

Top 10 Tips for Family Business Success

The family business model can be extremely rewarding, creating a lasting legacy that brings pride, honor and family fulfillment. However, family ownership and leadership also brings its own set of unique concerns and challenges to organizational management. Emotions can interfere with sound business decisions; unskilled family-members can turn into “hangers-on;” and growth can be compromised by relatives who interfere, may be reluctant to further invest in the business, or stand in the way of successfully transitioning leadership to the next generation.

In fact, according to the Family Business Institute, 88% of current family business owners believe the same family or families will control their business in five years, but succession statistics undermine this belief. Research indicates that only about 30% of family businesses survive into the second generation, 12% are still viable into the third generation, and only about 3% of all family businesses operate into the fourth generation or beyond. While a lack of succession planning ranks high among the reasons family businesses fail to transition successfully to subsequent generations, other factors also play a role.

Below are our Top 10 Tips for helping both family and closely held businesses succeed now and well into the future.



1. **Maintain open communication:**

Communicate clearly, concisely, candidly, and continuously. Open and ongoing communication is vital to building trust and creating a safe environment for all family members.

2. **Respect the business as its own entity.**

The success of the business must remain paramount, regardless of family politics or ties, and not be taken advantage of or just viewed as the “golden goose.” How the business provides for the lives of the

family members and employees it supports and how it contributes to the surrounding community should always remain top-of-mind.

3. **Eliminate emotion from business decision-making.**

The business leader is ultimately the voice for the family business. He or she must assume and retain a position of authority and the ability to make tough decisions for the sake of the business even if decisions are not popular with all family members.

4. Have a plan to deal with family discord. Whether it's a difference of opinion or a performance issue, dealing with discord among family members within a business setting can get complicated. Document lines of authority, roles, responsibilities, and job descriptions with measurable accountabilities. Establish clear policies and procedures for dealing with conflicts that arise.

5. Develop family business employment agreements. Employment agreements help you create clarity in each role by setting expectations, responsibilities, and accountabilities.

6. Create a Board of Advisors (Directors). Perspective from outside advisors can help eliminate family biases, and can go a long way toward helping family business owners resolve issues and solve problems. The increased intellectual bandwidth can also provide a fresh perspective to challenge the business thinking and ultimately help the family business grow and prosper with insightful ideas.

7. Separate personal and business finances. It's not just common sense, but good business sense to separate personal from company finances. Employees also take notice if the company's finances are used for personal pleasure, which does not create a healthy business culture. Plus, in the event of an audit, the IRS does not like to see business and personal finances comingled, as personal expenses are not deductible.

8. Set expectations for family owners and non-family members with an ownership interest. Educate and create transparency for all interested parties where the company's financial performance is concerned, including balance sheets, and shareholder dividend and liquidity policies.

9. Know when to let go. Staying on too long can hurt the long term growth of the organization, discourage and frustrate potential future leaders, and can even drive them away from the business. Several factors drive leaders to stay on too long, including lack of trust in the next generation, failure to develop a plan to meet the founder's income needs in retirement, Monarch Syndrome (the inability to abdicate the throne due to a need to control everything and everyone), or no heir apparent to take the reins as the next leader.

10. Identify the next leader and develop an executable Succession Plan.

A leaderless organization is like a "rudderless ship that will aimlessly drift about." An effective succession plan—one that goes well beyond "blood is thicker than water"—is perhaps the most critical element of ensuring ongoing business success. In certain circumstances, it may require the organization to look outside the bloodline to perpetuate the family business. The acronym "PIE" embodies the leadership qualities and characteristics we consider essential for continued business success:

P - Passion for the industry, team, and clients

I - Inspire people to embrace the vision, mission and values

E - Empower each person to improvise, adapt, and overcome so together the team can conquer any challenges to the business.

To learn how Planned Financial Services can help your family business pursue a broader range of business and personal financial goals, contact us today at 440.740.0130 or visit us at www.PlannedFinancial.com.



PLANNED FINANCIAL
s e r v i c e s

Your Life. Your Money. Your Way.®