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## September 2006 | Newswire

### Recipe for success

by Margot Carmichael Lester

#### *Family businesses are more successful than others*

There are 24.2 million family businesses in the U.S. and, a recent study concludes, the majority is more successful overall than non-family-owned companies. According to research from Texas A&M University-Corpus Christi, family businesses have an average profit margin of 10 percent, two points higher than companies with other ownership structures.

But unlike the recipe for great-granny's world-famous pound cake, the formula for family-business success isn't kept under lock and key. The secret ingredient is easy to figure out.

#### **Pride of ownership**

Most family business experts agree that pride of ownership is a key success marker for family businesses. As all good Southerners know, sometimes all you've got to trade on is your good name. Family businesses owners, regardless of their region, work under the same premise.

"Once you begin to grow the business and bring on employees, they instantly become 'part of the family'," says Lisa Datelle, founder and executive vice president at Suwanee-based Cypress Care. The workers' compensation pharmacy benefits management company employs six family members. "They then begin to feel the love and passion for the company and then for maintaining a positive culture that is virtually impossible to create. It makes it easier to work for a company and care about the job you are doing when you truly care about the people that run the company."

Jeffrey Able, audit partner with PricewaterhouseCoopers' Private Company Services in Atlanta, concurs. "The tone at the top means a lot. If the executive management team treats each other in that 'family' way, and that's the way they conduct business and treat their subordinates, it flows down. It's got to start at the top. If it's not there, it's not possible."

#### **Long-term view**

Another important trait: perspective. "Family businesses usually take the long-term view," notes Joe Astrachan, director of the Cox Family Enterprise Center and Wachovia Eminent Scholar Chair of Family Business in the Coles College of Business at Kennesaw State University.

This stems from each generation's desire to build a business that will continue to provide for future family members. According to the Family Business Institute, more than one-third of American family-owned businesses survive into the second generation; 12 percent are still viable into the third generation.

That's a tough one for non-family businesses, which are usually laser-focused on paying the bills month to month or keeping shareholders happy quarter to quarter. "Especially in public markets, short-term sacrifice for long-term gain can raise the cost of equity capital to a point where it is hard for them to provide adequate returns," Astrachan notes.

#### **Common goals**

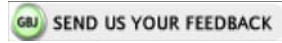
The longer view requires common goals, notes Tom Singh, senior financial advisor with



Merrill Lynch in Duluth. "Family businesses usually have a vision of where you want things to go," he says. "Everyone is committed to that goal in getting business done."

Non-family firms can't rely on that. "When you've got folks who're not related running a business, there can be different agendas," he says. "To get them on board, you have to improve the culture. If you give employees a clear vision of their career paths, they will be more committed to their work and the company, and generate creative ideas that add to the bottom line."

Cypress Care is a fine example of that. "Since our inception, the company has grown at a rate of almost 400 percent a year," Datelle says. "That success is directly related to the people we have working for us and the unbelievable job they continue to do. To us, our employees truly are our family, and I believe we do a great job at making them feel that way."



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