

The Seven Steps to Ensure the Family Business Runs Like a Business



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Has the family business become too much family and not enough business?

One of the plights of a successful family-owned business is employing family members to the point that it hurts the business.

There are articles, posts, research, and everything in-between about how you should run a family-owned business. What many do not address is what to do if you are already in the situation where there's too much family.

Let's be honest, many times, family members are hired because they need the job and may not be the most qualified. If it happens too much, the business becomes burdened to the point that it struggles to survive.

Even worse, family issues can and do spread into the daily operations.

- A child wants to do things their way and the parent (owner) refuses.
- Preferential treatment is shown toward family members and their close allies.
- Special "bonuses" or gifts are provided to family creating financial stress.
- Cliques are formed.
- Non-family members are afraid to speak up due to the "Sunday dinner effect".

Eventually, something must be done.

What do you do?

This just might be one of the most difficult challenges an owner faces. Save the company and lose family members? Appease family and the company goes under (along with the family finances).

First of all, the owner **MUST** be committed to doing what's right for the company.

Second, a hired gun can help execute changes, but the owner must provide 100% support and backup. Anything less and it quickly falls apart.

Third, communicate with the family what is going to happen and how they must adhere fully. Any deviation and they can find employment elsewhere.



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Everyone has a job they're accountable for.

A family member, whether intentional or not, changes the dynamics of meetings when they're present. They cannot be allowed to come and go as they like. They must have a specific job with accountability, corresponding duties, and complementary compensation. They must be held accountable for their performance just like everyone else.

This is especially true for immediate family members like a spouse or child. I've seen spouses that want to "drop into a meeting" just to see what is going on. Most of the meeting is spent bringing the spouse up to speed and nothing gets accomplished. Even worse, the outcome is not what the team wants, it is what the unprepared spouse decides.

Make family members work at another company to learn before joining the family business.

Many family members may not have worked anywhere else in their working career. It is extremely valuable for them to learn from other bosses, be held accountable, and learn how to fail. Experts say a person should work somewhere else at least 2-3 years, if not more, before joining the family business.

If they're already in the business, have them seek employment elsewhere. This will be very tough for most as they are unlikely to want to start over and may not get as sweet a deal as they currently have. That's part of the lesson to be learned – value hard work, earnings, and authority.

When work is discussed, Owner is boss, even at home.

Talking shop at home is inevitable. We all do it. As the owner, however, the position of authority must be respected. Whenever work is discussed, it is not father/daughter, mother/son, etc. It is Owner/CEO and Vice President or Director or Customer Service agent (whatever the title).

If you as the owner would not want an employee speak to you directly without going through their boss at work, don't allow it at home. I've seen too many owners agree to something on Friday afternoon only to change their minds to the staff Monday morning. Weekend discussions erodes trust across the board.

This doesn't conflict with "open door policies", it conflicts with leveraging undue influence associated with family.

Limit financial to job-related compensation.

No more one-off, special financial treatments provided to family members. No "spot bonuses", new cars, new cell phones, etc. to drag down the financials. Arrangements can be made to fund family members based upon the profitability of the company. An example is to establish quarterly "dividends" to family members based upon profits. They learn to spend what they earn, not drag down the company finances when they choose.

Here's a tragic example - I saw a company provide profit goals to the employees for their upcoming bonuses. The employees did their jobs and qualified. The family pulled profits from the company for themselves and the employees received much smaller bonuses.

I'm not saying an owner should not share success with the family. It just needs to be factored into the financials of the company and not treated as a cookie jar.

All employees are treated equally/fairly, regardless of family relationship.

This is a tough one. If a family member needs to be reprimanded, do it. If they deserve praise, do it. Letting family get away with bad behavior is at the top of the "bad things to do" list. It destroys morale and trust throughout the company. Let the family members know up front they are accountable for their actions.

I've seen family behavior so destructive that employees quit and those that remained hated being there.

Family members can also be very deceptive. I've seen Jekyll and Hyde many times. The family member acts great in front of mom/dad and is abusive around employees. Be willing to accept constructive feedback from non-family members and be acceptable to doing something about it.

Identify training gaps for each family member and require training.

If you have family members that have rapidly advanced in rank or haven't worked somewhere else, there can be crucial knowledge they're missing. As the Owner, you could help but may not have time or they may not listen? What child listens to their parents anyway?

I've seen too many family members in leadership roles that had major gaps in their knowledge. They may know the product but not the business side. The company may have grown due to the Owner's relationships throughout the years but now they need a more traditional approach (i.e. Marketing and Sales best practices).

Take an inventory of each family member, their knowledge, and skills, based upon their current and potentially future job function. If you want them to someday take over the company, start preparing and training them now. Make this training a priority as it will only help them in the future.

Consider a non-family executive or coach as a mentor.

It is very hard to be objective when dealing with family. I get it. I've been the hired gun before and provided feedback on what needed to be done with family members. Sometimes it went over well, other times not so. Objectivity is the key here. It is easy to let personal feelings or knowledge of homelife influence your thinking on the business. More times than not, it leads to compromise.

I've seen successful family businesses run by an outsider in the President's role. Owner is still the majority shareholder and CEO.

I've seen other companies establish an "Operating Unit" and a "Family Unit". The Operating Unit runs the business and is held accountable by the Board of Directors. Family members can be on the BoD and in the business, but leadership and decision making are empowered to the leadership.

Consider hiring an executive coach/business advisor for family leaders to help them develop and navigate the waters. It gives them someone other than the Owner to bounce problems off and receive professional feedback.

Wrapping it up!

Much of my career has been working in family-owned businesses. There is something about a true family-centric culture that is appealing to work for.

I've seen:

- Owners provide a chef to employees because they wanted healthy meals rather than fast food.
- Friday afternoon company meetings with “wine and cheese” to celebrate the week.
- Owner call an employee and meet them at the hospital because they had a health issue that was getting worse.

I've also seen:

- Business falls apart because of an unruly family member.
- Business goes bankrupt because of unrestrained family spending.
- Long-term employees depart because they'd had enough and wanted a well-run company.

My goal for you is to make sound business decisions to ensure the success of your company for generations to come. It starts with the employees and ends with the leadership team. Sometimes you must make tough and unpopular choices. I hope some of the recommendations I've made will benefit you now or in the future.

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