

Business is Business...Except When Family is Involved



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It is an amazing statistic that 80-90% of companies in this country are classified as family-owned businesses. I guess I could have called this article, "Family Business is Business." Despite the fact that family business is the norm, having consulted with hundreds of them (and even growing up in a family business – my father was a contractor in NYC), I still contend there is something unique about working in a company with family members as owners and/or employees that causes them to transcend the idea of "normal" business.

Why are family businesses so different from other businesses? It's because in addition to typical business matters, there are also personal concerns to address that you don't encounter in non-family businesses. Once you have family members working within a company, it is very difficult to run that company solely by standard business norms. There is a significant difference between business norms and family norms, and I contend that trying to run a business by family norms is like a boat trying to pull away from the port while still tied firmly to the dock.

In my experience of working with family-owned businesses, if trusted advisors disregard the family issues, they are likely to miss much of the effective, lasting solutions to the problems that exist within the company. Effectively addressing these issues is critical to the company's overall success.

Facilitating a dialog to address business issues among family members requires a unique combination of experience:

- Sharp business savvy and management skills
- Mediation and coaching skills
- Solid financial skills
- Knowledge of family dynamics
- Firsthand family business experience

When seeking a consultant to assist in resolving business issues, a family business owner needs to choose someone who demonstrates proficiency in all the aforementioned areas.

As you can see, in almost every facet of the business, family norms are in sharp contrast to the accepted practices required to run a business effectively. The first thing I do in a family business is assess the extent to which the business is governed by family norms and address this with the owner. Together we work out a plan to manage those areas that are being negatively impacted.

Having grown up in a family business, I know there are many wonderful aspects to being part of and sharing in the rewards of a family venture. My contention is that, at minimum, owners of family businesses need to recognize the impact that *family* is having on their business and to address those areas of concern while, at the same time, maintaining the positive aspects of the culture they have created.

The chart below covers differences between family norms and business norms

Business Issue	Business Norms	Family Norms
I. Selection	Careful, methodical choice – <ul style="list-style-type: none"> • Screen thoroughly for the right fit • Find the person who can do the best job 	Obligatory - Factors include: <ul style="list-style-type: none"> • Provide family member an opportunity • Who needs the most help • Who's the most cooperative • Age
II. Compensation	Merit: Allocate compensation according to market worth, salary history and performance	Allowance: Treat equally or allocate according to family member needs
III. Performance Appraisal	<ul style="list-style-type: none"> • Honest frank assessment and feedback • Reward high performers 	<ul style="list-style-type: none"> • Don't differentiate between siblings • Don't hurt feelings
IV. Training	Train to satisfy organizations needs	Provide learning opportunity to family member – satisfy individual development needs
V. Succession	Must be earned	Inheritance by familial rights
VI. Expression of Feelings	Restrained business demeanor	Open season –anytime, anywhere
VII. Commitment to Relationship	Limited to the need of the organization and the value the individual is bringing to the table	Lifetime