

IS IT **WISE** TO BRING IN INVESTMENT PARTNERS INTO A FAMILY OPERATED BUSINESS?



PICTURE BY: ADRIEN OLICHON

THANK YOU



I wanted to expand my Family business last year and thought by getting an Investment partner would help, however the equity partners that came in are making a mess and putting in systems that have reduced turnover and profits. Why is this happening? How can I stop this?

Timothy C.



Dear Timothy,

I know, it can be very disheartening and frustrating when equity partners come in and negatively impact your family business.

While I cannot provide specific insights into your situation, here are some general reasons why this may occur:

MIS-ALIGNED GOALS AND PRIORITIES:

You need to understand when an equity partner comes into your business, the primary GOAL is recouping their Investment.

With that in mind, your equity partners may have different goals and priorities compared to those of your family members.

They may focus more on short-term financial gains, cost-cutting measures, or implementing systems that don't align with your business's values or long-term growth strategies.

It is crucial to have open and honest communication with your equity partners to ensure alignment of goals and expectations from the onset.

DIFFERENCES IN MANAGEMENT STYLES AND DECISION-MAKING:

Your Equity partners may have different management styles or decision-making processes that clash with your family business's established practices.

This can lead to conflicts and inefficiencies, resulting in reduced turnover and profits.

It's important to establish clear roles, responsibilities, and decision-making processes upfront, and to foster open communication and collaboration to address any conflicting management styles.

LACK OF INTEGRATION AND UNDERSTANDING:

Successful integration of equity partners into a family business requires a comprehensive understanding of the business's operations, values, and dynamics.

If your equity partners lack a deep understanding of your business and its industry, they may introduce systems or strategies that do not align with your business's unique needs and ultimately lead to decreased performance.

It's crucial to ensure proper due diligence is conducted before bringing in equity partners and to provide them with sufficient insight into your business's operations and culture.

LACK OF EXPERTISE OR EXPERIENCE IN THE INDUSTRY:

Equity partners may lack the necessary expertise or experience in your specific industry, leading to ineffective decision-making or implementation of systems that are not suitable for your business.

It's important to carefully select equity partners who have relevant industry knowledge and experience, or to provide them with the necessary resources or training to bridge any knowledge gaps.

CHANGING DYNAMICS AND RESISTANCE TO CHANGE:

When equity partners introduce new systems or strategies, it can disrupt established routines and workflows within your family business.

Resistance to change from existing employees or family members can contribute to decreased turnover and profits.

It's important to manage change effectively by involving key stakeholders, providing training and support, and communicating the benefits and rationale behind the proposed changes.





To address the situation, it is advisable to engage in open and constructive dialogue with your equity partners. Share your concerns and discuss the impact their decisions or actions are having on the business.

Explore potential solutions, compromise where necessary, and work towards a mutually beneficial approach that aligns with the long-term goals and values of your family business.

Consider seeking the guidance of a business consultant who can do a Diligence and Business plan and help facilitate discussions and provide objective advice to navigate the challenges and find a resolution that works for all parties involved.

Coming from a 3rd party usually keeps all parties involved more calm and attentive.

I sincerely hope that this helps answer some of your concerns.

