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# Four Ways to Keep Peace in the Family Business

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"If I thought my business would hurt my family, I'd sell it!"

exclaimed my client. I wish I had a dollar for every time I've heard this same concern from business owners. In contrast, the dream for most family business owners was conveyed to me by another client: "To watch my children succeed in my business is the great joy of my life!" Clearly this is what every owner wants, but, all too often this dream becomes a nightmare, as families begin to disintegrate under the pressure cooker called 'the family business'. How can you keep this from happening in your family business?

First, let's understand that the term "family business" is an oxymoron. Family involves unconditional acceptance, while business is concerned with conditional performance. What often happens is this difficult equilibrium tends to move in one direction or the other. The result is for some business owners, your business could be described as a 'family business', in which family relationships are what is most important. For others, your business could be described as a 'business family' in which the emphasis is on treating family the same as any other employee. For many family businesses, the pendulum may move back and forth as you try to maintain family harmony and business success.

Let's take a look at the problems that develop when the pendulum moves too far in either direction. "THAT'S NOT FAIR!" often becomes the family business theme song. Quite likely, you or one of your family members has said one of the following or some variation:

- "Why does my brother get paid the same as me and I'm doing all the work?"
- "My daughter doesn't want to work as hard as I did!"
- "Why should my brother be the successor just because he's older?"
- "Why should my siblings be given an equal share of the estate when I'm the only one working in the business, making it happen?!"

The problem with 'fair' is it is in the eye of the beholder. Several years ago, I worked with a family that was disintegrating due to their differences regarding their business succession plan. I met with the daughter and her advisors and she began the meeting by saying, "Hugh, all I want is for this plan to be fair." I said, "I agree, but the problem is, every time you talk about what is fair, all you mean is what's fair for you! Unfortunately, the rest of your family defines 'fair' the same individualistic way. If we're going to solve this problem, everyone is going to have to redefine what is best for the whole family and business."

Since family harmony is also a goal of most family business owners, let's talk about five ways to keep peace in the family.

### ***Clarify Expectations:***

Most family business problems develop due to expectations being out of alignment. We tend to assume that we have communicated clearly and are therefore often upset when other family members don't understand our position. We believe expectations need to be addressed in writing and cover several very important areas:

***"'FAMILY BUSINESS' IS AN OXYMORON. FAMILY INVOLVES UNCONDITIONAL ACCEPTANCE, WHILE BUSINESS IS CONCERNED WITH CONDITIONAL PERFORMANCE."***

- Family Business Employment Policy – The message to your children/grandchildren needs to be, 'love to have you work in the business as long as you're willing to do the following before you come to work here.' This Employment Policy would include educational requirements, satisfactory work experience, and the process through which him/her will go through an application/interview process like anyone else, etc. The issue is to write down exactly what you expect so all family members

know what they need to do.

- Family Business Expectations Policy – Once a family member begins working in your business, this policy outlines what is expected out of them as an employee. Examples would include, exemplary work ethic, good attitude, pay based on merit, promotions to be earned like everyone else. Again, it is your company so you get to set the rules, but make sure your family understands what you expect.
- Covenants – These are written agreements between two people, such as your child and you as owner or between your child and the person he/she reports to. They address what you expect of each other, in regard to such things as how often will we meet, what decision making authority is being granted, how conflict is to be resolved, etc. These are not legal documents, but they are morally binding documents intended to include areas in which the relationship may have gotten off the rails.

### ***Determine Who Will Own Stock:***

Often family members expect that they will eventually share equally in stock ownership. This can lead to all kinds of problems especially if some are carrying more of the load than others.

Developing a QUALIFIED HEIR criteria which defines the basis for stock ownership is very important. As a rule, we believe that only those who are active in the management of the company should ultimately own stock. Non-active family members or those who are not involved in the decision making management positions should be treated fairly as family members, via non-business assets. This is often difficult to do as your business may represent the lion's share of your estate, but there are strategies for accomplishing this goal.

### ***Family Business Council:***

Whether or not your family members are all involved working in

your business, they are interested and concerned. “Will I be treated fairly?” and “What is Mom and Dad’s plan?” are just two of the many questions which your family is likely asking. A Family Business Council is designed to give you a forum to present answers to these questions in a manner which you are comfortable doing. You get to control the flow of information and this can prevent lots of family disharmony.

***Spend Time One On One with Your Children Who Are Working in Your Business:***

This one sounds too easy and many of you would say, “we see each other every day”. But over and over the sons and daughters of business owners tell me that “Dad doesn’t give me enough time – he’s always distracted or too busy.” As a result, assumptions reign supreme and you know what happens when you assume! It has been my experience that if family business owners would set aside the time to meet regularly with their children active in the business, a huge number of family problems would be avoided.

Peace in your family business – is it possible? Without a doubt, but in order to achieve this goal, you may need help, as often the family has dug itself deep ruts and old habits die hard.

But when family harmony and business success are achieved, family legacy is going to happen!

*Hugh specializes in dealing with the issues that must be resolved by auto dealers and their families in order to preserve assets and develop succession plans for their dealerships.*

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