

FAMILY BUSINESS: FROM THE DINNER TABLE TO THE CONFERENCE TABLE

Around the world there are an estimated 125 million family businesses – but no one really knows for sure. The Family Owned Business Institute at Grand Valley State University states that the United States is home to 5.5 million family businesses, employing more than 98 million people!

Often, becoming a family business is something that evolves rather than is planned. The founding generation of entrepreneurs builds a business on vision, hard work and sacrifice. In executing the vision and creating success, family members are attracted to the company.

But when two or more generations work together, a whole new dynamic enters the business. Running a business is hard enough. How do family complexities impact the business operations?

Survival rate statistics are not a friend of the family business. In fact, most businesses fail in the second or third generation. Proper planning is paramount to survival.

Here are the things family businesses need to consider and implement in order to raise those survival rates.

CREATE A SUCCESSION PLAN

Putting a succession plan and buy-sell agreement in writing should be one of the first steps the first generation handles as you prepare to pass along the business to the next generation. Having agreed-upon structures, payment schedules and other crucial decision documented helps to eliminate the potential for family turmoil. Be clear in communication these decisions with any family members who would be impacted.



IMPLEMENT FAMILY GOVERNANCE STRUCTURE

Family governance is a process or structure to educate and facilitate communication between family members. The Three-Circle Model of the Family Business System was developed at Harvard Business School in 1982 and continues to be the organizing framework for understanding family business systems. The three components are: Family, Ownership and Business. Often each of these components will have its own governance.

DON'T CREATE TWO CLASSES OF EMPLOYEES—FAMILY VS. NON-FAMILY

And don't put family members on the payroll unless they are active contributors. It's important that family and non-family employees be treated equally. Everyone should have performance reviews, be subject to the same employee and administrative policies and have clearly-defined roles within the organization. All employees should follow the same merit system, and that goes for disciplines and rewards.

MODEL THE IMPORTANCE OF GOOD COMMUNICATION

Making effective communication a priority with all employees is crucial. Continuous opportunities for two-way communication creates a culture of family for all involved. A perception that the family members may have more inside information could be damaging to the rest of the team.



UNDERSTAND THAT NOT ALL FAMILY MEMBERS ARE CUT OUT TO BE IN THE BUSINESS

You wouldn't hire someone without conducting an interview or vetting proper work experience. The same should go for offering a position within the business just because someone is a family member. Success will come when all are on the same page in terms of the business direction. You need people with the right skill set and passion to make your business successful. Be open and honest about who is – and is not – the right fit for your company.

SEPARATE THE CONFERENCE TABLE FROM THE DINING TABLE

Everyone strives for a healthy work/life balance. But how do you separate work and life when it's the same group of people? Set boundaries. Turn off your phone. Be intentional about the times of day when you talk about the business. Resist the urge to turn every family gathering into a

meeting. Modeling this behavior top-down will give everyone the time needed to be a family, not colleagues.

NEXT STEPS:

Family businesses are growing in number. Now is the time to put in the work to help them thrive. For further information, download a free e-book "From the Dinner Table to the Conference Table: Practical Tools for Family Business Governance" and get in-depth information on the topics covered in this article. ■



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