

# 4 THE LUCKY SPERM AND EGG CLUB

*“We are what we repeatedly do. Excellence, then, is not an act, but a habit.”*

—ARISTOTLE

Consider this question: if you were chartering a private plane, would you rather it was flown by a competent pilot or by a member of the business owner’s family? In this scenario, who really cares about family affiliations? You most likely want the best person for the job of getting you in one piece from Point A to Point B.

By thinking about this question, you are beginning to grapple with the issue of families in business. “The Lucky Sperm and Egg Club” is a way to refer to people who share a genetic pool and work at the same company. If you have family members in your company, you need to proceed with caution: along with potential benefits, there are clear pitfalls the savvy business owner and executive should guard against.

## WHAT DO OWNERS AND CEOs WANT?

What business owners and CEOs want is for their companies to be run in the best possible way. The next question is: who can best provide this direction for your organization? Could the best candidate be a member of The Lucky Sperm and Egg Club? (I do like the sound of that!) After all, these employees may have grown up in the business and been schooled by the founder. They may be steeped in specialized knowledge, fit into the company culture, and understand the company's winning formula. They could know and love the business and its customers. It is possible that a family member really is the best candidate.

## THE HEAD OF THE PACK

I have seen family members lead businesses successfully a number of times. Take the case of Ralph and Samantha, a brother and sister team who are successfully running and growing their commercial laundry. They are second-generation owners who grew up working at the business their parents started. They drove trucks, brought in clean uniforms, and took out used ones. They filled washers and hung pants. They answered phones. They have been cussed at and complimented and, in the process, have mastered both operations and customer service.

Both Ralph and Samantha are capable businesspeople who learned their industry from the ground up. They also gained experience outside of their industry and brought it with them to their family firm. Ralph has an MBA from Harvard and worked as a financial analyst. Samantha has a

Master's in education. She raised two daughters and taught special education in the public school system. After gaining valuable experience in their previous careers, they came into the family business. Their ability to lead and develop their family business is obvious. If they were not top executives and owners of their company, I am sure they would be CEOs and executives of someone else's company. Ralph and Samantha are authentic members of The Lucky Sperm and Egg Club. They are bright and talented, and because they are connected by blood, they are also trustworthy.

## NOT ALL EGGS MAKE A GOOD OMELET

However, there can also be a dark side to having a Lucky Sperm and Egg Club member running the company. For example, family members might be working at the company because they could not think of anywhere else to go. They could be there because it pays them better, as family, than anywhere else would; perhaps their CEO parent felt guilty and wanted to help their job-needing offspring. After all, that's what parents do, right? Help their children?

Recently, at a dinner, a CEO told me that her children were her web developers. I have seen cases where this kind of relationship really works. Not so here. The CEO told me that she was paying above market prices for their services. She was not particularly pleased with the site they were designing or the services they were providing, but her kids needed the work, so she was helping them out.

SUDDENLY, A BOLT OF LIGHTING RIPPED THROUGH THE ROOM, AND WHEN THE SMOKE CLEARED THERE

I STOOD—GLORIOUSLY BALD AND DECKED OUT IN RED AND GOLD SPANDEX. “BLOODSUCKING CONSULTANT” WAS EMBLAZONED IN NEON ON MY STUDLY CHEST. I WAS ON TOP OF THE TABLE LOOKING DOWN, AND I SPOKE IN A BOOMING VOICE: “YOU, MY BELOVED CEO, ARE IN DANGER OF SCREWING UP BOTH YOUR COMPANY AND YOUR FAMILY. WE IN THE CONSULTING PROFESSION CALL THIS A TWOFER.”

Of course, the lightning did not happen, nor did I get my costume. But the CEO was in danger on a number of fronts, and I begged her to come to her senses.

“Look,” I said, “You are not doing this kid any favors.” We locked eyes and stared. “You are babying your youngest daughter. Is this new behavior, or have you done it for a while?”

The CEO looked away. To this day, The Lucky Sperm and Egg Club—and how she is dealing with it—poses a legitimate problem for her business.

## **PRETENDING IN ORDER TO PLEASE YOU**

Often, children join a company because they feel they owe it to a CEO parent to carry on the family tradition—despite having little talent, passion, or ability to succeed in the business. The children spend their time attempting to hide this. Meanwhile, to protect their own jobs, direct reports work with The Lucky Sperm and Egg Club member to keep up the pretense. You can imagine the problems that arise from this scenario. Here is an example.

Roberto was an artist. All he really wanted to do was paint, be with his young son, and sell his artwork. Unfortunately,

he inherited a failing company, which was co-owned by another family in which there was real discord. Roberto became the head of marketing and web design at the firm, though he had little experience or education in either. His staff—which had both experience and talent—did their best to cover for Roberto, fearing their jobs were at stake if Roberto did not succeed. The only thing the staff’s attempts at covering for Roberto accomplished was making the whole company look bad. Brochures were sent out with the wrong pricing. Internet marketing suffered because of this and other mishaps. Total sales decreased. Employee morale and productivity were negatively impacted. With declining sales, the company continued to limp along, barely surviving. This is a situation in which a business directly suffered from everyone’s good intentions.



## MY MOTHER THE BOSS

In the case of a CEO who was confused about her role, the CEO and her daughter, Sally, were both living and working together. Sally was making \$40,000 a year and complaining about not making enough. The CEO—or simply “Mom”—was trying to find something for the 25-year-old marketing major to do. The CEO admitted that if her daughter were just an employee and not a member of The Lucky Sperm and Egg Club, she would let her move on.

“She should look for another job,” the CEO told me. “If I change her from hourly to salary, I will not get forty hours out of her. What do I do with this kid?”

The CEO was in pain because she was operating from a “mothering” state and applying it to business. Mothers do not fire their youngest daughters. It can’t be done—though

it is, however, acceptable for moms to complain about their daughters' behavior.

Looking at situations like this as a parent is difficult. The little darling, also known as “your baby,” is born with limitations and gifts. You have the rest of your lifetime to deal with those, and deal you must; connected by birth, blood, and genetics, you are family. As a parent, there is no choice other than dealing with the child you have.

But if this woman put on her “CEO hat” and looked at the situation from that point of view, a pathway would open up. As CEO of a small company, the decision about who belongs in the company is of primary concern. In *Good to Great*, Jim Collins says it's all about the right person being on the right seat of the bus. In other words, it is essential that you have the right people doing the right stuff. If CEOs can do this, the book says, their companies will invariably win. In this case, the CEO needed to honestly evaluate whether this employee was a fit for the company. That was the decision to be made. That Sally is the CEO's daughter is irrelevant. (More about this in Chapter 3, “ABCs, Oh Baby Now.”)

I can relate to the CEO's story. My brother has brain damage and suffers from a number of psychiatric conditions. Would I fire him as a brother? Never. Have I fantasized about it? Definitely. However, as much as I love him, he would never work for me. It simply would not positively contribute to my business, his life, or, for that matter, our relationship.



## CHOOSING YOUR WORK

Whenever possible, parents owe their children food, shelter, love, medical care, education, guidance, and coaching to become independent adults. However, they do not owe their

children a job or a jobs program. Families and businesses have distinct and very different dynamics. When these different systems compete with each other, prepare for catastrophe. I have seen these destructive dynamics play out numerous times within companies. I have even seen this play out from the grave.

Ernest, the chairman of the board, died. He left a series of directives in his will dictating how the company should be run: one son would be CEO and one daughter would be senior vice president of manufacturing. While he had said before his death he was leaving his eldest son in charge, he did not. Instead, elderly Mom, who historically did not have a lot to do with the business, was now the majority owner and the one in charge. From a business perspective *and* a family perspective, this could all turn into a disaster: Mom as business owner could make the wrong business decisions in a changing environment; she is also at financial risk. Meanwhile, the son and daughter do not get control or ownership of the company they have spent their lives building. We will not even talk about the dynamics involving the third sibling.

Today, this company is near the edge of the cliff. The bank is worried and watching. Turning this company around would be a lot easier if it were not so encumbered with family issues. The verdict is still out on this one, but the point is this: the leadership in your company should be based on talent and ability. If it turns out that members of that special club actually qualify, consider it a dividend and karmic reward. However, what is critical is that you go with the leaders who have the talent and ability to best lead and grow the company, family or not.



## WHY YOU MAY NOT BE THE BEST CHOICE

A number of times I have told my clients that the best thing they can do as business owners is replace themselves as president. Often they need to bring in someone else with more leadership skills, ability, and talent who can build and develop their biggest, most important asset: the company. Membership in The Lucky Sperm and Egg Club is not a necessary qualification.

Johnny is a case in point. For years, he complained of the burden of running the \$250 million company that he had grown from scratch with his dad. He didn't like having to teach and support everybody. Finally, he made Laura—his operations VP and a very talented woman who was *not* a family member—the president. She proceeded to work with the company's great leadership group to grow the organization in a down year. They achieved all their financial targets and opened a new plant, with plans to soon open another one.

Johnny is still chairman of the board and is semi-retired. "I exercise and do a lot of fishing," he recently told me. "I like the Green River, but sometimes I go fishing in Colorado." I spent several days with him on a trip overseas and had never seen him so relaxed and emotionally available. It was because he recognized he was not the right person for the job and actively replaced himself in the role.



## RULES FOR RELATIVES

I have often told my CEO clients that they will certainly slow and potentially destroy the growth and development of their companies if they have lower standards or different rules for



family members. If you have members of The Lucky Sperm and Egg Club in your business, and you truly love and support them, do the following:

- 1** Set the highest possible standards for family member behavior. Make sure they know it is their responsibility to exemplify the company values beyond what any other employee does. Make it clear to family members that because they are Club members, more will be expected from them. For family members to remain at the company, they will be expected to work harder and longer hours.
- 2** Only place family members in roles where it is obvious they have the essential abilities and talent to excel and bring real results to the company.
- 3** Coach and work with family members so that if they ever leave your company, they will be able to easily command their current salary elsewhere.
- 4** Actively encourage family members not to work at the company; if they decide to do so, reinforce that it is a choice *they* are making.
- 5** If you have any unresolved issues with your siblings, cousins, children, spouse, etc., and you hope to figure them out by working together, forget about it. Go see a therapist and leave the business completely out of the equation.

Taking the “family” out of “family business” is a rich topic. Not managing family relationships in a business can have

disastrous results, not just for the business but also—especially—for the family. In my view, the destruction of family relationships is tragic. Use the principles within this chapter to stay within the light to promote family and business harmony and growth. •

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