Meeting Common Family Business Challenges

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There can be both tremendous rewards and tremendous challenges in running a family business. Many CEOs appreciate and value the opportunity to work closely together with family members in building an enterprise that can be passed on to future generations. In addition, family members who work together sometimes draw closer to each other as a result of their shared interest in the business.

But there's a flip side to this coin as well. Sometimes, it can be difficult to draw the line between work and family—to balance work and family priorities, to be both "the boss" and mom or dad, and to leave work behind at the end of the day.

Striking the Right Balance
Many books have been written about the best ways to achieve harmony in a family business. Here are a few practical suggestions to help you strike the right balance in your family and company:

Always keep the lines of communication open. This might seem counterintuitive, but it's not uncommon for family relationships to make good communication difficult. After all, "talking" and "communicating" can be two different things. Conduct meetings among family members who are involved in the business on a regular basis, and set an agenda that includes business items only, not family stuff. Save that for after hours.

Don't underestimate the abilities of your children (or other family members, for that matter). Sometimes, it can be hard for parents to envision their children taking an active role in their business, much less actually running the show some day. But if you have trained and prepared them well, you need to trust them to assume more responsibility when the time is right—and even to fail on their own. The best lessons in business are often learned through failure.

Don't play favorites—or be overly harsh or strict with family members. Walking the fine line—between treating family members preferentially and not going overboard in trying not to—is one of the hardest parts of running a family business. If other employees sense that family members are getting preferential treatment, this will damage their morale and perhaps even drive them away. At the same time, though, family members should have the same opportunities for advancement and be judged by the same criteria as all other employees.

At work, make decisions that are in the best interest of the company, not a family member. This is a key part of drawing the line between family and business. Sometimes, owners must choose between a decision that would benefit a family member who works in the business but possibly harm the company, and one that would benefit the company but possibly harm the family employee. Wise owners know that what is good for the company will ultimately likely be best for the family member as well, even if it doesn't look like this in the short term.

Form a non-family board of advisors. The outside perspective of a board of advisors that's comprised of non-family members can be invaluable in helping CEOs look at family business issues more objectively. This board might include such trusted business advisors as your attorney, banker and CPA, as well as business consultants, advisors and associates who are familiar with your business and industry.

Limit work talk while you're at home. While it may be impossible to completely eliminate all work talk while you're at home, try to set some guidelines and boundaries. For example, establish "no shoptalk" timeframes in the evening or on weekends—violators could be required to drop a dollar in the kitty, and you could save up the money for a special family treat.

Draft a "family business constitution." Such a document will establish in writing the core principals that govern the family business. This may include family employment and compensation policies, behavior requirements for family employees, corporate governance, ownership of business shares among family members, and the mission, vision and values of the company.

Make sure you keep non-family employees (especially executives) motivated. You may be reluctant to offer ownership shares in the business to non-family executives, but there are other ways to keep them motivated and on board. Non-qualified retirement and deferred compensation plans, phantom stock plans, and salary continuation plans are a few compensation strategies to consider. Also be sure to offer non-family employees the same opportunities for promotion and advancement that family employees receive.

Concluding Thoughts
There's no question that Los Angeles and Southern California CEOs and CFOs who own and manage family businesses face unique challenges. For assistance in meeting them, consider working with an outsourced CFO services provider. He or she can offer the objective perspective of someone from outside your firm in the areas of compensation, management, succession and more.

Note: When it comes time to think about succession planning, you may find this CFO Edge white paper informative: Planning a Business Exit (www.cfoedge.com/resources/white-papers/exit-planning.asp).

About CFO Edge
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