance processes.

We navigate the way to business growth through boardroom performance.

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Siblings in family business

From Left to right Mutheu Muna Mwaniki, Mwende Muna Mutinda and Samantha Muna

1. Tell us about Trianum ?

Trianum is a hospitality consulting and management firm that was started in 2010 with a vision to set up and manage high end serviced apartments in Kenya and the wider East Africa region. We seek to offer advisory services to investors who wish to play in the hospitality space. It was started by 3 sisters: Mwende, Mutheu and Samantha. Samantha has a hospitality background, presently sits on the Board of Directors. Mwende is the director for finance and administration and Mutheu is the CEO. Only two of the directors are involved in the day to day management of the company.

2. Triamun is not only a family owned business but also a women led business. Was this a conscious decision when forming the business ? How much does this play in the business

The founders of Trianum are all female as they are a family of 3. This was not a conscious decision when forming the business as the family had no male siblings. However, the directors have made a conscience effort to incorporate both men and women at the senior leadership level. We believe it is important to balance genders in any organisation as each gender offers different attributes to the management outcomes of an organisation. More recently the gender balance has skewed more towards female and I believe this is because serviced apartment hotels offer better work-life balance and so females are able to rise to senior positions even as they balance home responsibilities.

3. What are some of the pros and cons of sisters working together?

The biggest advantage is that we share similar upbringing and similar values and it was easy to then craft these into the business. The downside – as with any other family owned business – is that we don't have all skill sets within the family. One interesting downside was separating home and business – with the initial excitement for the new business venture, every birthday party and family function turned into a strategy session. We therefore had to build in


Ulwazi Place by Trianun Kirawa Road Kitisuru

Photo/trianum

boundaries and determine when to discuss business and when to discuss pleasure.

4. Issues like sibling rivalry can affect and even bring down a business. What is your take on this ? Do you have any dispute resolution mechanisms in place ?

This is true. It is important to have put in place a document that spells out each person's involvement in the business: how they qualify to join, what criteria will be used to promote or retain them in the business and clearly articulate their roles while in the business. It is unwise to leave these decisions to when they arise as resolving them can be emotive and lead to further conflict. Where possible, it is important to have outsiders involved in the dispute resolution mechanism so that there is objectivity in the mechanisms employed.

5. Is there a plan for succession in place?

Yes, we have created a succession plan. However, it requires to be reviewed from time to time as the circumstances of the firm and the economy keep changing. Not only is there a succession plan at director level this also trickles down to key senior personnel within the organisation. For Trianum, the succession plan came about as a result of a business processes review we carried out about 5 years into the organisation that, among other things, identified key man risk and set the ball rolling to address the key man risk.

6. The COVID pandemic has caused disruption in the market and also impacted families at home, what has your experience been ?

COVID and the consequent travel restrictions have had an adverse effect on the hospitality industry. However, in our experience, the impact has been worse on hotels than aparthotels. The initial lock down in 2020 severely affected business but since then business performance has steadily improved. The disruption was so severe that it severely strained business continuity measures that had been put in place. However, we found that leveraging on good business relationships with clients and suppliers has greatly assisted us to recover steadily. On the family side, we have come together to see how to tide each family through this season with the family and shared resources available.

7. What advice would you give siblings working or looking to start a business together?

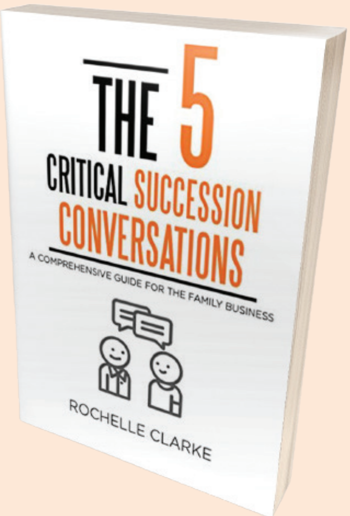
Firstly, please start with a clear road map of where the business is going – as far as this is possible. Secondly, define your individual roles within the business and then communicate these roles clearly to team members and allow each person to run with their role with minimal interference. Lastly, create a family charter that defines how family will engage with the business and regularly review this charter to ensure that it meets the needs of the family. Overall, the press has sensationalised family businesses that have become strained due to family relations. Remember: there is an equally wide variety of family

Photo/trianum

businesses that have worked well and grown to incorporate future generations. It is doable.

8. You are a member of the AFBE , what has been your experience?

We found it useful to associate with other people who were involved in family businesses. This has opened us up to a wealth of resources and information regarding the unique merits and challenges of family businesses and improved how we work as family and as a business enterprise. We have received training in various aspects of the business that has grown us as individuals and as a business.



The 5 Critical Succession Conversations: A Comprehensive Guide for the Family Business

By Rochelle Clarke

Successfully navigating the succession process within a family business requires a delicate touch. This book explores the difficult conversations that you may encounter along the transition journey and help you anticipate and plan for them with minimal stress. With the goal of maintaining strong family and business relationships while effectively addressing tough subjects, the book covers common issues like:

-Establishing boundaries to preserve business and personal life

-Declining an offer to lead the family business

-Changing the business vision or ways of working under new leadership

-Convincing the business to try new innovations or ideas

-Asking for more freedom make your mark

-Addressing poor performance

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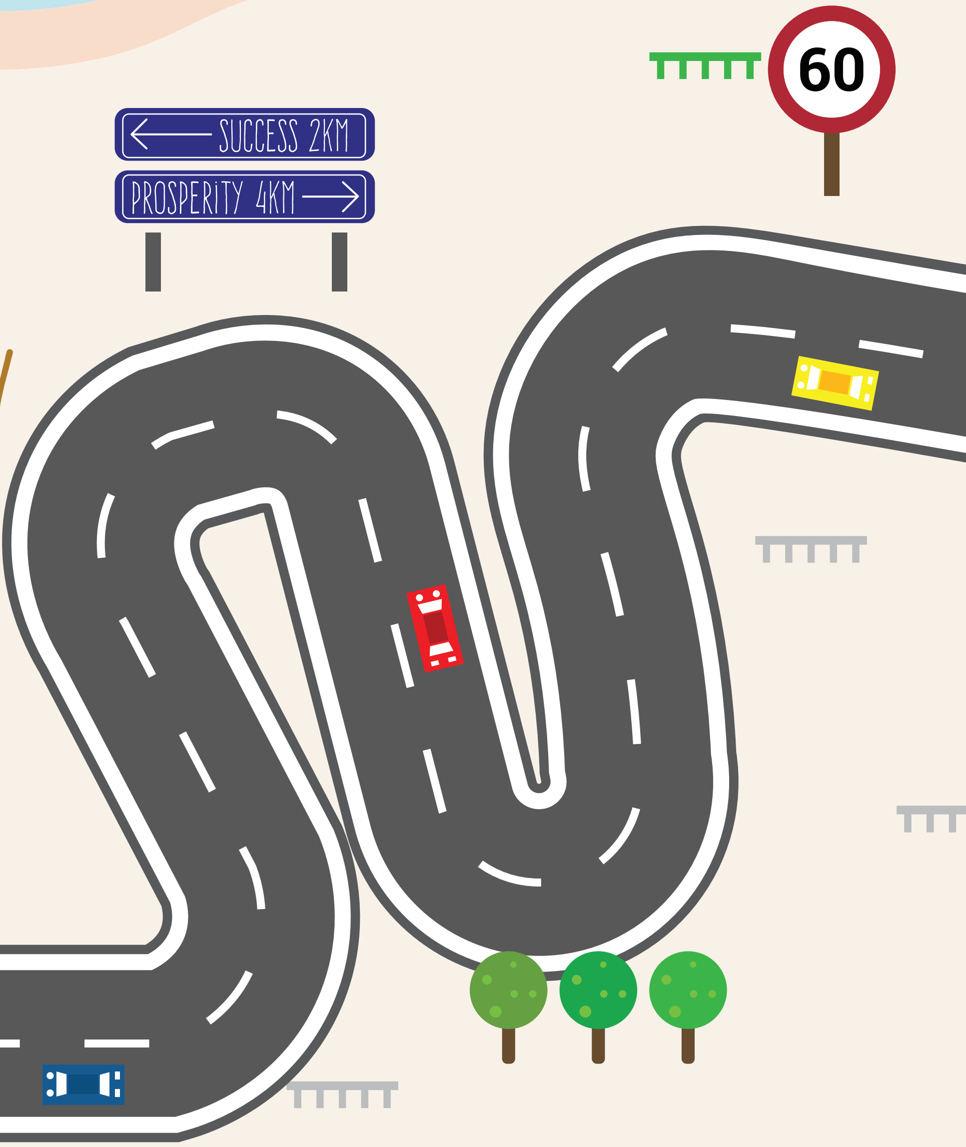

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Conscious Family and Business Governance Supports Sustainability

BY FARAH ESMAIL

Corporate governance defined broadly by G20 and the Organisation for Economic Co-operation and Development (OECD) "involves a set of relationships between a company's management, its board, its shareholders and other stakeholders. Corporate governance also provides the structure through which the objectives of the company are set, and the means of attaining those objectives and monitoring performance are determined."

FOBs need to prioritise having a properly constituted board that maintains good corporate governance for the company or companies (such as through a group board for multiple companies).

In reality, the variety of roles that family members and founders hold in an organisation need to be deconstructed into those of directors, shareholders and managers, the so-called "three hats" which contribute to building a successful, sustainable business. This allows for focused and de-conflicted thinking and decision making given the specific role or "hat" – whether in terms of operational issues, growth or succession planning.

Family issues that often get intermingled with business issues in FOBs, need to be separated from the business to allow for co-existence with a degree of separation. This is supported by and achieved through a multitude of avenues (best tackled while the founder is still actively involved) including:

· Setting up a family constitution or charter outlining aspects such as family rules, dispute resolution mechanisms, ownership and succession.

· Setting up a family council or family forum to allow family issues to be addressed outside of the business.

· Formulating and documenting a common vision, philosophy and values for the business – a crucial key to FOB success (often these are enforced by the founder whose head these live in).

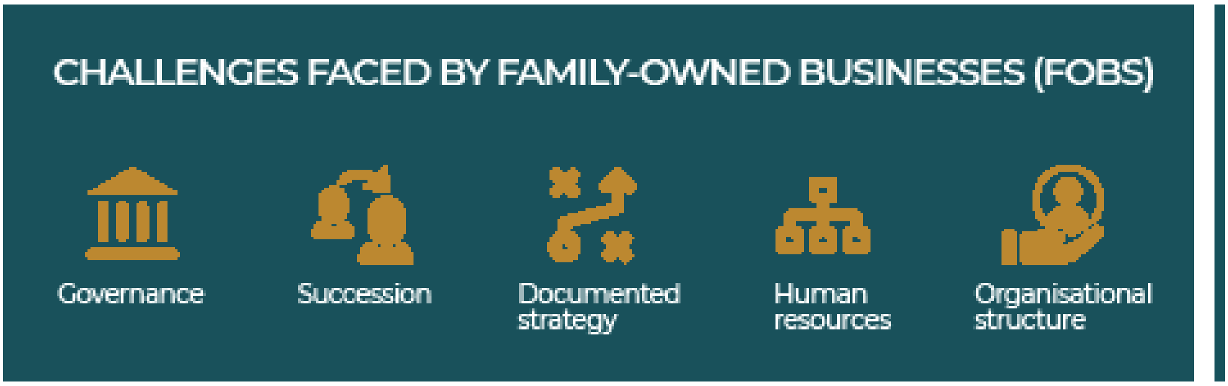
· Formalising family employment practices by instituting policies that outline the conditions governing employment, merit-based performance management and dismissal.

· Investing in mentoring, educating and training family members to equip the next generation to assume leadership roles.

· Reviewing traditional positions such as the role of women in the FOB. Multiple surveys have demonstrated the increased business value generated from having different perspectives in the boardroom. This includes involving women who have had limited opportunity given traditional values and beliefs.

Roger shares, "If the above points are all actioned, more time can be spent on building business sustainability, adding value and continuing to have generational wealth beyond the founder, while avoiding disputes, conflict and a culture that erodes this wealth."

Are you practising conscious governance?



FOBs need to understand where they are and what gaps need to be addressed so that they can build a sustainable model, succeed, continue generating wealth for future generations, and positively impact the communities in which they operate. This takes proactive diagnosis and design.

A diagnosis – or evaluation as it is also known – is immensely helpful in auditing the health of a company. It is usually undertaken by an objective external party – someone who has no personal agenda or emotional connections to the results, and can therefore help to diffuse any sensitive issues in a family situation.

We at Sirdar use the Sirdar Governance Compass in our evaluations. It is an eight-lever model which considers all aspects that work together to build high-performance boards and businesses. Our evaluations

provide a platform for understanding the FOB's health and what direction needs to be taken to build a sustainable organisation that succeeds beyond the founder. It takes purpose (North), sustainability (South), conformance (West) and performance (East) into account. Essentially, our methodology guides and focuses an enterprise and reduces risk while ensuring performance and conformance. These are the tensions that a business needs to manage and take into account when making decisions, and are the levers to consider in the decision-making boardroom.

Our board evaluations consider aspects such as board meeting structure and rhythm; where decision-making takes place; who the board members are, how they make decisions and how they will help implement the strategy; levels of independence on the board; evidence of the three hats; documented strategy and direction; prevalence of being guided by organisational values, if these exist; organisational culture; leadership and accountability; structure and performance management; investment and dividend policies; recruitment and remuneration policies, as well as stakeholder engagement and risk management (the latter two have been of paramount importance during the pandemic given crisis response).

Finally, FOBs – like any other businesses – need to review and evaluate performance and improvement on an ongoing basis. At the same time, they need to leverage the information and recommendations from the board evaluation reports for improvement and the best chance of success.

If you have not focused on governance and have not conducted an evaluation (or if the one that has been conducted for your FOB does not cover these aspects to provide a holistic governance review), you may want to consider changing your approach particularly in light of the ever-changing business landscape.

In Conclusion

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Conscious Family and Business Governance Supports Sustainability

BY FARAH ESMAIL

1. **Tell us about yourself -, interests , your family , education What do you do in the business etc**

Alice Muthoni: I am the Managing Director of Mau West Company Ltd.. I'm the second born of five siblings, three girls and two boys. I am my father's daughter. Growing up I was close to both my parent's, but my father allowed me to get away with a lot , I knew how to exploit his good side. My mother installed discipline and moulded me to the woman I am today. At an early age, my parents put a lot of responsibility on me . My Dad gave me his credit card when I just finished college and trusted that I would only use it for emergencies, medical bills and fuel; and not go on a shopping spree or drinking with my friends. In my early teens, my mother left me at my grandparents for a week with my two younger brothers and trusted I would take care of them, decide on the menu, cook, clean, do laundry etc.

I'm a Nairobian. After completing my primary education at Nairobi river primary school, I went to Pangani girls high school for my secondary education. I then joined Kenya Polytechnic (currently Technical University) where I attained a diploma in Civil Engineering. I passed well and immediately enrolled in a higher Diploma in Structures – Building Construction option. While in college I would work for my father at Mau West during the holidays and I would earn Ksh.5,000 per month. I worked on site as a waterproofing technician and I also doubled as a driver. After college I joined Mau West as a full time employee, and soon became the Technical Manager. After working for 12 years I became a Director. I assumed by current position of Managing Director after my father passed away in January 2019. He mentored me for 18 years.

I'm married with two girls aged 20 and 13. My hobbies include travel and educating people

Tom Muriuki : I'm the Marketing director at Mau West Company Ltd. My main work at the company revolves around driving sales and growing our customer base. I'm also responsible for brand positioning, our communications strategy, and managing marketing initiatives. My role also expands to project planning and operational management.

I have a bachelor's degree in computer science and other qualifications in Business administration. I'm currently learning about data science and how it affects marketing efficiency.

I have a young family- first born on the way. So I'm really excited. I enjoy photography and video, writing and the occasional road trip.

2. **Tell us about Mau West Ltd**

Mau West Company is a specialist contractor- We offer waterproofing and industrial flooring solutions to the built industry. It was started by our late father, Mr. Paul Muriuki,

The company was registered in 1981, but started undertaking construction works in1986. Initially, the company undertook all kinds of construction works but later started specializing in waterproofing works. My mother was also a director, but a is not actively involved in the business.

3. **When did you join Mau West Company Ltd and what are some of the changes that have come about as a result of your joining?**

Alice: I joined the business as a full-time employee in the year 2000. In the initial year I went round the country marketing the company's products and services to private and public institutions, consultants and contractors. When I started working for the company the use of mobile phones, emails and computers started to take root, and as a young person I was excited to use these new technologies. I helped the company purchase its first computer and mobile phones, and registered our first yahoo email address.

As the company increased its market share, growth was inevitable, so I convinced my father to get credit from the bank to acquire new vehicles and move to bigger offices, we also had to employ more staff. Before my father was apprehensive about using credit from the banks. I also engaged a graphic designer to design a new logo for the company that was bright, attractive and also reflected the kind of work the company undertakes.

Tom : I used to work during my long holidays whilst in University, . I was employed officially in 2010. I now have over 10 years' experience in the industry.

Because of the nature of the industry, a lot of processes were manual. When I joined the company, I initiated (and continue to initiate) a lot of changes especially on the technological aspect. Our internal and external operations have greatly improved due to this and we endeavour to continue improving our operations so that we can offer the best to our clients

4. Alice, the construction industry is predominantly male oriented, tell us about you experience working in this sector ?

The construction industry is dominated by men, even in my higher diploma class we were only two ladies. When I joined the company my father treated me like a man, I did not receive any special treatment. When we went to a site I was expected to do what the men were doing, so I had to learn fast how to climb on top of buildings, how to walk on sloping roofs, crawl under tanks and equipment on roofs, withstand hot and humid working environments in tanks etc.

When I joined the company, I found two loyal male employers who were the foreman and supervisor, who were very supportive and taught me everything about the work.

In some cases when I went to a site unaccompanied, contractors and consultants were doubtful that I could asses the site and give them a technical proposal. I had to prove that I could do it. Most men felt challenged when they saw me climb into areas on the roofs where they were afraid to climb. Some had to conquer their fear of heights because they could not stand being outdone by a lady.

5.What are some of the pros and cons of working in the past with founder and now as siblings?

Alice : Working with my father was easier for me as the buck sopped with him. He made the difficult decisions and nobody questioned, what he said was law. I also relied a lot on his experience when making business decisions, and his network when looking for advice and services from experts in other fields like law, finance etc.

The challenge with this was that I always felt that I could not make major decisions without consulting him. These discussions were face to face, and he was never in a hurry to make major decision irrespective of the pressure the company was under. My father was also very forgiving with rouge employees, sometimes at the expense of the company.

Working with my sibling has been great because I have someone who has the best interest of the company at heart to bounce off ideas, and share responsibilities with. When my father passed on, he left all the responsibilities to me and it was sometimes overwhelming. Having my brother as a director has helped relieve some of the pressure, and he also brings fresh ideas on how to improve and grow the business.

The challenge of working with a younger sibling is that sometimes you expect them to reason like you and see things the way you do. You forget you were once young and saw things differently.

Tom: The biggest benefit is improved decision making. Working with my siblings has greatly improved our decision making process as opposed to working with the founder where most decisions were solely made by him, the founder.

5. What (or who) has influenced (impact) you the most?

My father had a big impact on my personal and professional life. Having a lot of trust in me was a huge responsibility for me to carry so I had no room to be reckless. My mother also had a big influence on my life as she kept me grounded, she always reminded me on the important things in life.

My greatest influence has been my colleagues, including my sibling. They have mentored and taught me a lot of things in the construction industry when I started.

Professional organizations like AFBE and such have been very instrumental in developing us to be better business people

6. Does your family business have a succession plan. If no, do you foresee yourselves having one ? if yes how did this come about, what is in place

We don't have a concrete succession plan, but we plan to have one. From the lessons we have learned from trainings organised be FBE, we have come to appreciate that it is crucial to have a succession plan. We have started to process of forming a trust which I believe to play a big role in our succession plan.

7. As next generation business owners what are you doing to ensure the founders vision for the business is kept (not lost)

Now that the founder is no longer with us, he had instilled principles and values (Hard work, honesty, delivering high quality work always, patience, earning clean money) in us that help us carry on with his vision of continuously growing the business to generate income to support our growing family and provide opportunities for family members willing to work in the business and support for those with other interests.

A succession plan is a very important but equally delicate document to prepare. I know a lot of family businesses face this challenge when it comes to preparing a succession plan since it takes years to develop one. Nonetheless, we are in the process of developing one with the help of a competent family lawyer. I learnt about it through one of AFBE's training seminars.

8. What advice would you give to siblings working together ?

Learn to really listen to your siblings and understand them. Good communication resolves a lot of problems and also prevents many problems. Have regular scheduled family meetings and getaways to cultivate good relationships.

Incorporate non family members into your top level management. Sometimes siblings may make decisions that are biased, so having talented non family members serving on top positions is key.

Another thing is professionalizing the business as much as possible. That means that family issues should not be brought to the workplace. This involves having proper HR practices, sound company structure and so on. This also improves on the organization's governance which is key.

Lastly, do not use the cash generated from the business to generate your own wealth. Profits from the business should be used to grow the business, not the individuals.

10. You are a member of the Association. (Why did you join ? What benefits have you derived from the membership ? Has the Association met your expectations ?)

We joined this association because we are a family business and the association brings together many family businesses with common interests. Family businesses face very unique problems unlike other businesses. Joining the association really cleared up a lot of issues that were affecting us. Apart from that I have met and formed formidable relationships with other members who have huge businesses and learnt from them what it takes.

T here is no other organisation in Kenya that understands the dynamics and addresses the unique problems of family businesses. The association also gives us a voice when we need to lobby and influence the government in the making of laws and policies that affect family businesses.

Knowledge Transfer strategy vital for family businesses sustainability

Importance of family businesses

Kenyan family businesses employ over 60% of the workforce and contribute over 50% of GDP. Moreover, family businesses have created self -employment to a sizable Kenyan population. Owing to this importance, stakeholders which includes the government, founders, employees and others should strive to ensure these businesses transition seamlessly from one generation to another. It has been established that only 30% of all family businesses sustain good performance in the second generation,12% to third generation and a paltry 3% even get to 4th generation leading to poor intergenerational transition. Death of these businesses is against the will of the founders who would have wished to them to exist infinitely.

Business knowledge

In the recent past, a number of cases of poor performance in family businesses in Kenya has been reported particularly the SMEs, with Tuskys supermarket a firm that is in its second generation being a current case study. Knowledge transfer (KT) strategy has introduced a new way of sharing resources and experiences of all the people; it has created a framework of concrete preserve of tacit and explicit knowledge that emphasizes the value of ideas and experiences. Business founders and experienced managers must cultivate the culture of sharing knowledge or create a repository for continuity of business.

Importance of sharing business knowledge

A key issue to addressing performance challenges in family-owned businesses (FOBs) is knowledge transfer strategy. Understanding the nuances of family businesses is vital to their performance. Since these businesses are started by founders, they automatically become the vision carriers. Subsequently, the founder brings in employees, sons, daughters and other family members to help in running the business as it grows. Dissemination of knowledge by founders to these other stake holders ensure smooth running of the business in the current and subsequent generations. The knowledge aspect is diverse from where to get raw materials, where to sell finished products, credit partners etc. Lone understanding of such aspects may be counterproductive to the business especially if the founder/vision carrier dies or incapacitated. Multiple employees understanding different aspects of the family business is key to its survival.

The growing importance that knowledge has acquired suggests the need to think about how organizations process their knowledge bases, that is, how organizations create and develop new knowledge, and how they share and transmit it. Kenyan family owned businesses should endeavor to ensure knowledge is well disseminated to ensure flawless transition. It's imperative for would be successors to understand the nuances of the businesses before it's too late. A good case study is Apple incorporation where Steve Jobs by design prepared Tom Cook to take over the business. Today, Apple incorporation is performing better than during its first generation period. Other notable cases include The Ndegwa family businesses, the Kenyatta's' The Mulley's, Bidco, Sarit Centre,Naivas etc. The collapse of businesses such as Tuskys,The Michuki's,Karume's,The Kirima's after the exit of founders could be attributed to failure to acquire businesses knowledge of course amongst other reasons.

Knowledge transfer (KT) strategy has brought about a novel method of resource sharing and experience to all individuals; this has formed a basis of solid existence of explicit and tacit knowledge that stresses the value of experiences and ideas. The approach of knowledge management use has been in different industries like technology, education, business and social. In the economy, the current knowledge points out the significance of understanding the strategies for knowledge transfer that impact on firm performance.

Recommendation

Kenyan family businesses should have a planned system of business knowledge transfer to enhance seamless intergenerational transition and improve on business performance. There should be a strategy to pass knowledge from founders and senior, more experienced executives to other employees and also to would be successors. Moreover, there should be a strategy to archive knowledge for future reference in case the founder or current employees leave the firm either on artificial or natural attrition such as death. Family businesses should have structured knowledge transfer strategy such as training sessions, codification, personalization, mentorship and others to enable domestication of knowledge for future. Moreover, family businesses should cultivate the culture of organizational learning. This helps a firm to always strive to take advantage of any new knowledge.

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: Why Founders Refuse to Give Up Control?

BY PROF SORIANO

There is a saying, a family is strongest when united. But why is it that all too often a family owning business is often grievously complicated by friction arising from rivalries involving a father and his son, siblings against siblings, or other family members like uncles, cousins, and in-laws that hold positions in the business? Unless business leaders confront this predictable and damaging event and do something fast, the business will suffer and may even die. Harvard Business Review (HBR) writer Harry Levinson clearly explains, "It is obvious common sense that when managerial decisions are influenced by feelings about and responsibilities toward relatives in the business when nepotism exerts a negative influence, and when a company is run more to honor a family tradition than for its own needs and purposes, there is likely to be trouble."

Studies indicate that approximately 70 percent of all family firms are either sold or liquidated after the death or retirement of their founders (Beckhard and Dyer, 1983). The founder's unexpected death can force a major upheaval in the pattern of authority and ownership distribution. In this situation, conflict among the founder's heirs often becomes so intense that they are unable to make the strategic decisions needed to ensure the future of the firm. Failure to plan for succession also threatens the family's financial well-being by leaving many thorny estate issues unanswered and a distressed sale of the firm ends up as the only acceptable recourse. Of course, there is still a slew of options available. The surviving family members may opt to split the business, or one can buy the other out or they can sell the business or they can watch its value evaporate. All these options without exception will result in the impairment and the desecration of the founder's legacy.

So the question begs to be answered. Why do most founders refuse to give up control or even share power with their offspring? Ambivalence is one of the major causes of a failed succession. Founders commit a huge blunder when they postpone naming a successor until just before they are ready to step down or when death comes knocking. In most cases, they avoid naming successors because they don't want to hurt family members who are not chosen to succeed them. They also adopt different ways of coping with their ambivalence. But one thing is clear, according to Levinson, "for the founder the business is an instrument and an extension of himself. So he has great difficulty giving up his baby, his mistress, his extension of himself, his source of social power, or whatever else the business may mean to him. Characteristically, he has great difficulty delegating authority and he also refuses to retire despite repeated promises to do so.

This behavior has certain implications for father-son/ offspring relationships. And Levinson hastens to add, "While he consciously wishes to pass his business on to his son and also wants him to attain his place in the sun, unconsciously the father feels that to yield the business would be to lose a big part of his ego, his masculinity. At the same time, and also unconsciously, he needs to continue to demonstrate his own competence. That is, he must constantly reassure himself that he alone is competent to make "his" organization succeed. Unconsciously the father does not want his son to win, take away his combination baby and mistress, and displace him from his summit position. These conflicting emotions cause the father to behave inexplicably in a contradictory manner, leading those close to him to think that while on the one hand, he wants the business to succeed, on the other hand, he is determined to make it fail."

A poor choice of leader, or if the succession development and leadership model itself is flawed and without any visible support from the family and competent board directors can also cause the business to free fall but that is a different matter altogether.