

How to separate personal relationships from business relationships in a family business

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12:00am EST June 1, 2012

As a family business owner, you may want to bring your children or other family members into your business. You may have already done so and discovered it's been a bumpy ride. How do you do work with family members and still protect family relationships?

According to Ricci M. Victorio, CSP®, managing partner at Mosaic Family Business Center, this can be a difficult thing to do.

“When family members work together, the boundary between work and family time becomes blurred, and the relationships overlap,” says Victorio. “Families need to think through how to separate the parent/child relationship from the owner/employee relationship.”

Smart Business spoke with Victorio about how to preserve family relationships and set boundaries while working together as a family.



Ricci M. Victorio, Managing Partner, Mosaic Family Business Center

Why is it important to separate family relationships from business relationships?

It's pretty clear that you can't run a business like a family, and you certainly can't run a family like a business. So when family members work for you, it can get very complicated. Family relationships are based upon unconditional love and acceptance. Business is all about performance and accountability. So how do you hold your family members accountable to performance without getting it confused with love? How do you demote or fire a family member without destroying your family? It is naïve to think that your company's employee handbook will be sufficient for these complicated issues.

How do you untangle those relationships?

An experienced succession adviser can help you create a family member employment policy to define the qualifications for entering the business, such as education and job experience. This should include the minimum requirement of two to three years working somewhere else before beginning their career in the family business. Working in an environment where your successors are employees and a

manager can hold them completely accountable for doing stupid things or be acknowledged for doing a great job is extremely important before coming under the scrutiny of your management team.

In a family business, negative behaviors of developing successors might be overlooked, tolerated or excused, but in the outside world, where their last name isn't on the wall, these behaviors create real consequences that provide opportunities for learning.

Secondly, the adviser can help you design your expectations of what it is to be a family member employed in the business. Make it clear that because they are family members, they are going to be held to a higher standard:

We expect you to be here early, to stay late and be the example.

Keep a positive attitude and opinions about family members or management to yourself.

Be gracious and respectful. You can learn from everyone.

Be willing to do any job that's asked of you.

How do you set expectations for managers of family members?

Bring your key managers in as mentors to define how you want to handle your children's professional development, as well as the predictable bumps and challenges.

Triangulation can be a really big problem in family businesses. For example: The manager is asked to train and manage Dad's son, Sam. But Sam is acting up, coming in late and overall not doing a very good job. The manager chastises Sam and gives him specific instructions for modifying his performance.

Instead of taking the correction as an opportunity for growth, Sam complains to Mom who then goes to Dad saying Sam is being treated unfairly. This forces Dad to ask the manager why he's being unfair to Sam, putting them both in an awkward situation. Does the manager please the boss and spoil the child, or does he try to be a good manager and make sure the job is done right, standing up to the boss and saying his son is not doing a good job?

The best thing you can do is talk about triangulation before it happens. Sit down with your managers and define how you want to interact with them. If a situation arises, who decides the course of action? You need to build a bridge of communication so the owner, parent, manager and incoming family member have the opportunity to talk these things through before relationships get tangled up.

If a family business hasn't planned up front, is it too late to make changes if the child is already working at the company?

It's never too late. A succession adviser can help you begin to untangle the knots that have people tied up. Next-generation family members can exhibit entitled, blasé or even toxic behavior at any age.

Don't think you can turn a blind eye to it if you want to have a smooth and successful leadership transition. The situation can be turned around if you address it with determination and commitment.

Tough love may be required. For children to succeed, parents need to hold them accountable, set boundaries and communicate their expectations or ground rules for participating in the family enterprise. Included in these ground rules, there must be accompanying consequences for noncompliance. After all, employment should be considered an opportunity, not a birthright.

You love your child unconditionally and will love him or her forever, but this does not always qualify a family member as a good fit for your business. Your job as a parent may be to help that child find a career in which he or she can succeed, even outside of your business.

Many business owners feel it's not worth all the 'trouble' to bring their children into the business. However, if done right, it can be extremely rewarding to see your children growing and thriving in a business that you've created, contributing to the company, being respected by others and perpetuating your legacy into the next generation.

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