

Use Communication To Manage Family Businesses

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Family-owned businesses face unique problems that arise from overlapping family roles and work relationships.

Family businesses employ more than half of the nation's workforce and account for 80 to 90 percent of commercial enterprises in the United States. Although family businesses can be profitable, they also can be stressful when family members don't maintain clear boundaries between family and business systems.

In today's competitive climate, less than one-third of family businesses survive through the second generation, and fewer than 10 percent survive through the third. Poor economic conditions or business judgment explain some of these failures, but the major cause is an inability to develop a competent business succession plan. It can be tough for senior family members to address their own aging, or they worry the younger generation's way of running things won't be as good as their way.

Successful management of family businesses depends on how well the younger and older members manage communication within the family, within the business and with non-family employees. Leaders must be good listeners so all perspectives are heard when important issues arise. Avoiding conflict can harm both the family and business.

When the time comes to work out formal succession plans, it will go smoothly if family relationships have been managed properly during the early years. Senior members with ownership have a duty to initiate this planning. Make sure family members participate and the next generation has been adequately prepared for senior management positions. All family members and non-family employees should be told the rationale for the choice of the successor.

Outside advisors and consultants can provide an objective judgment regarding the skills and experience successors will need, given the company's future direction. They're not entangled in the emotional side of family businesses, so they're less apt to play favorites, and can help ensure adequate representation of different interests. They also can spare parents the painful dilemma of having to choose the successor from among several children.

For most members of the younger generation, preparation for new leadership roles requires more knowledge, skills and experience. They need the opportunity to learn, which also means learning from mistakes. Younger members should actively seek new responsibilities whenever possible. It also may be a good idea to work full-time for another company before joining the family business to gain knowledge in the field.

Planning for post-management years should be as important to retiring seniors as financial planning. It's important for seniors to have something useful to occupy their time after leaving the business, such as hobbies and activities. Those who don't wish to exit the company entirely may choose to stay on as an advisor or consultant, while others may launch new careers altogether.

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SOURCES: Marilyn Schlake, program coordinator, Center For Applied Rural Innovation, Nebraska EDGE program; NX Level Guide, 2000