

Creating a Clear Path to Family Business Success

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Having worked in several family businesses throughout my career, I have experienced both the joy and the pain of this unique experience. I have worked for my father, my mother, my sister and currently with my husband, all in different businesses. Not only do you have all the challenges of a regular employer, but add to that your family's history, personalities and other issues around expectations and succession. It often adds up to a recipe for family issues.

Family businesses in Canada employ six million workers and create 70% of all new jobs. (Alberta Business Family Institute)

So, how can you make the business of family work for everyone?

The first task is about setting clear expectations. This seems easy, however having conversations with family members is often difficult and avoided. Sometimes the business owner(s) are reluctant to be open about their expectations, and sometimes are too open.

I encourage family members to hold family business meetings. These meetings can be facilitated by a trusted advisor, and provide a structured forum to discuss expectations, business structure and future plans.

We also need to understand personalities. We are all uniquely wired. We are also typically more critical of the traits of our family members, having experienced them for years. I often find that family members truly do not take the time to understand the personalities and therefore, this creates conflict.

People operating businesses together should understand personality types and be encouraged to utilize people's strengths to the advantage of the business. In his book *Strengths Finder 2.0*, Tom Rath says, based on research by Gallup, that "...each person has greater potential for success in specific areas, and the key to human development is building on who you *already are*." (Rath, 2007, p.8) No one makes a very good employee when they are constantly working against their natural talents and abilities.

There are many assessment tools available. A fun and easy one to use and apply is True Colours.

Every successful entrepreneur knows that managing a business is a healthy balance between control and risk. Turning over the reins of something you have built or poured your life into is often very scary for business owners.

Again, the family business meeting forum is a great place to plan for successful succession. This should be a process set out over time, allowing the owner time to adjust and the successor time to learn. Without proper planning, up to 70% of family-owned businesses fail before they are passed on to the second generation. (Alberta Business Family Institute)

I recommend that the successor actually works in the business in various roles for at least three to five years prior to the start of a transition. Some recommend even longer than this. In his book, *Leaving a Legacy*, David C. Bentall actually refers to research on family business policies and practices around outside experience. (Bentall, 2012, p.130-140) This also depends on their skills and background; however, having a good understanding of the financial situation of the business is essential.

It is also critical for the family to be realistic about succession. Not every child (or other blood relation) is the right person to take the helm.

The transition should be gradual with a clear plan including roles, responsibilities and milestones. It is critical through this process to have regular communication and to create opportunities for knowledge to transfer.

The last key item is to allow grace for mistakes. One of my former bosses (not a family member) would say that making a mistake once is a learning opportunity – don't make the same mistake twice! Set-up a formal feedback mechanism to foster discussions, including ones about performance in areas such as living the values of the organization, fostering employee engagement and building trust. This feedback should go both ways.

The best part about being in a family business is that insider knowledge about those you work with. As we do in our families, we need to create a culture based on our values, interests, and traditions. Having fun at work breeds productivity and fulfillment.

We regularly gather to do lunch and learns, have pot lucks, wine Fridays, and we celebrate together – birthdays, milestones and achievements. This is purposeful; we bring those who work with us into our “family” and hopefully, they will want to stay.

Operating and transitioning a family business successfully is like cooking. For some, this means carefully following a recipe (plan), for some, it is more creative, adding what you think will work and then seeing how it turns out. In the end, it is about the outcome, but also about the journey to get there.

References

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Rath, Tom (2007). *Strengths Finder 2.0*. New York, NY: Gallup Press.

Alberta Business Family Institute (2002-2013). *Family Business Consulting*. Retrieved February 28, 2013 from www.business.ualberta.ca/Centres/ABFI.aspx