

Family Business Misstakes

The Most Common Mistakes Of The Family Owned Business Told Through
Commentary, Stories And Case Studies

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CHAPTER I

THE BUSINESS FAMILY VERSUS THE FAMILY BUSINESS

A very common problem among family businesses is that they have never made a conscious decision as to whether or not they are a family first or a business first. This decision alone will have a major impact about many decisions yet to come.

Some family businesses see themselves as a family that is in business to support and maintain the family and would thus qualify as a family business. Others see themselves first as a business that happens to have family members involved and would be called a business family. The difference is very important.

For example, the family business sees as one of their obligations is the support of the entire family. Anyone who is a member of the family and wants a job would be entitled to a position within the company. If some of the members are not clear, as to the structure of the business, they will see this as unnecessary, unfortunate, and unwise nepotism. Children of the family business owner are often paid due to their need rather than their position or expertise. Your brother has a bigger family

to support so it is important that he earns more than his younger brother. This may be true even if the younger brother holds a much more critical job but is still single and does not need quite as much income to support his life style. Some family businesses hire individuals strictly because of their bloodline and in many cases having very little to do with their education, experience or qualifications.

Dad promotes one of his kids because he has a spot that needs to be filled and not because he has a highly qualified relative to put in the slot. These types of arrangements can be a very good deal for the less gifted or motivated of the family but can be incredibly demoralizing for the more talented highly motivated offspring.

Why should I go to school? I am going to have a job anyway. Billy did not get good grades and he is vice president of marketing. Why should I take on more responsibility and headaches? My brother is going to make more money, he has more kids and besides he gripes at Mom more and she just wants to keep peace in the family. My sister just got a raise because she is newly divorced and a single parent. I am happily married, so I will have to live on what we are making.

In many cases the children may even agree with this type of approach. This approach may even work for them. This is assuming that they do not have any non-family employees working for them. For example: I recently met with a man who said that he was having a problem with his daughter in-law. She did not actively work in the business but would bring in personal items that needed to be typed or copies made, etc. The straw that broke the camel's back was her continual use of a parking space that employees were not allowed to use.

Did she take these privileges because she was a valued employee, pulling up her sleeves and doing battle along side of the others every day? No! She took those privileges because she was family and could avoid obeying rules that applied to other employees because *she* was family.

Another situation involved a family business owner's son, who was an unmotivated crybaby. His Dad kept moving him from one job to another, from one department to another, because he either could not do the job or did not want to do the job. Each department head got their turn to try to make a success out of junior. You can imagine how they felt about that duty. This is a good example of family first and business second.

There are some wonderful things that can happen if the entire family agrees with this philosophy. A great feeling of security for the family and all employees of the business can develop if *all* employees are treated like family. The loyalty that you may create can be outstanding.

If this description sounds like your business, you may want to take a real good look around and see the potential impact your family's action could be creating on each other as well as the non-family employees. If you are a business family you will use an entirely differently approach. The children are told from the time that they are young that they are not guaranteed a job with the company.

A series of steps is designated from the start such as you must obtain a masters degree in an appropriate area of study. They must complete a five-year "internship" outside the family business. Then and only then they can apply for a position within the family's business.

If and when a position for them becomes available, they will start at an entry-level position and learn the business one department at a time. This will give them the opportunity to gain the respect from their co-workers. They must reach a reasonable amount of success in each position and be competent in the department's functions before going to another department.

A pair of brothers told me, "*We worked outside the company for five years and then we came into the family business and gave up our BMWs, car phones, suits and ties; put on our work blues and hard hats and started from the bottom.*" But in doing the entry level work and learning the business from the ground up, they will be more than ready when they move into the big office. Also, they will

have the respect of the workforce long before they ever need it. A good deal of support and understanding is required from the spouse of the person involved in this learning process. The spouse must also drop the ego and become part of the team. The business first and family second approach can hold some excellent future rewards for everyone concerned. However, this philosophical approach can sometimes tear your heart out on the way. Watching your kids' struggle and not allowing yourself to make things easier for them can create incredible turmoil for the parents.

I knew a gentleman who coached one of my sons little league teams. The coach was a very nice guy who wanted his son to do well He was willing to give his time and effort in order to be involved an have some control over the situation. He decided that his son would get more kudos if he played the shortstop position. His son was a pretty good batter, he tried hard, but he was not a good short stop.

Dad's enthusiasm to help his son do well had placed him in a position that would only allow him to fail. The story does have a happy ending. The assistant coaches on the team suggested to his father that his son would have more success playing right field rather than short stop. Although this does not have quite the glamour of playing short stop, his son possessed the skills to do very well in this new position.

The truth is that many fathers will not listen and are inclined to place their children in company positions that do not take into consideration their talents and temperaments. This is a sure recipe for failure.

There is no right or wrong style. I can show you successful companies on both sides of the fence. The secret is that you must decide what type of business you want to be and then communicate it to the other members of the family. You must make a conscious decision as to what type of business you want to become. Do you want to be a family business or a business family? You must communicate this decision to all family members and receive the blessing of all family members involved. Without this process of agreement, someone could be very unhappy continually and there could be a constant threat of subterfuge within the family and the business.

"TO PAY SOMEONE WHO IS NOT DOING THE JOB
IS UNFORTUNATE, TO PAY SOMEONE YOU KNOW
IS NOT DOING THE JOB IS STUPID.

ROGER J. WARRUM