

FAMILY BUSINESS & THE 'MONEY DRUNK' FACTOR



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Working closely with many family-owned businesses over the years, I've noticed two alarming trends rarely addressed by the news media—if at all. First, I've sensed that fewer family-owned businesses are being passed on to the next generation. (The statistics bear out my experience: The percentage of family businesses taken over by the second generation has dropped from over 40% to less than 30% in the last decade.) Second, I've observed a lot of owners spending wild amounts of revenue on personal expenses, even in today's tough economy. They're "money drunk." **What's Happened?** Let's start by going back to the "good old days." Traditionally, businesses that had "& son" or "& sons" after their name were pervasive, all across the nation. (There was a decided lack of "& daughters," and those who know me understand how much that sticks in my craw—but that's another story.) Passing along your business was a means of providing a living for your children. It was also a matter of pride; in many cases, it was a given. But more recently, the idea of passing along the family business seems to have become less appealing – to both generations. Perhaps that's because during relatively good economic times, the sons and daughters of small-business owners often choose to move into the professions—lawyers, doctors, accountants—rather than entering the family business. While these decisions may have initially disappointed the first generation, parents quickly came around, even affirmed, such career shifts. After all, that meant they could now look at the business as something to sell, an opportunity to cash out. And since the business was no longer a legacy (the "kids" were doing just fine, thank you) it also made it easier to justify pulling money out of the business to pay for luxurious cars, second homes, the perks of high living.

That gets us to the "money drunk" part.

For me, it's been an eye-opener to discover how many business owners have not curtailed their spending during the current economic crunch. I've spent a lot of time talking CFOs back from the ledge—so deeply stressed and desperate they've become, not being able to pay vendors or meet payroll, even while their bosses continue to spend money imprudently. *How difficult it is to break these spending habits!* People have become addicted to spending money, and chasing the next big deal, without considering the consequences. We are a nation of high rollers who can't stop rolling, even when most of us no longer have the kind of resources needed to fund our habits.

So Where Do We Go from Here?

Here is the irony in our predicament—and perhaps its saving grace. These days, the sons and daughters of business owners who are graduating college are having trouble finding jobs in every profession, anywhere they look. Suddenly, the appeal of joining the family business is real again. And for the first-generation owners, it has become clear that the business they are running is again a potential legacy that can provide for their children. Here is the chance to provide a job to a 20-something son or daughter, without having to support them on an allowance, which—guess what?—would probably have been drained from the business. So if you're running a family business with children coming soon onto your payroll, here are some suggestions:

- Prepare a professionally developed succession plan that is shared with everyone involved – you, your spouse, all your children (whether they're in the business or not) and any other individual part of the plan.
- Get a professional assessment done on the strengths and weaknesses of family members so you have support to put the right people in the right jobs.
- Create a leadership and management development plan for those family members in your business.
- Tighten your belt – adjust to the new reality, curb spending and make sure you are doing everything to guarantee the company will survive the current economic times and grow in the recovery.
- Create a professionally developed retirement plan for yourself and your spouse that will permit you to provide comfortably for your expected long retirement years.
- Review your business plan and take into account more long-term strategies. And as for the "money drunk" habit, I know it's not easy to break addictive spending, but like any dysfunctional behavior, if you don't get help to recover from it, the addiction will bring you and your business down—and may take your family with you.

Ellen Cooperperson is the founder and President of Corporate Performance Consultants, Inc. For over 25 years CPC has supported organizational leaders and top achievers in implementing and managing change and profitable growth by providing a full-range of consulting services. Contact Ellen at (631) 300-0009 and go to her website www.cooperperson.com.