



Browne & Mohan

From vision to results

THE ELEPHANT IN THE ROOM: “FAMILY” IN THE FAMILY BUSINESS



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December 2020

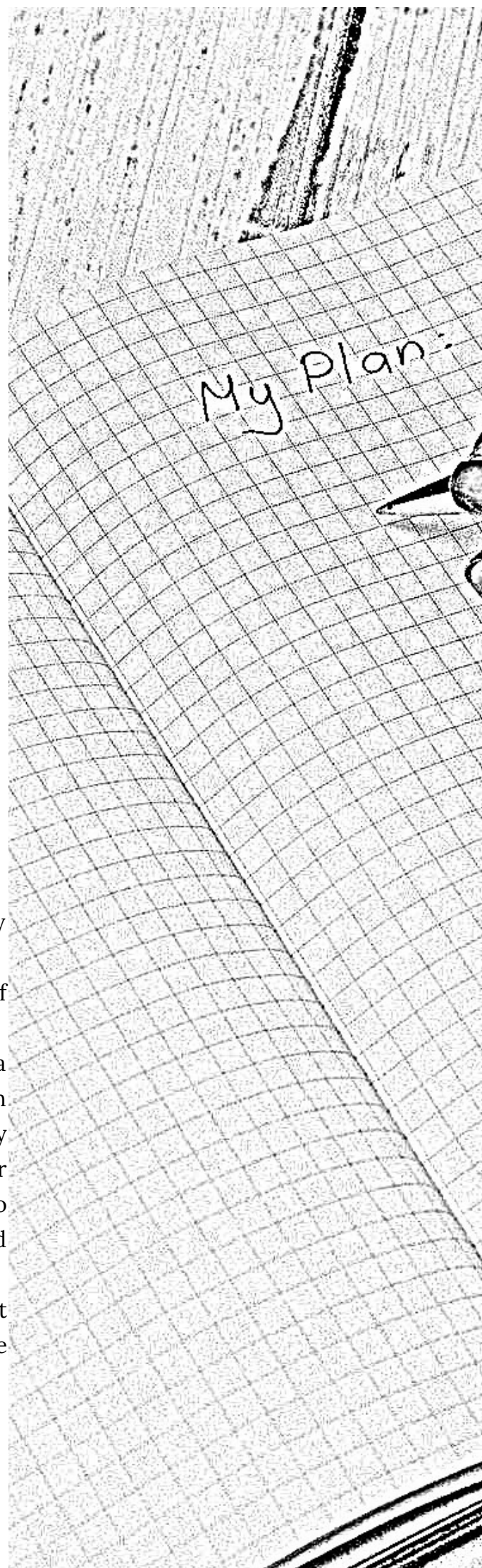
Gracefully acknowledge inputs and feedback from family business owners, clients and friends.

The “Achilleas heal” of all family business is actually managing the “family” in the business. Many of family businesses on board their progeny and family members hoping:

- they would slip in and anchor key management roles supporting execution and board
- their sense of “ownership” and acts will encourage non-family members to stretch and deliver more
- they would identify gap and help fortify family business by voluntarily taking over certain tasks and roles to drive business impacting outcomes
- expand the foot prints of family business by managing new product or market diversification
- they would take over the reins, scale and profitably run the business for till next generation

However, despite the best “intension”, family businesses suffer when:

1. family members come with an attitude of “entitlement”.
2. family members have joined the business with a short-term engagement with no “focus”, either on personal or business side. Happens when progeny is unwilling to utilize the opportunity to discover their interests and hone skills and less likely to commit themselves fully to the growth and sustainability of the family business.
3. family members involved in the business without clear roles, responsibilities and sometimes more than one family member doing the same work.





4. family members are involved in executive roles but no formal management systems and reviews exist. Management control systems may be weak, subjective monitoring with large room for unwarranted politics exist at workplace. Lack of specialization and loss of practice-based innovation are associated hostages.

5. Poor structuring and multiple informal reporting mechanisms provides opportunism” for employees to pursue “self-dealing” and “personal-benefit” acts at the family business expense. All these leading to utter confusion on the ownership of outcomes, low quality of delivery, poor customer experience and in the long run corrosion of the family foundation itself.

Peter Seller’s, *Being there* (1979) Hollywood film, has an interesting message to family businesses. In the movie, US President asks a simple and sheltered gardener whether growth could be simulated through temporary incentives. Sellers who played the gardener makes a profound statement, select seeds that want to germinate and grow, give them water and sun to allow them to sprout, remove weeds around the plant so the nutrients are not wasted and invest in supports to help the plant for climbing and roots to run deeper. Family business must understand “family” is the plant that requires investment, management efforts and patience to yield results. Family members must experience the trust and openness to share everyone view and the collective decision making.

Unlike other working relationships where the boundaries often start and end at the office itself, working with family is an omnipotent and taxing journey. One has to cherish and sustain the relationships not just at office, but at home and even on holidays and social events. The following seven principles are keys to making family to work in a family business.

1. ALIGNMENT OF DREAMS AND ACTS



Not all family members would be interested in working for family business. Identify who is interested and committed irrespective of gender and on tradition of first born. Incoming family member must be clear in owning the role and responsibility. They must exhibit “strong skin in the game” orientation in all areas including planning, execution, feedback and improvements related to the new role. Wherever a ward joins because of desire rather than obligation or opportunism the immersions are meaningful. If the family member joins the family business out of obligation, the low commitment can hurt the family business if they are caught at the cusp of growth or market changes.

Whenever a family member joins a key role due to opportunism (lack of other alternatives or the family business experience equips her with better capabilities), such an arrangement can work when results are passable and market benevolent. So do not assume this is what a family member wants. Make sure their choices are respected and plan immersion once you have confirmation of their interest. When family members with relevant industry experience or relevant education join the immersion is easy. However, what is more important is their willingness to unlearn, learn and relearn makes a family member involvement a win-win for all. Bring them at appropriate level based on their prior collegiate education, prior work experience or skills they want to master. If possible, align them with a respected non-family member to coach and guide them.

2. DEFINE SHARED PURPOSE & EXPECTATIONS

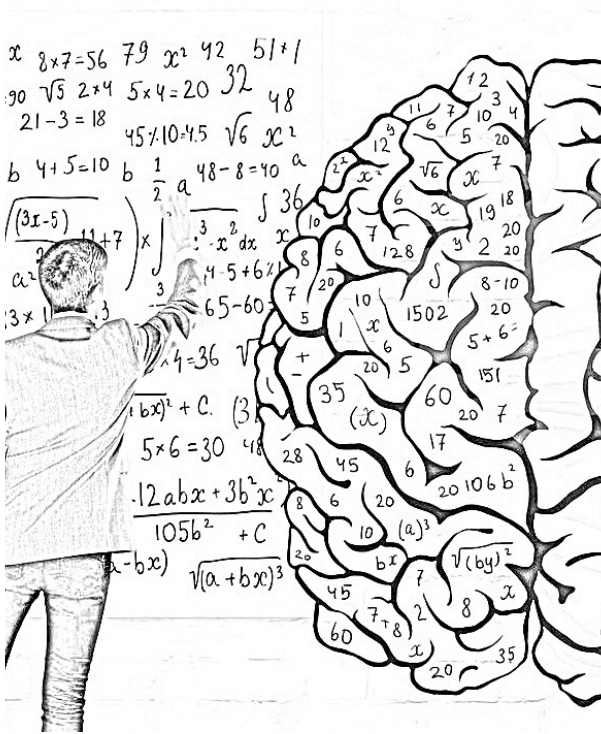


Commit to a shared purpose and actively seeking common ground is keys to family business. All family members must have clarity of the purpose of their coming together and what business ownership means to each of them. A super-ordinate focus makes it easier to accommodate loss of autonomy and collaboration rent each of them pays to drive the priorities and concerns of the business. This can be achieved by creating a family charter to define the vision and goals, but as a constitution to demarcate family and business.

Formalize family governance mechanisms to deepen sense of identity and collective benefits. On the business front, define roles and responsibilities, competencies required, ownership of outcomes and expected results. Clarity of who does what and how would decision happen is important to eliminate ambiguity and blame game. Successful business relationships have explicit business rules regarding who will fill what areas, how responsibilities are delegated and who is accountable to whom? It is also important to define what kind of performance review will happen and who owns the outcomes?

3. PLAY TO STRENGTH

Fresher can be hired into training positions, but do not bring them into roles of significant authority. One important goal of bringing in family member is to invest in leadership that stays with your family business for long. That starts by putting the family member into jobs that allow them to learn and grow and also make them feel they have earned their positions.



Look at their collegiate work or volunteer positions for evidence of passion, quality of outcome and functional orientation. Assess their work orientation, have they been managerial or entrepreneurship oriented? Family businesses thrive when family members complement each other and each play to their strength. Someone could be strong with numbers and other with people or sales. Recognizing that perspective may be different from different functional view improves acceptance and tolerance of each other's differences.

4. COMMUNICATE, COMMUNICATE..

Communication is key to all relationships and family relations more so. Some family member may prefer informal 10 minutes stand-up meetings each day, while others may hold weekly lunch meetings. For family business to work across generations and ties let go of these assumptions and communicate clearly and openly, just as you would with a non-family business associate. Express feelings, ideas, disagreement openly in a respectful and consistent method. Frequent, open communications and good listening skills cement the fissures and keep the family relationships strong. Formalize business communications, not just lag data but also lead information so that every-one in the family council has access to the numbers..



5. PARTICIPATIVE DECISION MAKING

For family business relationships to stay together, all strategic decisions including investments, on boarding relatives in business, diversification or partnerships must be thoroughly thrashed out collectively. Family businesses can also use extended platforms such as family court to keep away undue influence, improve transparency and collaboration. Document clearly how exceptions will be handled, what financial information and decisions will be shared, and how relatives will work in business and succession management. For diversified family business sitting on piles of cash, a family office that works as an investment arm does good to de-risk business and diversify into new industries



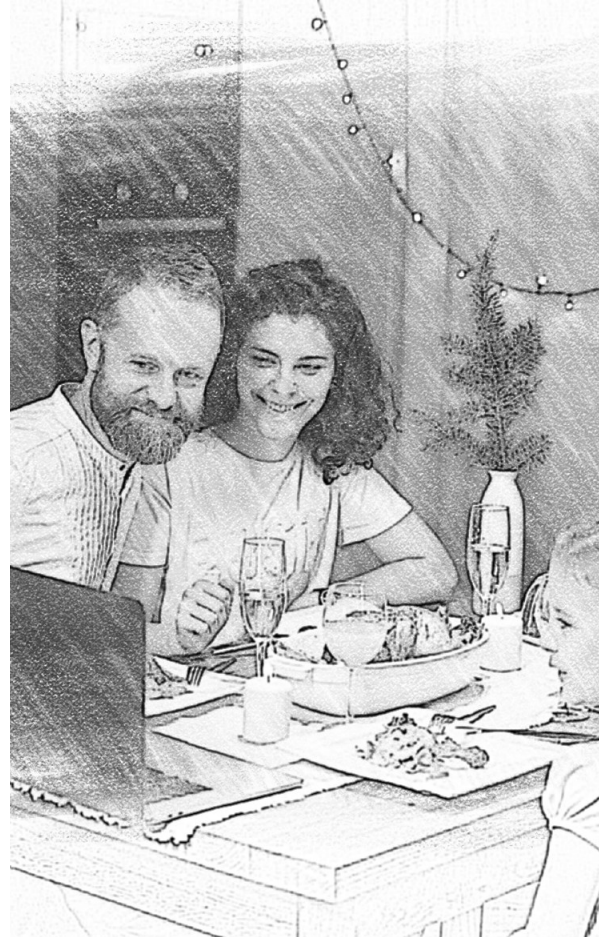
6. PERFORMANCE AND COMPENSATION POLICIES



Family business suffer when employment is seen as a birth right by family members. Firing a family member, however distant relative he may be, is an unpleasant task. Family business must invest in well-defined performance management process in the family court and use it as a as a platform to give feedback to family members. Continuous assessment to identify professional development process and mentors (could be from the family board or outside. It helps to have a clear compensation policy to avoid unpleasant situations in future. It is possible to equal profit bonuses while salaries may differ across family members, so that people do not feel exploited and underpaid.

7. PREPARE THE FAMILY AND BUSINESS

Employing a family member affects the individual, family, key non-family members who are with the business and employees. Assess how family dynamics in an extended family business interfere with smooth business operations. Evaluate how hiring a family member, especially for key management positions is going to affect employee morale and company culture. Articulate the minimum professional etiquette and standards that all associates (irrespective of their filial relationships) had to adhere and deliver. Use town hall and review meetings to be objective and outcome driven rather than personality-based. Clearly demarcate business and family meetings, continuously distill the separation of both by walking-the talk and discourage colloquial meanderings in formal business meetings. Let employee know each of the family member has rights and duties similar to them and must contribute to the success of the business.



Finally, hiring a family member is a great idea, only if it is planned and managed well. A family business must hire a family member only if family member will benefit on professional front and if the going is not good it will not affect relationships.

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