



Enterprising Rural Families™

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This newsletter is an instrument of the *Enterprising Rural Families: Making It Work* program of the University of Wyoming Cooperative Extension Service. For further information concerning the Enterprising Rural Families program or on-line course contact information@eRuralFamilies.org or go to <http://eRuralFamilies.org/>.

TIP OF THE MONTH:

BOARD RESPONSIBILITIES

1. Determine the organization's mission and purpose
2. Select the executive
3. Support the executive and review his or her performance
4. Ensure effective organizational planning
5. Ensure adequate resources
6. Manage resources effectively
7. Determine and monitor the organization's programs and services
8. Enhance the organization's public image
9. Serve as a court of appeal
10. Assess its own performance

SUCCEEDING IN BUSINESS WITH FAMILY MEMBERS TAKES SPECIAL SKILLS

By: Lorne Owen and Judy Carter

Running a business is hard. Being in business with family members is even harder. Yet it is the family businesses, not the large, multi-national corporations that continuously make the headlines, which are the engine that drives the American economy.

Approximately half of the 16.7 million non-farm businesses responding to a 2006 survey were home-based. More than 12.5 million of these were owner-operated with no paid employees (U.S. Census Bureau-Survey of Business Owners, 2006).

It has been estimated that 30 percent of family-owned businesses are successfully passed to the second generation, 10-15 percent to the third and 3-5 percent make it into the hands of the fourth generation. These statistics are comparable to those for non-family owned businesses or may even exceed their measures of longevity (Aronoff, 2001).

Working with family members can go extremely well and provide a business with a tremendous advantage over its competitors. Or it can be disastrous and heart-breaking. The hardest thing about running a family business is separating family and business. Separating family and business issues is doubly difficult when family members live at the same address or when their place of business is also their home.



The secret to success is role differentiation and communication. Family members who work together must constantly remind themselves that they each wear several hats. The company founder is often boss, parent, spouse, and perhaps even more. Children involved in the business are cherished offspring and employees. Aunts, uncles, cousins and in-laws are relatives and partners, co-workers, or employees.

The purpose of a family is different from that of a business. The function of the family-system is to provide emotional support; to provide nurturing to its members in need. The goal of family is to provide intimate personal relationships and raise happy, healthy, well-adjusted children.

A business, on the other hand, exists to make money. Business-systems are organized with objectives of efficiency, cost-containment, and resource management. A family offers unconditional love and is patient; a business demands performance—within a limited time frame. Family decisions can



be based on feelings and emotions; business decisions must be based on facts, figures and logic to be successful.

When dealing with family members, it is important to remember the correct role for the circumstances at hand and remember it in time to act appropriately.

Secondly, people must be treated with respect. If a father names his daughter vice-president of marketing or puts her in charge of modernizing or diversifying the business, he must give her the freedom to do the job. He must resist the temptation to look over her shoulder or intervene when she makes a mistake. Many successors-in-training have left the family business because they are tired of being treated like a child.



Respect must also be mutual. If a child would not speak to his or her boss in an outside business in a particular way, then they should not speak in that way to a father or any other family member, regardless of their role in the business. Of course, clear, open lines of communication go a long way toward preventing conflicts and help individuals to make allowances when the going becomes more difficult.

As in any business, the first thing senior management should do is provide information on where the business is headed, what is expected of the people involved, and what they can expect in return. Business owners who fail to share their vision with their spouse, partners, and children are likely to find themselves sailing solo and without a successor.

Partners and successors-in-waiting need to know what to expect in the future so they can plan their life accordingly. Children need to know there is a future for them in the family business, otherwise they may look for greener pastures elsewhere. Conversely, parents need to know if a child is truly interested in and committed to the business into the future.

Estate and succession planning are tasks that family businesses tend to put off. There are generally two reasons for this: they are either too busy or they do not know where to begin. Succession planning is far more important to the long term success of the company than most day-to-day work. Parents often feel paralyzed because they cannot find a way to be fair to all the children involved. The solution is to get children and their families involved in the decision-making process.

Partners and heirs should be given some say in the management of the business as well. People need to feel they will have an opportunity to make a meaningful contribution and that it will be recognized and valued.

All too often family business founders hold a "father knows best" outlook. They expect themselves to have all the answers. Often children, wives, and in-laws have fabulous ideas. In today's work environment where participative management and consensual decision making are becoming the norm, an autocratic style is very unappealing. When disagreements arise, they need to be brought out into the open and dealt with immediately. If they are not, they can severely handicap the family and the business.

Unless a company has well-thought-out succession plans, a family doctrine and even a code of conduct, problems are almost guaranteed. There are four primary causes of conflict in a family business: confusion over family and business roles, feeling something is unfair, feeling unacknowledged, and feeling powerless. Often these emotions will come out as anger. The trick is to get below the anger and find out what is truly troubling the individual. Many times all people need is to feel heard and understood.

Sometimes problems are more deeply rooted in the family's history and value system. There may be no quick fix. It may take months or years to iron out such differences. When this is the case, a common commitment to the future of the business and the family become invaluable. The commitment to continuity and a commitment to accept and respect each other are vital to getting over such rough spots, which will arise in any family or business.

A commitment to share knowledge and power is vital to successful succession and the continuity of a business. Letting go is one of the hardest things an entrepreneur will ever do. But founding business owners must step aside if they expect their successors to revitalize and re-shape the family firm so it can compete in the marketplace of the future.



(Communication techniques and problem solving in family businesses are covered in greater detail in the **Enterprising Rural Families: Making It Work™** on-line course.)

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References:

Aronoff, C. (2001, August). Understanding Family-business Survival Statistics. *Supply House Times*. Springboro, Ohio. <http://www.supplyht.com>.

United States Census Bureau. (2006, September). *2002 Survey of Business Owners (SBO)*. Washington, D.C. <http://www.census.gov>.

A FAMILY BUSINESS WILL GO WELL WITH:

- √ Role differentiation
- √ Communication
- √ Decisions based on success
- √ Respect for one another
- √ Involvement in decision making
- √ Disagreements dealt with immediately
- √ Thought out succession plans
- √ A commitment to share knowledge and power



“So, what makes you think you’re the right person for the job?”



“Well, I’m highly motivated and outgoing and independently minded. Isn’t that right, Dad?”



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