Friday, 01 February 2013 11:04

Family Ties Online: Let's Take the Family out of Business

How to tell if your loved one isn't right for your business.

By Sherman Titens with guest columnist Bruce Hodes

As we present our Family Owned Business columns this year, we will also initiate new concepts for you. We are going to add several guest columns and book reviews about family-owned business. The guest columnists will be drawn from our LinkedIn group, THE FAMILY OWNED BUSINESS NETWORK (FOBN), and the book reviews will be prepared by members of FOBN.

Today I would like to introduce our first guest columnist, Bruce Hodes, principal of CMI, based in Chicago. Since growing up in his family's boating business to found CMI, Bruce's adaptable Breakthrough Strategic Business Planning methodology has been specifically designed for small to midsize companies and is especially valuable for family company challenges. In February 2012, Bruce published his first book Front Line Heroes: How to Battle the Business Tsunami by Developing Performance Oriented Cultures. With a background in psychotherapy, Hodes also has an MBA from Northwestern University and a master's degree in clinical social work. Bruce can be reached at bhodes@cmiteamwork.com, 800-883-7995 or www.cmiteamwork.com

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. 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?

Business owners and CEOs want their companies to be run in the best possible way. The next question is: who can best provide this direction for their organization? Could the best candidate be a member of family? 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 following stories are from four different family businesses. Each one is followed by a bit of advice for family business owners.

The Head of the Pack

Family members can lead businesses successfully. Take the case of Ralph and Samantha, a brother-and-sister team that is successfully running and growing a commercial laundry service. 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 applied their experiences to their family firm. Ralph has an MBA from Harvard and worked as a financial analyst. Samantha has a master's in education and taught special education in the public school system. Their ability to lead and develop their family business is obvious. If they were not top executives and owners of their company, they would be CEOs and executives of someone else's company.

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, other employees go along with the pretense to protect their own jobs. 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. Roberto became the head of marketing and Web design, though he had little experience or education in either. His staff—both experienced and talented—did their best to cover for Roberto, fearing their jobs would be at stake if Roberto did not succeed. The staffs' attempts at covering for Roberto only accomplished one thing: making the whole company look bad. Brochures were sent out with the wrong pricing. Total sales decreased. Employee morale and productivity suffered. 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 another situation, the CEO and her daughter, Sally, both lived and worked 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 family member, she would let her move on.

"She should look for another job," the CEO told me. "If I change her from hourly to salary, she would not work 40 hours. 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, your only choice is 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, 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 do this, Collins says, their companies will invariably win. In this case, the CEO needed to honestly evaluate whether Sally was a fit for the company without considering that Sally is her daughter.

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. Families and businesses have distinct and very different dynamics. When these different systems compete with each other, prepare for catastrophe.

Ernest, the chairman of the board for a manufacturing company, 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. However, the directives were not fulfilled. Instead, elderly Mom, who historically had little to do with the business, was now the majority owner and the one in charge.

Mom as business owner turned into a disaster. She made wrong business decisions in a changing environment and put the company at financial risk. Meanwhile, the son and daughter did not get control or ownership of the company they have spent their lives building. Turning this company around would be a lot easier if it were not so encumbered with family issues. The point is, the leadership in your company should be based on talent and ability. If it turns out that family members actually qualify, consider it a dividend and karmic reward.

Why You May Not be the Best Choice

Often, the best move for family business owners is to replace themselves as president. 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. Family membership 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 did not 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 and grow the organization despite a poor economy. The company achieved all its financial targets and opened a new plant.

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; all because he recognized he was not the right person for the job and replaced himself in the role.

Rules for Relatives

Business leaders and executives will slow and potentially destroy the growth and development of their companies if they have lower standards or different rules for family members than they have for their other employees. If you have family members 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 their responsibility is to exemplify the company values beyond what any other employee does. Make it clear to family members that because they are family, 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. Place family members in roles only where it is obvious they have the essential abilities and talent to excel and bring real results to the company.
3. 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.
4. 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.
5. 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 article to stay within the light to promote family and business harmony and growth.

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