



Encouraging your family to focus on the business

You must offer training and support to family members and provide a forum for airing their concerns.

CONFLICTS between family members and business managers are legendary in the family business world. Research by Russ Alan Prince of market research and consulting firm Prince & Associates indicates that “business-focused” rather than “family-focused” companies better serve the long-term needs of the family.

So how can your family become “business-focused”? In my experience, not enough attention, training and support in the transition process are devoted to family issues. As a

and clarified, and a sense of inclusion developed. Conflicts arise when too much authority, pressure and responsibility are placed on one person. An autocratic CEO who thinks he must protect the family and business from all invaders can kill, rather than perpetuate, a family business.

There are many opportunities for family members to lead. The more widely distributed the responsibilities, the better the result. In addition to employees, a family business needs informed shareholders, directors, family council members—plus

tionships if family members have unresolved issues? Simply stated, you must start over; there are no shortcuts. You need to create a new paradigm with a safe environment. Trust is based on the belief that everyone’s interests are being considered.

A safe environment usually involves structure. A family council may provide the structure for starting over. A “business” format should be established for family meetings. Broad participation improves trust. Regular meetings, with agendas, should be designed. Family and business matters should be separated, and the decision-making process clarified for both.

When families learn together, they become more accepting and trusting. For example, developing the next generation of responsible shareholders starts with a discussion of the family’s values and vision for the future. In one family business with three generations of owners, we’ve seen great success in building trust as the family gets deeply involved in defining its vision, mission and values through regular workshops and seminars.

In our work with family businesses, we have found that identifying core family values that everyone shares facilitates the development of a common family vision statement. This important process gets the family on the same page. Without this critical step, multiple agendas begin to emerge, spawning high levels of anxiety. The key vision elements to be clarified relate to ownership, governance, management, community,

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result, the family does not transition at the same pace as the business, and conflict ensues. The bottom line: If you want your family to get business-focused, your business first must get family-focused.

In a family and a business, there are “tripping points” that must be avoided and best practices that should be embraced to ease the transition. A “family support and transition plan” can help make the transition from a family-focused to a business-focused enterprise.

Shared leadership

Leadership is not a one-person job. In a family business, leadership comes in many forms and is necessary at many levels. Leadership roles for all family members should be identified

those who organize philanthropic efforts and family gatherings.

Often family councils create opportunities for family members to lead, and a structure in which leadership can take place. For example, a family member not active in the business may serve as family council chairman. A family council helps to elevate the importance of “family matters,” separate family and business issues, and get the next generation in the game.

Trusting relationships and shared values

Relationships are the conduit for business. Trusting relationships create predictability. In their absence, the family business will fail.

How can you create trusting rela-

family activities and relationships.

One family's vision statement, for example, includes the phrase "to remain fiercely independent." This vision will guide future decisions and reduce friction as the family and the business move forward.

Fluid ownership structure

Our experience indicates that a significant source of conflict arises when shareholders feel trapped and cannot get their money out of the business. Conflict also results when family members cannot "get in" or increase their ownership. To ensure perpetuation of a family business over multiple generations, ownership must be *fluid*. Family members should be given regular opportunities to sell and buy stock. Obviously, a fluid ownership structure requires a well-thought-out internal perpetuation plan. Professional service firms do it; why can't family businesses?

In addition, the benefits, obligations and responsibilities of ownership in a family business must be communicated at an early age. The family and the business should share the responsibility of developing the next generation of shareholders.

Two years ago, our firm embarked on a structured program to prepare shareholders to attend the first of many shareholder meetings. This orientation program included workshops on corporate governance, decision making, leadership and relationship skills, strategic planning, financial performance and estate planning. These learning sessions, and subsequent productive meetings, have had a positive impact on the family and the business.

Sense of extended family

What is the definition of a family business? Is it dependent on the number of family members who work in the business, or is it more cultural?

We believe that in order to effectively perpetuate your business from

one generation to the next, you need a sense of extended family. The best interests of all stakeholders—family, management, employees, customers and vendors—must be considered. The focus should be on aligning values, vision and long-term relationships. Building a healthy culture around the family raises the odds significantly for successful perpetuation.

Work/life balance

In many ways, work/life balance is the Holy Grail for family business owners. The challenge of wearing many hats, and the aging process

to significance. As an external focus evolves, balance is maintained among investing, harvesting and consuming. Externally focused families see themselves as ambassadors of wealth, not consumers of wealth. This evolution opens the door not only to making a contribution but also to building a family legacy.

We have found the "gift of giving" to be a key contributor to healthy family relationships. This core value is demonstrated through community activities and a holistic "stakeholder" perspective. Also, community activities provide leadership opportunities for next-generation members and

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itself, create the need to determine the "right" balance on a regular basis.

We have seen too many examples of entrepreneurs who have no hobbies other than running the business. Their business is their life. This not only places the business in a weakened position (because prospective successors aren't given a chance to manage) but also often contributes to a shortened life expectancy.

I am sure you have heard many tips on how to separate family and work matters. The reality is that it takes discipline, focus and effort ... and enough training to provide an awareness of how the needs of your family and business will evolve over the years.

Yes, at the outset family and business usually are the same. But as your business grows over the years, the need arises for structure, discipline and systems that help you protect your most important asset: time.

The gift of giving

"Giving back," a key value in successful business families, helps to support a philosophical shift from substance

family members who are not working in the business. Your philanthropic goals should be integrated with your family support and transition plan.

Letting the family catch up

In order to help your company become business-focused, you must get family-focused first. Design a family support and transition plan to address your family's immediate as well as long-term needs and give the family an opportunity to catch up with the business. Remember: Individuals cannot live forever; only families and organizations can. **FE**

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