

Focus on Grant Thornton

Advisors to the Independently Minded



Focus on Grant Thornton – Advisers to the Independently Minded

Grant Thornton is one of the few worldwide business and financial advisers focused on the interests of fast growing entrepreneurial and mid-corporate businesses and their owners. This clear distinction has made Grant Thornton one of the leading players in its field.

In the UK, Grant Thornton is the fifth largest firm with fees in excess of £210m and some 3,000 staff across the UK. Grant Thornton provides assurance services; corporate, personal and international tax advice; corporate finance services, forensic and investigation services, risk management and recovery and re-organisation services. Numerous services and products are offered through each of these areas which are comprehensively described on the firm's website www.grant-thornton.co.uk.

In addition to these areas, Grant Thornton have expertise in advising family businesses and on people and relationship management issues.

The firm is also well regarded in several industry niches, including: technology, motor retail, professional practices, charities and not-for-profit, and agriculture, where it holds market leading positions.

Technology

The dotcom boom may be over but Grant Thornton's Technology

group is helping more and more businesses. Technology is fundamental to the UK economy and its importance is increasing in London and elsewhere. In Europe the UK leads the technology market both in terms of research and its commercial application, with most of the activity being based in and around London, Oxford and Cambridge. Grant Thornton's technology specialisation covers the following types of businesses:

- traditional software/IT system businesses
- biotechnology businesses including pharmaceutical businesses
- physical science businesses exploiting technologies such as lasers and magnetic imaging.
- telecommunications businesses including network providers and integrators

Although we cannot claim to be experts in any of the above, we do have a good understanding of the business dynamics surrounding these types of businesses and have significant experience in advising technology businesses through their various phases of growth from start up to flotation.

Services provided cover:

- book keeping assistance
- advice and assistance with fund raising
- strategic and business planning advice
- assurance services such as audit and tax
- flotation advice

We offer practical, pragmatic advice for start ups through to listed businesses and act for over 100 technology businesses in our London office alone.

Another area of specialisation within Grant Thornton is that we act for a number of successful and growing Asian owned businesses. Although many of these are family owned and professionally managed and require the same services as any of our mainstream clients, yet there are differences in the way the services are delivered, for example the need for cultural

understanding in both a business and social context.

Your Family Firm . . . is it run by your head or heart?

Family businesses are the unsung heroes of the economy: they are dynamic, entrepreneurial, provide employment and most expect to grow. But the problems and conflicts associated with running family businesses are significant and it is a sad statistic that only 30% survive the first generation with just 10% making it to the third.

This article examines some of the key issues facing family businesses, particularly those that are Asian owned and offers some solutions. These issues stem from the different culture of family businesses. They tend to be inward looking, emotion based and averse to change.

One of the biggest issues faced is that of succession. According to the 2002 Grant Thornton International Business Owners Survey of 6,000 businesses worldwide, of those expecting ownership change in the next 10 years only 16% expect to pass on to the next generation. As family controlled companies move into their third generation, the business is managed by cousins who may not have the same bonds or values as their parents.

Another problem faced arises from favouring the first born, a common trait and custom in Asian families which can create friction and tension particularly with the introduction of spouses. Many Asian businesses also suffer from the failure of the founder to leave the business at an appropriate stage and allow his/her heirs to run it without interference. There are many Asian businesses where the patriarch in his seventies or even eighties still has the final say.

Succession planning is critical and the wheels of the plan should be set in motion as soon as practical and should be underway by the time the business leader is in his/her fifties and the children are in their twenties. Questions regarding the aptitude, experience and inclination of the children to join the business should be

carefully considered. Numerous children of first generation Asians qualify as professionals, albeit through parental pressure and then refuse to join the business as it is not exciting or rewarding enough. This phenomenon is becoming common in the retail trade, for example, where shops were set up in the 70s by East African Asians and the children no longer want to run the businesses.

Another major issue for family businesses is that of employing non family members. When emotionally based relationships of a family are put into a business context, the usual commercial relationship between contribution and reward can become distorted. For example, family members pay themselves excess rewards rather than by market rate or job performance. It is also often difficult to recruit the right quality of executive if all the key positions are held by family members and the family overrides the decisions or authority of professional managers. For example, it is not unusual to find an Asian owned business with a turnover in excess of £20 million where the head of the family still signs the cheques.

The establishment of an accountable management structure, giving senior employees equity ownership or at least performance reward incentives is an important step in recruiting, retaining and motivating the right professional team. Ideally there should be a formal appraisal process applicable in equal measure to all employees – non family and family – which is separate from promotion and remuneration procedures.

At Grant Thornton we have developed a family consultancy service called PRIMA (People and Relationship Issues in Management) that deals with family business issues using a holistic approach to the problems.

For further information on this or any other services please contact.

Anuj Chande

Partner at Grant Thornton

Tel/Fax: 0870 991 2133

E-mail: anuj.j.chande@gtuk.com