



Family Firm Resources

Family Business Strategies • Assessing the Present • Assuring the Future

968 Bromley Road, Suite B • Charlotte, NC 28207 • 704.334.3534

4 Critical Aspects of Family Business

Robert Caldwell

Recently I gave a presentation to a group of family business owners on the subject of “4 Critical Aspects of Family Business.” The premise of the presentation is that most business owners spend most of their time driving the business and give little attention to other aspects of the business that can provide some nasty surprises if neglected. Michael Gerber, in his book *The E-Myth*, discusses this fact and says in addition to working **IN** the business, leaders must also work **ON** the business.

In my own business over the years we worked on the day-to-day matters of sales, supply, delivery, quality control, finance, personnel, and customer satisfaction. It’s easy to make these the primary and sometimes only functions to which we pay attention. Over the subsequent years I’ve learned that owners also need to give consideration to 4 other aspects: governance, succession, leadership development and relationship management. Let’s look briefly at each of these topics so you can see what you’re working **ON**, in addition to the necessary drivers of your business.

GOVERNANCE

- Entry rules—what are the requirements for family members who want to come into the business?
- Codes of conduct—how are family members expected to behave and perform if they are accepted? What are the penalties for those who do not perform?
- Board of Directors/Advisors—a key determinant of family business success can be one or two people from outside who can help give perspective and counsel.
- Family Council—is there a regular opportunity for family members, both employed in the business and not, to meet and express themselves? Those who have no voice or say so are often the source of litigation and upset.
- Ad hoc committees—to deal with important matters that arise from time to time.
- Exit strategies—long range planning about how to leave the business and to whom it will be left is crucial to a successful passing of the baton.

SUCCESSION

- Who will lead?—this should be known well in advance and thought through rigorously and professionally.
- Successor requirements—what is required of the next generation of leaders?
- Successor preparation—who will coach, mentor and prepare successors?
- Successor/Leader future relationship—what help will be needed to ensure this relationship is solid. If it is not, succession will likely fail!
- Leader’s preparation for exit—does the retiring leader have interests to move toward? If not, interference and undermining of new leaders often occurs.
- Succession event—this marks the transition in a public way so there is no mistaking who will make decisions in the future. Succession is not a single event, it is the culmination of a long-term planning process.



Family Firm Resources

Family Business Strategies • Assessing the Present • Assuring the Future

968 Bromley Road, Suite B • Charlotte, NC 28207 • 704.334.3534

LEADERSHIP DEVELOPMENT—Coaching and developing leaders doesn't happen by accident. Successors must be trained and developed just as they are in public corporations. This is often done in conjunction with a professional coach who leads a process of:

- Data gathering—how is the successor viewed by others? What are his/her strengths and development needs?
- Feedback—giving feedback about what the successor does well and where the work needs to be focused.
- Development plan—what steps need to be assured for development?
- Mentoring/Coaching—what support and help will the successor receive?
- Action steps—what is the roadmap that leads to a fully prepared successor?
- Monitoring—how to ensure the steps are followed and well learned.

RELATIONSHIP MANAGEMENT— Create structures to deal with disputes, disagreements and misunderstandings in real time, otherwise havoc will often ensue:

- Structured dialogue—formalized conversations that are thoughtful and to the point.
- Facilitated conversations—if there is a difficult issue it is often wise to include a mutually respected third party to help with its discussion and resolution.
- Mediation—when things get really tough a structured mediation session may be necessary. This allows both parties to have their say without being cut off or intimidated into silence.
- Group meetings—regular meetings encourage openness and a normal process to ease the discussion of difficult issues.
- Feedback sessions—every employee family member should be given feedback about performance and behavior, just as non-family employees are. Otherwise, resentment will grow and poor performance and behavior may continue.
- Crisis management—finally, if relationships come to a head and cannot be resolved through other means, who can you turn to for help? Oftentimes it needs to be a respected, neutral third party.

Think about these issues as you work ON your business. Where is your company proficient and where are you deficient? These issues will not go away; they tend to grow in complexity and difficulty if left unattended.