

FAMILY BUSINESSES

Family Business Is a Blood Sport. Here's How to Avoid the Pitfalls.

Clarity, autonomy, empowerment and trust are critical to success.

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Family business isn't always like *The Sopranos* or *House of Cards*, but it's also certainly no *Cosby Show* or *Brady Bunch*.

Any which way you slice it, working with families makes for good theater.

The business part, however, often devolves into bad drama. One brother feels another isn't giving as much of himself to the business as he is, so he suggests that he should have less equity as a result. The wife of the CEO (she's also the COO) feels pressured and put upon by her husband after maternity leave. Her father (the founder and old school, set in his manual ways) is overly critical of new systems and consultants hovering around the company he started.

Competing lawyers get involved. Roles change at the drop of a hat.

Communication is passive-aggressive. Secrets spill out. Loyalties are tested. Back-biting and **gossip** spread like wildfire. And that's during a good week.

Ad

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On bad days, employees are left scratching their heads after being informed about sudden changes and cursing the "family culture." The rest of the time, the favorites jockey for position, bonuses and rewards. Favors are doled out. Generosity is shown. Political correctness is thrown out the window. HR is a four-letter word.

An advertisement for Cisco Designed for Business. The background is dark blue with a white silhouette of a person's head in profile, facing right. Inside the silhouette, the text reads: "You have big ideas" in large white font, followed by "Now you can have tech—especially designed for small business—to match." in smaller white font. Below this is a blue rounded rectangle with the text "Discover how" in white. At the bottom left is the Cisco logo (three colored dots) and the text "CISCO DESIGNED FOR BUSINESS" in white. On the right side of the silhouette, there is a small inset image showing a person's hair and shoulder.

Into this mess flies a consultant like myself, thinking the best but braced for the worst. In my career, I've worked with quite a few family companies in tech, healthcare and real estate, among other industries. Inevitably, I'm embraced as "part of the family," and over the first few weeks, make sense of the complex dynamics between brothers and spouses, parents, cousins and best friends. As a coach, I listen carefully for what's said, and even more so, for what's not. I

carefully start circulating selected, non-confidential information and see how it spreads (or doesn't).

Trust, discretion and patience are the name of the game. Along with a keen business and people sense, therapy and philosophy are just as critical to success in helping a family business grow and scale effectively. If you think you can be "clinical" or "surgical" about keeping it all about business, you're in over your head.

What do we mean by "therapy" and "philosophy"? Yes, licensed therapists, psychologists or social workers are the ones who *should* be doing this work, but as a consultant and coach, one is in no position for technicalities in a family business. Business *is* family and family *is* business. Anything bothering one family member or executive will unquestionably reverberate quickly to affect the other family members ad [team](#) members, including all of the employees.

As such, getting executives to talk and express their true thoughts and feelings, as well as coaching them to express themselves regularly, thoroughly and effectively is so critical for any service provider doing HR, coaching or advisory work. [According to Salesforce](#), 86% of employees and executives cite lack of collaboration or ineffective communication for workplace failures.

"Philosophy" refers to bigger-picture principles of a company's "why," as well as the "how" of what the company does and how it's different from competitors, the "who" of ideal clients and the "where" and "when" of client acquisition and servicing.

Related: [What You Should Know Before Going Into Business With Family](#)

While some notable [family businesses](#) like [Estee Lauder](#) (a public company with numerous family members in management or otherwise involved) have long figured out how to lead and manage with scientific brilliance and tremendous results (almost 100% [stock price growth](#) in less than 12 months), a large proportion of such companies are mired in mismanagement and infighting, perverse incentives, poor communication, lack of clarity and sluggish growth.

What can executives do to take the reins and turn around a flagging family business?

1. Remember and reinforce that the health and growth of the business is

paramount to family squabbles and incentives and any other considerations. If this doesn't come first, the family shouldn't be in business together — full stop.

2. Have difficult conversations with your family members in the business about time and work commitments, as well as about job performance. Those who put in the time and effort deserve the equity. Those that are unwilling can remain silent or minority partners.

3. Get individual coaching for each family member in the business. Too many family members are in the family business for the wrong reasons. With poor alignment to their personal and professional interests, some just collect a paycheck and wait for equity to vest. Many are in the wrong roles just because their siblings or parents said they should be. Anyone not happy with their role can change or quit.

4. Set and enforce equally clear rules, rewards and punishments that are the same for everyone. What's good for the goose better be good for the gander. Family members can't be a separate class, operating according to different rules than every other employee.

5. Be agile in your hiring and firing. There are few things in a business more cancerous than "top performers" that are toxic to other people and company culture. Be surgical and quick to get rid of said performers even (especially) if they're family. If you don't, the company will suffer and key people will leave quickly, hurting the business.

6. Take the best of "everyone is family" and show it (don't just tell it) to all employees, regardless of relation or closeness. This is the real test of whether your words are followed up by deeds.

7. Regularly remind yourself and your family members why the business was started in the first place. Go back to core values and be ruthless in ensuring they're expressed toward your employees, not just your customers. Otherwise, the hypocrisy will lead your best people to leave like rats from a sinking ship.

Family business isn't for the faint of heart. It has its ups and downs like any

business. Success comes from keeping the business the number one thing and never forgetting the core family values in every element of operations and HR.

And if your family business is like *The Simpsons*, don't despair. Just know when to be Homer and when to be Mr. Burns.

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