

## **Building Family Business Relations**

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### **Introduction**

Hiring only non-family members would likely make labor management in your business easier than working with family members. The fact is, however, that most small businesses include two or more family members: spouses, children, in-laws, siblings and parents. Family members usually have some key management responsibilities and also work daily in the business. The overall benefits of having family members in the business are usually judged to outweigh the challenges, frustrations, hard feelings and stress.

The paper has five sections: 1) The Family Business Environment, 2) The Three Roles in Family Businesses, 3) Guidelines for the Top Manager to Deal with Family Members, 4) Guidelines for Family Members to Deal with the Top Manager, and 5) How Are We Doing? The first, second and fifth sections speak to all family members in the business. The third section focuses just on the top manager. The fourth section suggests guidelines for the family members below the top manager in the business structure.

### **The Family Business Environment**

Understanding the family business environment starts the process of success with family labor. The family business environment typically has the following key characteristics:

1. *The family and the business overlap.* Family considerations affect many business decisions, e.g., business expansion is justified by a son's interest in the business. On the other hand, business considerations affect many family decisions, e.g., bathroom and kitchen remodeling must wait until an additional truck is paid for.
2. *The small business way of life brings great satisfaction to family members.* Many families want to continue their attachment to the business and each other as long as possible. Children grow up wanting to raise their children the way their parents raised them.
3. *Family pride, values, history and willingness to sacrifice drive the business to success.* The family business is much more than a business. It is often a family's identity in the community. Family members are willing to sacrifice much for the success of the business.

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4. *The family culture emphasizes self-employment.* Most owners highly value self-employment. Not surprisingly, their children are often raised to prefer self-employment over working for someone else, especially a neighboring business. The desire to be part of ownership and management often dominates career decisions.
5. *The opportunities provided by a small business may not fit the strengths of family members.* Younger siblings' plant, machinery or sales management strengths often duplicate the strengths already in the business. The desperate need for financial management, marketing, or labor management strengths may be nowhere to be found among family members in the business.
6. *The family business often limits the opportunities for career growth.* A capable young family member often joins a family business while his or her parents are in the middle of their careers. Grandparents may still play a dominant role. Reality is waiting 30 years for one's first significant taste of top management decision-making.
7. *Chronic health problems, weather, marital problems, economic difficulties, and calamities impede progress of the business.* Factors over which the family has little control continuously affect the outcomes of plans and expectations.
8. *Family members often come into the business with vague job descriptions, compensation packages and placement in the business hierarchy.* Confidence that everything will work out substitutes for careful discussion of the pros and cons for joining the business. Growing up in the business or marrying into it leads to the conclusion that not much can or will change.

Several of these family characteristics appear negative. In fact, many family businesses are unsuccessful in bringing in succeeding generations. The challenge is to take advantage of the significant strengths of family businesses while dealing with their inherent weaknesses. Many family businesses succeed and thrive generation after generation. Top managers and the rest of the family working hard at family relations explain the success. The following three sections suggest guidelines that can help bring about the success.

### **The Three Roles in Family Businesses**

Each family member has multiple roles within the business and family. Each is a member of the family - the family role. Each has a role in the business - the business role. In addition, each has a personal role - certain personal interests, hobbies, need for time alone, activities outside the family and business, and perhaps a social life unrelated to anyone within the family. These family, business and personal roles compete for time and cause confusion.

Some families mostly separate the three roles. Other families merge the roles to the point they are hardly distinguishable one from another. Failure to distinguish among the roles causes confusion and faulty explanations of family members' actions.

To illustrate the importance of roles, Tom is a perennial grower whose three roles cause confusion and frustration. His mother thinks that Tom, as her son, should pay her a generous rent for her trucks each year so she has more money to travel. Tom thinks that he should negotiate a fair and economically justifiable rent with his mother although he is thankful that she has been such a good ma. Tom loves collecting antique toy tractors and attending toy shows with a neighbor who is even more avid about the hobby than Tom. Tom finds it relaxing, interesting and a great way to meet avid hobbyists.

Tom deals with his mother as son (a family role), as a business negotiator (a business role) and as a hobbyist (a personal role) who sometimes goes to a toy show instead of visiting her. Tom deals with his family as husband and father (a family role), as the manager of the business in which they work (a business role) and the person who goes to toy shows with the neighbor instead of inviting them to go along (a personal role).

### **Guidelines for the Top Manager**

The top manager(s) in a family business has quite different responsibilities than other family members who are in the business. Success or failure in integrating family members into the business rests firmly with the top manager. The top manager may not be the head of the family. For example, the extended family can have a strong matriarchal head who masterminds parenting, the household, family gatherings and day-to-day family nurturing. The matriarch can greatly influence the integration of some family members into the family business although she has only a minor role in business management.

The following guidelines, written to top managers, provide, tips, ideas and strategies for successfully handling family business responsibilities. The top manager or managers are the ones with the ultimate responsibility and authority for the business to accomplish its goals. Successful top managers have successful businesses. Failing top managers are accompanied with failing businesses.

***Develop a mission statement and goals for the business.*** The informal nature of most family businesses requires that the planning combine formal and informal discussion. The process of planning helps more than the resulting plan. Engaging all the family members in the process assures that they know and understand the goals and why they are important to the businesses' future. Broad input into planning rests on the maxim, "All of us together are smarter than any one of us."

***Provide a testing period for family members coming into the business.*** The testing period provides a safety valve in cases where the new person doesn't work out. The parties to a relationship that is not working can break off an employer/employee relationship much easier than a partnership or co-investor relationship. Starting as an employee provides the family member time to determine if the family business and working for another family member meet his or her expectations. A two or three-year starting period as an employee can lead to opportunity to start buying into the business or to be given long-term responsibilities. Starting a

new person as a partner or co-investor with long-term promises is like marriage without courtship. Knowing a person well as a son or daughter can be quite different from knowing the person as an adult in a business relationship. Commitments to new in-laws without a testing period are even more problematic.

***Provide written job descriptions for each member of the family.*** Start by making sure that everyone understands your own job description. Job descriptions serve as a valuable communication aid. Too often, family members join the business with only a vague understanding of what their responsibilities will be. Compensation promises may be even more vague than job responsibilities. Job descriptions pave the way for fair compensation. Open and honest discussion about duties and opportunities for input into management benefit everyone. Imagine a situation in which Mom and Dad believe their daughter joining the business will solve their labor problems. The daughter thinks joining the business will provide an opportunity to apply all she has learned at college about horticulture. She looks forward to correcting several other mistakes her parents have been making for years. Laborer or manager? A job description can help answer the question.

***Train people to do their jobs.*** Employees succeed only if they know how to do what they are hired to do. The same goes for family members. New people in the business usually need some training. Even a family member who was “in and around” the business for years during childhood is likely to need some training. You are likely to ask, “Should I ask my brother or new son-in-law to accept some training?” Answering no to this important question is setting the new person up for frustration and perhaps failure.

***Delegate responsibility and authority.*** This guideline combines job descriptions and training. Make responsibility part of the job description, provide the necessary training and then delegate. Responsibility builds commitment and enthusiasm. Delegation involves pushing responsibility as far down in the organization as practical. Delegation of responsibility frees you from attention to day-to-day problems so that you can work on new problems. Certain tasks must remain your responsibility, e.g., whether to expand the business. Other responsibilities, e.g., when to change the oil in a truck, unnecessarily bog you down.

***Operate a profitable business.*** An unprofitable business must be turned around if you are to avoid longer-run disaster. Of course, profit does not guarantee family business continuity. It does, however, make it possible to concentrate attention on the family and people issues that can destroy a business just as surely as lack of profit destroys it.

***Develop harmony between the business and family.*** Family businesses bring stress to everyone involved. The work is never-ending. Family members carry the stress home to their families. On the other hand, stress from home is carried to the business. Marital problems, personal financial problems and illness, for example, easily affect on-the-job performance. No top manager can control the events causing stress. However, you can be sensitive to the status of family/business interaction. Keep family commitments in mind when scheduling workdays. Be mindful of who worked the last holiday.

***Provide leadership and coaching to the business.*** Every organization needs leadership to thrive. Family members want you to lead. Family members also want to be coached by a caring person sincerely interested in being helpful. Your failure to lead leaves them waiting for someone to step forward. Sometimes, leadership depends primarily on your delegating specific responsibilities to each member of your family management team. In some cases, the events call for you to be decisive and firm.

***Communicate clearly and often.*** Few family members complain about understanding the business too well. Even fewer complain about a manager who encourages them to ask questions as they occur. Open and clear communication creates an environment in which people can disagree with each other without being disagreeable. The top manager can select from a host of communication aids: staff meetings, weekly management meetings, daily “catch up” conversations, annual family business meetings, quarterly written reports to all personnel, suggestion boxes, managing by “walking about,” performance evaluations, speaking to each key person at least once each day, two-way radios, message boards and a weekly meal out with family staff. The list suggests that no one way is best for all. Each top manager needs to commit to clear and open communication and then set about finding ways to do it.

***Develop pride throughout the family in your business.*** Being part of a winning team helps build self-confidence, team spirit and the conviction that “I am at the right place.” Success builds pride. Progressive, recognized, adapting and modern farms build pride. Attractive buildings, hats and shirts with the business name and employees’ names, and a steady flow of visitors also build pride. Pride comes from years of attention to important details.

***Nurture each family member in the business.*** Nurturing is a combination of parenting, caring for, listening to, being concerned about and being interested in every member of the family. The emotions and feelings that come with nurturing matter most. No one will hand you a recipe for their nurturing. How to do it varies person by person. “She/he really cares about me!” This signals your success in nurturing.

***Celebrate the business’ successes.*** Celebrations show that you notice and appreciate the efforts people are making for the good of the business. Reaching a production goal, making it through a rough winter, finishing a harvest season or completing a move into new facilities deserve to be celebrated. Each family can discover how it prefers to celebrate. The following can work: picnics, pizza for everyone, a staff day at an amusement park, home made ice cream, renting the local swimming pool after hours and one day hiring a limousine to bring people to work.

***Catch people doing things right and say thank you.*** Discipline usually focuses on people’s mistakes. No one is perfect. Discipline comes with supervising people. Making most feedback positive paves the way for discipline having the desired positive results. Knowing that one is appreciated for the good done helps accept the consequences of mistakes.

***Prepare people for their future responsibilities.*** To some extent, each of the previous guidelines contributes to this preparation. The future generation of top managers can learn much

from observing this generation's managers. Simply observing is not enough. People need to be given the opportunity to make decisions and then accept responsibility. Getting to know successful managers of other family businesses is helpful. Attending regional and national meetings also helps. A plan works best when it provides for a wide range of experiences, responsibilities and training.

***Have fun.*** The wisest people in the perennial business emphasize the importance of liking the industry, the place, the people and the day-to-day life in the business. You face a serious challenge when people in your business stop looking forward to going to work the next day. An anonymous source said it well, "When people stop having fun, none of the rest matters."

### **Guidelines for Family Members**

Guidelines can also help the rest of the family. Success in family businesses is a two-way street - top managers creating an environment in which people can succeed and people taking advantage of the opportunities given them. The guidelines for being known as an outstanding family member in the business are strikingly similar to the guidelines for building a reputation as an outstanding non-family employee. The following guidelines are written to family members who must work with the top manager, with each other and with non-family employees.

***Seek responsibility.*** Pay special attention to what responsibilities others in the family avoid. Their avoidance provides you opportunity. Regularly taking an extra turn at the "dirty" jobs builds goodwill. Fairness or equality matters much less than the reputation within the family that you are building. Assisting with what the business needs most, e.g., better records, helps more than insisting on one's favorite tasks already being done adequately by someone else.

***Become competent in handling your responsibilities.*** Be willing to learn. Admit to what you don't know or don't know how to do. Asking many questions of knowledgeable people, training, practice, reading, watching videos and hard work are just some ways to build up your competencies.

***"Read" the signals sent to you.*** Family members are more likely to hint at what they want you to know than to assert it clearly. Everyone paying attention to non verbal communication avoids the build up of emotions and anger. "Readers" of others can become the askers, the promoters of improved communication and the mediators. Those sensitive to others' feelings are likely to be widely appreciated within the family. People with ears and eyes of stone are about as helpful to communication as walls of stone.

***Be consistent in your mood, humor, temperament and cheerfulness.*** Moodiness isn't an asset. Evenness and consistency are. Practice self-control. Such guidelines suggest to some people that they need to change to be successful in their family's business. The precise point of this guideline is to call attention to the simple fact that some people have personal characteristics that if unchanged will guarantee failure in the business. Choosing each day to be happy is an excellent first step.

***Admit your mistakes.*** Save everyone else the need to figure out what went wrong if you already know what happened. Making excuses doesn't help. It does cause others to be suspicious of you when similar things next go wrong.

***Establish a home independent of your parents.*** If Mom still washes your underwear, you are not ready to form a business relationship with Dad. Family business relationships should be adult like. People living with their parents often retain a parent-child relationship rather than work toward an adult-adult relationship. Worship, social and recreational lives independent of parents and other family members often contribute to success in family business relations.

***Build good relations with non-family employees.*** They watch your family. They wonder about family relations and their future. Experienced employees worry about young family members taking their jobs. Young family members can learn a great deal from employees who have been through years of ups and downs with the farm. The older employees often know the senior family members better than they know young family members. Take advantage of their wisdom.

***Prepare for your next position in the business.*** Observe carefully what the top managers are doing. Learn from their mistakes. Ask them questions. Seek opportunity to gain experience in making decisions, putting into practice what you have decided and then living with the consequences. Get well acquainted with successful top managers on throughout the country. Know where the industry is going, who are its leaders and the most importance challenges that lie ahead. Keep your personal mission statement updated. Have a career plan but accept that it cannot be a road map to get you to a specific career point by a certain date. A career is a journey not a target.

## **How Are We Doing?**

“How are we doing?” Ask, don't guess. Here is a simple test that any family can use to test how they are doing with family business relations. Each family member can respond to the list following this direction:

*“Please rate your family business on each of these twelve items using the following scale:*

*1 = Always, 2 = Usually, 3 = Sometimes, 4 = Rarely, 5 = Never*

- \_\_\_\_\_ 1. Our business has known and shared goals.
- \_\_\_\_\_ 2. We know each other's job responsibilities.
- \_\_\_\_\_ 3. We know how to do our jobs well.
- \_\_\_\_\_ 4. Each of us has responsibilities important to the success of the business.

- \_\_\_\_\_ 5. We share responsibility for family happiness.
- \_\_\_\_\_ 6. We have a profitable business.
- \_\_\_\_\_ 7. Our families and business are in harmony.
- \_\_\_\_\_ 8. We have the leadership we need.
- \_\_\_\_\_ 9. We have open and continuous communication.
- \_\_\_\_\_ 10. We are proud to be part of this family and this business.
- \_\_\_\_\_ 11. Each person in the business feels nurtured and cared for.
- \_\_\_\_\_ 12. We have fun.

Each family member can answer anonymously. The family can designate one of its members to collect and tabulate the completed forms. An alternative is for the family to select an outsider to do the collection and confidential tabulation.

Distribute the results to the family before a meeting to discuss the implications. Such a discussion can generate a list of helpful changes to make. Some changes can be immediate; others may take several months or longer to accomplish.

### **Summary**

Family businesses offer some families an attractive opportunity to work together. The families can look forward to accomplishing their business, career and family goals. Success in family labor relations comes only through dedication, hard work and cooperation. Families need first to understand the family business environment. It differs in important ways from the non-family business environment. Families can benefit from understanding the three roles each family member plays. The top manager has ultimate responsibility for family labor relations. The guidelines this paper presents to top managers provides them a starting point for determining how they are going to handle their responsibilities. Family members working cooperatively with the top manager, with each other and with non-family employees can help build positive family relations. They too can select from a set of practical guidelines to improve their effectiveness. Finally, each family can help itself by regularly asking how it is doing in relating to each other and then using the results to make helpful changes.