



Family-Run Business

A Guide to Managing Hidden Pitfalls

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Family members who are in business together have it tough. Let's face it unless you are a baker, operating a business of any sort is not a piece of cake. The minute you add a family to the equation, you've either doubled the potential for managed growth – or you've doubled the potential for mismanaged pitfalls.

Managing pitfalls means staying ahead in the game. Being ahead in the game requires forethought. Use the tips in this Ebook to move away from the pitfall area and toward managed growth.

Chapter 1

Operating a Business and Building a Strategy for the Future

Protect the Business Case

If you are starting a new business, stay focused on meeting the criteria of creating a business plan. The many hours you spend gathering and summarizing that information will be a grounded foundation for beginning a successful business. If you find at the end of several weeks of research that your business idea is still not clearly going to bring you a profit... do not begin. Change your plan, change your product, change your service, whatever it takes, just change it and don't stick with an idea which is not strong.

Established businesses can benefit greatly by going back through a business plan outline every year to get fresh perspectives for future strategies. Knowing exactly what goals you

want to meet, who the other players are in your industry, and what share of the market your products and services have in that industry are the most important questions to ask at the beginning of every business year.

Only then can you begin to ask questions about how you plan to bring your products or services to your market share, and following that, whether or not your processes are effective and efficient enough to make a profit.

To increase your ability to be objective about your own company, hire external support for facilitating strategy meetings. This allows each person involved in the meeting the opportunity to participate in an active and objective manner; and, in the end you receive a full, written documentation of the meeting process and decisions that were made.

Hire the right people

Hire the best people you can afford to be your employees and managers. For things you need on an on-going, but irregular basis, hire external experts and external packaged solutions.

When you hire, look for people who bring the following already with them:

- 1.) A formal education in business processes and strategies, and a willingness to continue to learn.
- 2.) Experience in different kinds of businesses and business situations.

3.) The ability to stay on top of industry trends and issues by having constant connection and contact through personal networking, involvement in trade associations, etc.

Remember to hire for “soft skills” as well as industry skills. Your entire management team should have a basic set of skills including at least:

1.) Visioning – the ability to see what the business looks like in the future (1-3 years).

2.) Management of others – the person is able to delegate, instruct and guide others in an effective and efficient manner.

3.) Continuity – the person can delegate as well as complete daily tasks on a consistent basis, creating an effective and efficient routine for his/her team.

Challenges for Families

Operating a profit-rendering business is sometimes a difficult task at best for all companies, family-run included.

Perhaps your family has the luxury of offering a product or service which is regularly needed and you have good market share in your industry. More often than not, that is not the case.

Sometimes family members are expected to take over businesses which aren't operating in the top segment of their industry, or aren't modern business models – or even at worst aren't making a real profit. Often, family members are not even interested in the industry or products and services of the family business. Still, they are expected to take over a position in the family-run company.

Some family members take over without having a formal education for business operations or business strategy and growth. Some grow up working directly in the business and have no experience in doing things differently, missing much needed information for making decisions which lead to expanded, modern-day strategies.

Many small and mid-sized business owners, including family-run business owners, are “hands on” and do not take the time to provide continuous learning for management and strategy skills. Some businesses find themselves growing so quickly that they are suddenly dealing more with the management of people than with the management of their products and services. Even though managing team performance becomes a necessary focus in the business, learning and improving soft skills often comes in as a lesser priority than doing daily work.

Changing business operations and strategies, as well as its culture to fit the growing company is especially challenging for the family unit. A family-run business is prone to using its own family culture as its foundation for running the business. Culture means “this is the way we do things around here”. Culture is steeped in tradition – and here we are talking about family tradition. Generally, champions of tradition are often not interested in changing that tradition, especially when it comes directly from the family. Change and tradition are like oil and water. This is doubly true for the family-run business.

Only when a family culture is open enough to allow new thought processes, new ideas and new answers to old problems, does it have a chance to change business processes to meet the challenge of a changing business climate.

Tips for Families

- 1.) Make sure all family participants have the opportunity to complete some sort of business management degree. If they are already past that time, make sure they have time to participate in continuing education courses on a regular basis.
- 2.) Join and actively participate in a trade association. If the association is local by nature, consider joining in activities from additional organizations encompassing a larger geographic area. Make sure all family members have the chance to participate.
- 3.) Give all family members the opportunity to learn excellent management and soft skills. Also give the opportunity for the continued refresh and practice of those skills.
- 4.) For future strategy and sustainability, create a Family Business Council for succession management.

Chapter 2 Defining Roles and Distributing Duties/Authority

Roles in every business and every department must be clearly defined so that everyone understands what part in the business they will take over and why they are taking over that part.

Duties must be appropriately and “fairly” distributed, in order for business processes to run smoothly and for tasks to be consistently carried out.

So that changes, transitions, questions, differences of understanding and conflicts are quickly and smoothly managed, authority must be granted sometimes to several people instead of just one. Granting authority sometimes means it has to be first relinquished from one

person to be given to others.

Write out detailed job descriptions and procedures. Use quality management system tools for standards. Benchmark your progress and structures against others in your industry.

Challenges for Families

When regular businesses set up job descriptions and lines of authority, it is often accomplished without emotion. This sets up a clear foundation for smooth business operations. For the family-run business, it is simply not possible to ignore the emotional aspects of the business.

Emotions are more quickly reached and are more often a problem in family-run businesses. Defining roles, distributing duties and allowing authority are all tricky areas and potential points for resolving (or not) family imbalances or disagreements. Sometimes in order to avoid a complex family argument, families simply won't go through the formal exercise of defining roles and duties clearly. This leaves a foundation thin as ice where all involved slide along until one or more fall down and break through, leaving others standing around wondering how to save the situation.

When family members don't communicate to one another, duties and lines of authority are not clearly defined. That is when things tend to be founded in “assumptions” and assumptions are made by all parties involved – by family members as well as employees. The result is usually confusion, unmet goals and deadlines, reworks, over-budget projects and processes and general inefficiency. At the end of the chain remain the unmet expectations, the personal disappointment, and the negative feelings, which usually aren't resolved for months, sometimes years.

Tips for Families

By their very nature, family-run businesses are more prone to being confronted with situations fuelled by emotions, irrational expectations and decisions based more on personal needs than business needs.

To support the special needs of family-run businesses:

- 1.) Hold regular meetings between all family members active in the business as well as with those not active. Spend this time setting up processes for topics such as roles, duties and distribution of authority.
- 2.) Make all information about decisions affecting the future of the business and the employees immediately clear to all parties.
- 3.) Create a Family Business Council and meet regularly to discuss important topics. Make concrete and binding decisions which are clear to employees and customers.
- 4.) When disagreements between family members don't seem to be resolved over an acceptable period of time or seem to negatively influence the overall business progress, get external assistance from an expert. Work out internal problems as soon as possible. Letting them go on and on without resolution simply makes them bigger for the next round of disagreement.

Chapter 3 Creating and Maintaining Processes

With the input of all involved, develop and maintain effective and efficient business processes. Processes help employees to know what comes first, second and last.

When people see more than just their small job

- when they see an entire process and how that process is part of a more complex process, and then in turn how those many processes put together become a product or service which a customer will buy, and in the end when many customers buy, that their job and livelihood will be secure – when people see and really understand the circle, they will want to develop and maintain effective and efficient processes.

Benchmark your processes against other companies in your industry and against other companies similar in size. Stay up-to-date with technology and trends.

Challenges for Families

The challenge for family-run businesses is the parties know each other and therefore tend to assume “everyone is on board”. They tend not to define and set up formal, objective processes to run their businesses. They tend rather to wait until a fire (figuratively speaking) has just happened and then rush in to create a short-term, quick fix to a specific situation as opposed to a long-term, strategic approach to operating a sustainable business.

Often in family-run businesses, processes are a reflection of one or two people's personal preferences or styles. This tends to lead to processes which are one-sided and filtered, or subjective and not all-encompassing.

In small, family-run businesses, it can be quite difficult to find someone in the family or in the business itself to challenge the status quo and ask meaningful questions, which then lead to more effective and efficient processes to complex business situations.

Tips for Families

- 1.) Hold meetings with all involved parties, including employees, to gain several perspectives to one topic. (Even if you feel you

have to force yourself!) From these meetings, filter out the necessary information needed for developing strong processes for the business.

2.) During some meetings, family members need to remember to take a back seat and only listen to information given by other participants. It's not an easy task, but by opening up the lines of communication, and done properly, it can be a method which is quite rewarding in the end.

3.) Set times in your calendar so that meetings for reviewing the effectiveness of processes are a continual part of your strategy building and management routine.

Chapter 4 Resolving Conflicts

Decreased profits, inefficient production and ineffective management – all results of companies led by strife and unresolved conflict. Conflicts between staff or with customers are one of the largest unseen cost positions for many companies. Bringing tens, hundreds, sometimes thousands of people - all with different motivations, behaviors, preferences, etc. - together into one company creates the perfect breeding ground for disagreement.

Differences of opinions, contradicting approaches and diverse practices often lead to small irritations which are most often not cleared up between the parties. These unresolved irritations turn into latent disagreements living just under the surface of all conversations, impatiently waiting to arise at the first opportunity. The more they arise and the more they are not resolved, the bigger the chance of them turning into a full-blown conflict. Full-blown conflicts cost time and energy which in turn costs companies money and resources.

The only way to avoid losing time and resources on full-blown conflict situations is to learn how to avoid and manage them. Those businesses which stay focused and consistently practice what they have learned are the most successful.

Challenges for Families

The effect conflict has on a normal business suddenly becomes two-fold for a family-run business. Not only does the family-run business have to focus on the affects of bringing together many different types of people in one place, but it also has to fight the affects of the “family conflict arena”.

The family is the first place for all conflict. It is the first place we learn there is even conflict in the world. It is the first place we learn how to deal with and resolve (or not) our conflicts. All of the parts of the entire story of unresolved conflicts arising from interactions in the family unit are brought forward each year, until those conflicts are finally resolved.

This very true reality is brought forward into the family-run business. The way family members interact with each other in their business atmosphere affects all of their business processes and eventually the overall performance of the company they own and work in. The sad truth is many businesses are able to continue to perform – on crutches, that is. Unresolved conflicts put business performance on a crutch until the conflict has been resolved.

Tips for Families

1.) Learn about family conflict resolution. Being bold in a family is sometimes difficult. If you can, be the one family member with enough strength to advocate all family members learn strong conflict resolution

techniques. Don't give up. Keep trying in different ways until all parties agree to invest time and resources on learning about this most important topic.

2.) Support all family members and all company managers to learn how to do three things:

- a.) avoid unnecessary conflicts,
- b.) manage communication and interaction in existing conflicts, and
- c.) determine when to use external intermediaries for resolution of complex conflicts.

3.) Set up a Family Business Council and hold regular meetings to discuss issues and possible solutions.

4.) Hire external mediators and/or other support as soon as you realize you need it.

Chapter 5

Adapting to your environment and building resilience for change.

Human beings are built for functioning on a routine. Once your body is set up for a routine, it just does not like to change that routine. Business processes are effective when they are based on routine because people can function and perform automatically. That being said, if businesses made no changes to their processes or to how they interact externally, they would most likely not survive.

So then, how does a business prepare itself and its people for the changes necessary to be a strong, healthy, sustainable company?

First, ask yourself how open you really are to change. Answer the questions below and decide if you need to be more open to opportunities.

1.) When you have conversations, what percent

of the time are you listening, and what percent of the time are you doing the talking? When you are talking, are you trying to persuade someone else to see things your way or are you asking for the opinions and thoughts of your conversation partner?

2.) When you are speaking, do you use "black and white" terms, i.e. words and phrases which set boundaries? For example, "No, X is not good," as opposed to "I find X not to be good for us/me at this time".

3.) How often do you allow or disallow a suggestion from an employee? Do you ever take one suggestion and put it into place, even though you might be skeptical of the results?

4.) How often do you do something totally out of the ordinary, just to see what happens? The focus here is on something which is not just a new film or restaurant, but something which might have lasting effects on your daily life.

5.) If you have been offered a chance to do something you have never done before, what is your first reaction? Be honest.

Consider the answers to the questions above and then ask yourself one more question: Based on my answers, would my employees find me to be an open-minded person, ready to approach changing circumstances in my business?

Here are some tips for things you can do to help you become more open to changing situations in your business and in your life:

1.) Join and participate in business organizations which help you benchmark your processes.

2.) Send your employees to workshops for learning innovation and creative skills. Or hire an external facilitator to come to your business

and facilitate a workshop including key personnel and management with the focus on finding new and innovative answers to old questions.

3.) Take one or two weeks off from your business and work in a volunteer organization or join a personal discovery group. This is different from a vacation. The focus is for your personal growth.

Over the years, I have enriched my personal life by embracing the idea of change and by employing many techniques to help me be personally open to finding innovative and creative solutions to my every day problems. Looking back over the years and comparing who I am now to who I was then - I can only tell you, now is where the business I do has a chance to flourish and succeed.

Chapter 6 Summary

There is a business on every corner where you look. Not all are operating at an efficient or effective level. Not all are successful in attaining that which they set out to do. Running a successful business over a long period of time is a mixture of doing the right things with the right people at the right time. Family-run businesses are in a unique position. If the participating family members are pulling on the same ropes toward the same goals, using a set of operating procedures based in healthy interaction – they have the highest opportunity to be successful over a sustained period of time. The family legacy has the highest opportunity to bring forth something positive and leave a positive trail behind.

In addition to your industry focus, take time to strategically build a strategy for the future of your family-run business by focusing on five areas:

1.) Protect your business case by planning strategically each and every year and use external help when necessary. Hire the right people to work in your company: those who are willing and able to go with you toward meeting the goals you set out.

2.) Define roles clearly, distribute duties fairly and according to the highest set of skills a person brings, and lastly, relinquish authority where needed and give it to those who will best bring your company forward.

3.) Help all people involved to understand the entire cycle of your business processes and benchmark within your industry when possible.

4.) Invest time and resources to teach your family, your managers and your employees the art of conflict resolution and conflict management.

5.) Be open to change. Learn, grow and embrace opportunities where you find them.

Personal Note from Peggy

I'd like to take the opportunity to thank you for spending your time with my ideas of running family business. My sincere wish for you and your family is that you learn and use all the personal techniques necessary to build a lasting, healthy business which adds to your family legacy.

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