



**July 2013**

## **Couples In Business Together –For Richer or Poorer?**

**By Dr Greg Chapman**

Family businesses are an important segment of Australia's business landscape comprising as they do 70% of all businesses. These include father and son, brother and sister plus every other combination that you can think of, but amongst them all, the couple in business together has certain unique characteristics.

While family businesses tend to have a much higher level of trust within than exists amongst non-family business owners, between a couple, that trust is even higher as their life goals are far more likely to be aligned than say a brother and sister who may have their own families. This alignment of their life goals means that their vision for the business will be more strongly shared.

For example, a couple may want to create a lifestyle business such as a café opposite a popular beach away from the city, or to build an asset for their children. Alternatively, it may be just a money making vehicle they want to run for 10 years, and then retire to Noosa. Agreeing to such visions is far more difficult outside of couple run businesses.

Numerous studies have examined the performance of different types of ownership arrangements, with the general conclusion that family businesses are more successful than non-family ones; but it is not all one way. Of all the ownership arrangements, couples in business probably have the lowest of what are called agency costs, costs due to misalignment between owners and management. However, couples tend to be more risk adverse and do not leverage their business as much as other owners might. This is particularly the case where the family's primary source of income is the business. For other ownership types, the partner of the owner may have a job elsewhere.

For businesses run by couples, there is greater flexibility and willingness to provide long term support than a stricter commercial focus on short term profit might provide, but there is also a greater emphasis on non-economic goals such as stability, succession and conflict avoidance. While avoidance of conflict can be considered a positive outcome, it can also lead to procrastination in addressing important issues within the business.

As couples who own a business share the rewards to the benefit of their shared life together, there is much higher motivation without the distraction of external family pressures that can exist in non-couple owned businesses pulling the business in different directions. Many family businesses struggle as the family grows in size, particularly at the point of generational transition. While these pressures are largely absent for a couple in business, another risk is that with fewer resources, the couple may lack the experience to effectively manage the business.

Most of the risks facing couples in business can be overcome through education and advice. As long as they recognise the risks and take action to address them, couples in business will be in position to exploit the unique advantages they have over other businesses.

Dr Greg Chapman is the author of *Married to the Business: Honey I love you but our business sucks*. Hear interviews with the author at [www.MarriedtotheBusiness.com.au](http://www.MarriedtotheBusiness.com.au)