

C.H.A.L.L.E.N.G.E.S., inc

Working with Families in Business

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MARCH 2009 NEWSLETTER

Our January 2007 Newsletter escaped from our archive! So this month you get two newsletters. We hope you enjoy looking back to January 2007!

“If you ever start feeling like you have the goofiest, craziest, most dysfunctional family in the world, all you have to do is go to a state fair. Because five minutes at the fair you'll be going you know we're alright. We are dang near royalty.” Jeff Foxworthy

Question from one of our readers: “When it comes to succession planning in our Family Business what are the top challenges we need to address early in the process?”

When it comes to succession planning, many family businesses will begin by incorrectly handling a number of issues. Three very common challenges to avoid are:

- **The lack of identifying the role each family member could play in the company.**
- **Not having compensation policies that identify position, skills sets and market place average wages.**
- **A mindset that the family can “cure” interpersonal issues.**

Remember, two thirds of family businesses don't make it through the second generation. We have found that the failure to address the emotional issues surrounding position, title and authority are top reasons for those failures.

Here are some “quick tips” for addressing the aforementioned challenges:

- 1. Identify a potential role for each working family member by defining in writing, their position, duties and responsibilities. There must be a true clarity of role for each working family member. Lack of this clarity is a frequent problem. If everyone in the family does everything in the business (which is not unusual) then when something falls between the cracks, everyone can point a finger at someone else, finding fault. Arguments start, nothing gets done and no one wins except the other employees who love to see the family fighting because when the family fights, no one is watching them!**

Clarity of the role for each family member in business MUST include:

- a. The ability to do and/or learn the position.**
- b. The desire to do or learn the position.**
- c. Defined responsibility and accountability.**

- d. Clarification of contribution to the “big picture.”
- e. Understanding of what it will take to move to the “next” role in the company.

Leave any one of these out of the equation, and conflict will take place.

- 2. The realization that employment in the family business is NOT a perk of being in the family. A leadership position will not be filled because of who you are. This should be understood by all working family members. If pay is tied to the emotion of any of the working generations, than how much a family member is paid will be related to being loved. Here is one suggestion on what NOT to do and one suggestion on what TO do:
 - a. Paying someone less because they don't have kids yet or still live with mom and dad rather than compensating them based on their contribution to the business is a sure way to “dig up” the personal issues that will eventually sink the company. A lower pay may result in feelings of not being treated fairly and give rise to jealousy, resentment or bring on feelings of deprivation among family members.
 - b. Pay the family member for their performance and the overall contribution they make to the success of the family business.
- 3. Mom and dad will always be mom and dad. The kids will always be the kids no matter how old they get! Working on getting each generation to view one another as equals must be a common, understood goal. Keeping the business focus is essential to the success of each family business but it must also be blended with the emotion of the family. One without the other ends up in a win/lose situation. Either the business wins at the expense of family relationships or the relationships win by giving up good business practices.

Here is one suggestion on what TO do and one suggestion on what NOT to do:

- a. Get outside advisors; people who are successful in their own right; people who can be objective when it comes to the family. These people are decided upon by the entire working family, not just by one person. Choose people who will “talk straight” and not “pull punches.” They will offer advice for the good of the family and for the good of the business. One without the other will not work. Interview the prospects just like you would a key employee joining the company (ok there are two suggestions!).
- b. Attorneys, bankers, insurance representatives that you are currently doing business with, should not be on your board. They have a vested interest in the decisions you make. You already pay them for advice and someday your board may recommend that it may be time to move on to someone more qualified to meet your growing needs.

There you have it, a few quick tips with “how to” action steps. All you have to do is make it happen. You can start by talking about this with your other working family members. Your family relationships and your business will both profit from it.

We work with families in business, like yours, to assist them in establishing the “right” rules and roles for the good of the family and the success of the business.

Contact us and let’s discover how we can help your family and your business.

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