

# Keeping the Family Business “In the Family”

by Ira Miller

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I recently interviewed the founder and CEO of a successful small business and his two sons. The founder wants to grow the business and ensure a place for his sons. The boys want the business to succeed and become the foundation for employment in their community and wealth for the family for generations to come.

We have put together a three-step game plan for this business that brings the sons into the decision-making process both as executives and owners. The three steps include:

1. Finding Capital (pricing models; cash cycles; packaging models)
2. Strategic Direction (external view; internal view; implementation of change)
3. Organization Impact (structure/ management; policies/methods; involvement)

In the process of discovering this particular family’s goals, I came across a number of “gaps” that we will need to bridge as we work together. As you will see below, Priscilla Cale and David Tate have identified some of the more frequently encountered gaps in family-owned businesses.

*Excerpted from “Building Commitment in the Family Business Begins with YOU,” By Priscilla M. Cale, MBA and David C. Tate, PhD*

*Generational differences between owners and successors can account for some of the interpersonal challenges that surface in family-owned or closely held businesses. Members of the veteran generation may see Baby Boomers as self-absorbed and view those of Gen X or Y as stubborn, unaware and disrespectful. Baby Boomers may characterize members of Gen X or Y as rude, impatient and having little regard for established processes. And members of Gen X or Y might characterize Baby Boomers as workaholics, self-righteous and clueless. Either way you slice it, those in Gen X and Y are oftentimes (and unfairly) labeled as irreverent and uncommitted.*

*But when it comes to family businesses, most family business owners want the business to remain family-owned. And so, members of the senior generation face a dilemma: while they may want to transition the business to the next generation, they are fearful that the next*

*generation is not or will not be as committed to the business as they are.*

*In a number of surveys, commitment is ranked as the second-most important successor attribute—just behind integrity. Conversely, lack of committed leadership has been cited as a barrier to succession. So, for family business leaders, the question becomes: How can I build commitment in successors?*

*Here are a few tips on how leaders can foster commitment in the succeeding generation.*

## **Exhibit commitment**

*One gripe heard from successors is that it is unfair to expect them to be committed to a business that (a) doesn’t have an established plan for succession; (b) doesn’t have leaders who have built an estate plan that protects corporate assets; (c) doesn’t have formally identified career paths and job descriptions; and (d) doesn’t have a strategic plan. And their concerns are not baseless. In fact, only about one-third of family businesses have a strategic plan, one-third have built a succession plan, one-third have an estate plan (that goes beyond a simple will), half have developed job descriptions and only one in five have descriptive career paths by job function. So for the next generation to be committed to the business, leaders must exhibit commitment by establishing plans and processes that will ensure there will be a strong business that can survive beyond the transition of leadership.*

## **Appreciate different work styles and the efficiencies technology brings**

*Globalization of the late 20th century (and the dotcom era) has brought much efficiency to the boardroom, and it also allows leaders to delegate tasks to others more effectively and outsource those tasks that are not value-added. Technology allows leaders to videoconference, work remotely, monitor progress toward goals and be plugged in virtually anywhere and at anytime. Yet, just because successors may not physically be at the office for 12-hour stretches every day doesn’t mean they’re being unproductive. Understand that technology brings opportunities to have a work/life balance, and brings about greater efficiency that places less cost demands on the business.*

## **Be a participatory leader**

*When leaders involve successors in current business decisions, it fosters buy-in and feelings of inclusion. It also generally leads to better decisions (being that the leader has considered multiple opin-*

*ions) and helps successors to believe that the business will be strong enough to survive a transition.*

*In fact, studies of leadership in family firms found that participative leadership was associated with a number of positive results, including favorable family and financial outcomes, greater employee satisfaction and greater levels of commitment.*

## **Be transformational**

*Closely related to participatory leadership, transformational leaders motivate others and help to build cohesion in ways that increase loyalty. There are four ways in which leaders can become transformational: (1) by giving individual consideration to employees and acting as a mentor or coach; (2) by articulating a compelling vision and communicating optimism about future goals; (3) by providing intellectual stimulation and challenging employees to think, learn, and share ideas; and (4) by exhibiting charisma, pride, respect, trust, high standards and ethical behavior.*

*With a new generation entering the business comes a new set of norms and practices that sometimes mystify those members of the senior generation. But change is natural, and new ways of working are an integral part of evolution. Just remember, though: nobody wants to be part of a sinking ship. If you want to attract, retain and build committed next generation leaders, incumbent leaders must put forth the effort first to let successors know that they are doing the important work to make sure that the business is safe, strong and an exciting place to work that offers opportunities for personal and professional growth. And so, here’s our advice to family business leaders: Be committed to build commitment.*

## **What you can do now**

It seems to me there are four steps to take as you contemplate leadership succession to the next generation:

- Accept that you will not work forever. Desire for the next stage of life or Mother Nature will ensure that this assessment is correct.
- Make your own, private assessment of the leadership potential within the next generation.
- Ask them about their desires for their life. Does or could it include running the family business?
- Find someone who can guide you, your business’ owners, family and leadership through the planning and execution of the transition. **CW**