

8 Tips to Run a Successful Family Business

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Family business is big business.

According to the Family Firm Institute, family-owned businesses account for two-thirds of businesses worldwide, making them essential for both economic growth and job creation.*

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In fact, some of the biggest companies in the world—including Wal-Mart, BMW, Tyson, and Ford—are family-owned businesses, a far cry from the “mom and pop” corner stores many associate with family-run companies.

While family businesses may be a major economic driver, only a mere 30% endure into a second generation, 12% last into a

third generation, and just 3% make it to the fourth generation.[†]

What's the secret for a successful family-run business? We've rounded up eight tips to ensure your family business, or the one you may be working for, endures through the generations.

1. Communicate

Families have their own way of communicating, and, as many family therapists will tell you, it is not always the best way. Defy convention and make open, regular communication an essential part of your family business. When you sense communication problems, confront them immediately. Larger issues at play? Bring in an outside consultant.

2. Evolve

When it comes to longevity, and the success that comes with it, changing with the times is essential for any business, especially multigenerational family businesses. Whether it is an aversion to new technology or resistance to changing cultural norms, a family-run business—and the people behind it, regardless of age—must evolve or risk alienating both employees and customers.

3. Set boundaries

Leaders of flourishing family-owned businesses know that setting boundaries is critical to establishing and maintaining success. Institute and uphold a clear separation between family and business. In other words, keep family issues out of the boardroom, and keep work at the office.

4. Practice good governance

Setting boundaries also extends to the governance of family-run companies. Good governance requires the involvement of leaders outside the family. This oversight—employed by leading family businesses worldwide—typically takes the shape of a professional, advisory, or supervisory board comprised of non-family members with a limited number of family representatives.

5. Recruit from the outside

Just as it is crucial to establish governance with non-family members at the helm, it is essential to recruit outside your family for both staff and leadership positions. There is a world of talent out there. Successful family companies tap into this talent pool for skills and expertise family members don't have.

6. Treat employees like family

Successful family-owned businesses treat everyone as family, whether they are relatives or not. This practice often extends to customers as well. Employed by recreational vehicle manufacturer Jayco, family-run for more than 40 years, this tactic of “redefining family” encourages staff and leadership “to raise the bar as far as value offered,” explains Jayco CEO Derald Bontrager. Instead of relying on industry standards, “you must instead ask yourself, ‘Is this what I would do if it were one of my siblings?’”[‡]

7. Make it optional

A good family business doesn't strong-arm or guilt relatives into joining the business. It makes working for the company optional. Any company, family-run or otherwise, needs employees who are passionate about both the corporation and their role within it. Allowing family to come to the company on their own leads to happier employees and better business.

8. Plan for the future

Successful family businesses don't just let the chips fall where they may. They plan for the future, creating family business succession plans long before they actually need them. They also identify talent in employees, both within and outside of the family, investing in them early on to ensure excellent leadership in the future.

Ready to invest in your future? Interested in starting a family business or empowering a family-run company? The right education, such as a [PhD in Management](#) or a [Master of Business Administration \(MBA\)](#), is essential to help you achieve your goals.

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*Family Firm Institute, Family Enterprise Statistics From Around the World, on the Internet at www.ffi.org/page/globaldatapoints.

†Conway Center for Family Business, Family Business Facts, on the Internet at www.familybusinesscenter.com/resources/family-business-facts.