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Family Or Not?

As a person who is guiding companies, I have faced, over time, quite a few family businesses within our CCCC client portfolio. Most of these situations contained a confrontation stemming from some serious family issues. Is it possible to reduce the family tensions? We believe, the answer is 'yes'. Let's look at this subject in a bit more detail.

1. Examples of Family Disruptions

- a) A 35-year old son (at one of my clients) was promoted to President, while Dad, the owner and former President, downplayed his own role somewhat. It took only three months to realize that the work relationship between Son and Dad was a disaster, but it took about nine months for me to assist in Son's departure, slowly enough to avoid a permanent family rupture. Now the company is much better because Son is no longer there fighting with Dad publicly (or privately).
- b) A 35-year old Son was in charge of sales in a company, which had been suffering from low sales for three years. The company's survival was at risk. Dad and Mom owned the business, and as it happened, Dad was much more active in the business than Mom. Mom, the rational partner was ready to move Son out of the business (as I had suggested), but Dad had great difficulty with such a move. His soft feelings led to a catastrophe and now they are dealing with the crisis.
- c) Mom, the founder, accepting that her Nephew should be in charge of the company, helped set the situation up for Nephew's new role. Nephew proved to be a well-needed breath of fresh air in a somewhat stogy firm. But then Mom changed her mind about Nephew and soon the two of them became enemies. The result was that Mom and Nephew were in constant dispute (even to the point where each was trying to fire the other). This fracas drew in the Husband of Mom (i.e. Uncle of Nephew) as well as Son of Mom who was a shareholder but not directly employed in the business. On one side we had Mom – all alone. On the other, Husband, Nephew and Son were aligned against Mom. She took the situation hard and began to spread false rumours about how her three antagonists had been disrupting the company. Outsiders could easily see the internal family conflict, (especially since Mom used the public media to make her points) and this public was wondering what was really going on. Who was stating fact? Who was dispersing fiction? All the protagonists were putting their not-very-controllable emotions ahead of the logical picture that I, as an outsider, was trying to paint for them. It is still a 'work in progress'.

2. Examples of Family Success

- a) Years ago, I was on the Board of a charitable company, which was chaired by Tom. He engaged his wife, Marilyn, to be the General Manager of the actual charitable operations for which she was reasonably compensated. There were complaints about Marilyn having the job only because she was married to Tom, Chairman of the Board. Marilyn was competent but that didn't stop the gossip and unpleasant innuendos. As a Board member I proposed that, with Marilyn's term ending, instead of simply re-hiring her, we should put the post up for competition for anyone who wanted to apply to assume the role. I met with Marilyn to explain this idea and she agreed, because, being competent at her job, she was very unhappy with the gossip. I told her that I myself, was pleased with her work, but that wasn't enough; the competition would legitimize her position. I reminded her that she had the inside track because she was known and she clearly had been doing a good job. I also warned of the risk, because if someone 'better' came along, Marilyn might lose her job.

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She said that was fine, because 'if someone better did come along, the charity would be that much better served'. You had to like her attitude.

When the position was posted, there were many applicants, some of them very well qualified. Anyway, the recruitment committee (I was not part of it, nor was Tom) did their job and Marilyn was selected as the clear winner. She then threw herself into her work with great gusto knowing now that any criticism could no longer be related to nepotism.

- b) Some time ago when I had developed and built my software company SPS, up to nearly 300 employees, I always maintained that my children should be left to find their own way in life, so the business was never considered an option for them. My sister, on the other hand, had accounting skills that my VP of finance of SPS drew on now and then as an occasional worker. At one point, the VP decided she wanted to hire my sister on a full-time basis. I spoke against it but finally the VP prevailed, saying that I was being silly when the employee she wanted was there, available and proven. So, I allowed the hiring of my sister but imposed three rules. One: the VP was never to discuss with me any difficulties regarding my sister. To discuss such issues, the VP would instead go to the Senior VP. Two: my sister was never to complain to me about her boss or about things at SPS. She too, had an option to go to the Senior VP to commiserate. Likewise, I would never comment to her about her work or her comportment at work. Three: as much as possible we would keep the brother-sister fact obscured. Amazingly, this worked well most of the time. However, being an older sister she often commented to me in a hushed tone, that my tie was not straight or that my shirt was hanging out ("again!") but this was minor. A few years later our father died. Naturally, we both took the same day off to attend the funeral. People at SPS commented on the amazing coincidence that both of us had a father's funeral on the same day, some wondering which funeral they should attend. At that point, the cat was let out of the bag and it became common knowledge that we were siblings.

3. Conclusion

Many people are determined to include the family in their businesses. So, with that as our starting premise, here are some suggestions:

- Make sure the other family member really wants to be in the business.
- Before joining the firm, have Sons or Daughters spend five years to make their mark somewhere else, so that when they arrive at your company it will be with a successful record behind them.
- Have a written plan for the son or daughter's succession program so that it is clear.
- Have the person report to someone other than Dad or Mom. (Dad or Mom must remain indifferent to Son's progress.)
- Have Son compete for promotion, just like anyone else. If Son or Daughter is able to move up the corporate ladder through achievement, few people will argue with the upward movement. By the way, family members have to work harder than others to prove themselves.
- If Son or Daughter reports to you (and you are supreme leader), bring in a buddy (a non-family VP) to assist you in your relating to Son or Daughter – during assessments or conflicts. You must introduce some objectivity.
- If you have two children joining you, make it clear which one is in charge. Do not pass an equal amount of shares to them both.
- Prepare to deal with the eventuality of selling the company or offers being made for it.

Good luck,

Bill

Further information

- Deans Thomas, *Every Family's Business*
- Alberta Business Family Institute, University of Alberta, www.abfi.ca