

THE CHALLENGES OF FAMILY BUSINESS

DEVELOPED BY PAUL WOERPEL, FAMILY BUSINESS DYNAMICS (1986)

THE NEPOTISM QUESTIONS

Younger Generation

- Do I have what it takes?
- Do I have to be a “super manager “to prove myself to others in the company?
- How can I really know how well I’m performing?
- How am I viewed by non-family managers?
- Could I succeed in a comparable position in another company?
- Am I qualified to handle the challenge of a growing business and a changing market?
- Can I be my own person and still convince my parents I am qualified to run the business?

Older Generation

- Should I bring my son or daughter directly into the business, or insist he/she work elsewhere first?
- How should family members be compensated? Equally, or according to some other criteria (market value, experience, level of responsibility and contribution.)
- Will we be able to attract and retain competent non-family managers?
- What should we do about family members and friends in business who are examples of the “Peter Principle”?
- It is impossible to offer each family member equal career opportunity within the business. How can I be fair without restricting or limiting anyone’s growth?
- How do we provide for the continuing growth and development of family members entering the business?

THE FAMILY INVOLVEMENT QUESTIONS

Younger Generation

- How can I pursue self-interest without jeopardizing family relationships?
- Should all family members be compensated the same?
- How do we decide who's qualified to handle what kind of responsibility?
- What do we do about non-performers?
- We can't all be president. How will the choice be made, and how will we get along after it is made?
- Should we employ anyone in the family who wants to be in the business?

Older Generation

- How do we manage conflict and difference of opinion to preserve harmonious family relations?
- To what degree should the family be involved in key business decisions?
- How do we keep the business from overshadowing family life and becoming all-consuming?
- How should we handle competitiveness among family members in the business?
- Is employment in the family company a birthright?

THE ISOLATION QUESTIONS

Younger Generation

- Where can I get friendship and peer support?
- Where can I find a mentor to assist me in my development?
- Where does the family turn for objectivity and perspective?

Older Generation

- Where can I get competent, objective input to help me run the business more effectively?
- I feel a tremendous responsibility to both my family and my employees. Where do I turn for support and understanding?

THE MANAGEMENT SUCCESSION QUESTIONS

Younger Generation

- How do we make the transition to the next generation and do what's right for the business, the family as a whole and individual family members?
- What if I'm not ready and he/she is?
- What if he/she isn't ready?
- How do we reconcile our different management styles?
- How can I be more than a caretaker president when my parents are concerned with asset preservation?
- How do I manage senior personnel who once worked for the older generation?
- What will be the older generation's role, in the business when I become president?
- How will I manage other family members active in the business?

Older Generation

- How do we make the transition to the next generation and do what's right for the business, the family as a whole, and individual family members?
- What if I'm not ready and he/she is?
- What if I'm ready and he/she isn't?
- How can I be sure he/she is really ready?
- How do we reconcile our different management styles?
- How can I remain active in the business without undermining the authority of my successor?
- What if the next generation can't get along?
- Will the next generation embrace the traditions, values, policies and practices I hold dear?
- How will the next president treat other family members and long term employees?
- Will the business be there for my grandchildren?
- Will my retirement future be secure in the hands of my successor?

THE OWNERSHIP SUCCESSION QUESTIONS

Younger Generation

- Is there an estate plan which provides for the financial needs of current family members without undermining the integrity and future of the business?
- Is the estate plan based on a philosophy of equal treatment or equitable treatment of the next generation?
- How will my mother and father be provided for and what will be the impact on the company?
- How will the issue of voting control be dealt with in the next generation?
- Should all family members benefit equally from the appreciation of company stock due to the efforts of those active in the business?

Older Generation

- Does my estate plan provide maximum benefit to family members without undermining the integrity and future of the business?
- Should my estate plan treat all the children equally, or is there another (better) way?
- How should the issue of voting control be dealt with in the next generation?
- Should all family members benefit equally from the appreciation of company stock due to the efforts of those active in the business?
- Should I sell the company?
- Can I count on financial security in retirement when control of the company has been passed to the next generation?
- Should I consider providing some form of ownership to key non-family managers?

MEETING THE CHALLENGES AND SUCCEEDING

- Establish the ground rules and plan for the future.
- Pursue truth. Face reality. Discuss the “undiscussables”
- Separate management considerations from ownership considerations; business needs from family and individual needs.
- Seek outside perspectives and advice.

ELEMENTS/CONSIDERATIONS IN THE FAMILY BUSINESS DEVELOPMENT PLAN

- Development of a *Strategic Plan* for the business
- Commitment to accept the challenges facing the family and the business; a shared understanding of the issues, the obstacles to necessary change, and the consequences of avoidance or inaction
- Development of a statement of the *Family Core Values* which guide relationships and decision making
- Development of a *Family Mission Statement*
- Development of the *Family Vision* for the future
- Clarification of family leadership, guidelines for conflict resolution and decision making
- Clarification of the role of the business in the family and the family in the business
- Clarification of the relationship between family and non-family managers
- *Management Succession Plan*, including individual career development plans
- *Ownership Succession and Estate Plan*

STEPS IN DEVELOPING A MANAGEMENT SUCCESSION PLAN

- Complete audit of family, individual, and business development needs
- Clearly established organization structure - roles, responsibilities, authority
- Job descriptions
- Clarification of performance objectives and review process
- Independent appraisal of family members' management strengths and weaknesses
- Training and development plan for family members
- Identification of successor based on competency and commitment
- Transition plan for successor and current president specifying timetable and criteria for changes in roles and responsibilities