

## ties that bind

# Perpetuating the Family Business

Here are some secrets to keeping the family business functional as you train the next generation of family leaders. | BY Tom Hubler

**A** most challenging aspect of entrepreneurship has nothing to do with who started or maintains the family business, yet has everything to do with perpetuating it. That challenge is to do all that's required to pass the company on to generation two.

In four previous *MinnesotaBusiness* columns (July, September and November 2008 and January 2009), I discussed the entrepreneur's responsibilities to create a plan for succession and the next generation. Over the past 30 years I have had many clients who did the technical things: created an ownership plan, formalized an estate plan and engaged with their family to perpetuate their business legacy. Unfortunately, in some cases, by that time the entrepreneur was "burned out." He or she had exhausted the energy and desire, and lacked the skills to devote to training and developing the business family's next generation of leaders. A decision had been made to keep the company in the family, but the retiring generation was totally at sea about how to make that happen with the "kids." While the situation can be frustrating, good results are vital if you are to successfully pass the business baton to generation two.

A common interim solution is to hire a non-family person as president to run the company and train new family leaders. Many business executives are looking for just such an assignment. The trick is to find one suited for your family and company. Here are some tips to help you bridge the gap:

Look for a person with a proven track record of business growth and success; ask for a bio or other proof of competence.

Determine that he or she has the skills and temperament to train and mentor; if possible talk to individuals who have had them as a "coach."

Determine how well the prospective candidate fits into your business family culture. For example, someone from large, public corporations may not comfortably fit in a lean, social, family work culture.

Discuss mutual expectations with the candidate to clarify what success looks like. Include in these discussions your expectations for the next generation leaders.

Thoroughly explain the family's values, what you expect to see perpetuated in the company, and how the new non-family president can provide leadership.

Set clear, formal boundaries for the working relationship that will exist between the entrepreneur and the non-family president. Write those rules down.

Also, write down expectations for company performance. I suggest that the entrepreneur have regular meetings with the non-family president to stay informed about progress.

Beyond an interim non-family president, an active board of directors can enormously benefit the entrepreneur in managing the leadership transition and training generation two. A strong, competent board can make it easier for both the entrepreneur and a non-family president who reports to the board. An engaged board of directors can broaden the entrepreneur's perspective, reflect company/family history, amplify objectivity and enhance

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discussions about any potential shortcomings discovered in generation two.

Prepare an employment agreement to memorialize the employment expectations for the non-family president. The agreement protects everyone involved and supports the president's ability to monitor new family leaders and hold them accountable. Consult with your attorney to help develop such a document that formalizes expectations necessary for the continued successful operation of your family business.

Business families are complex entities because they combine so many unusual characteristics—expressed and unexpressed. This does not mean that an "outsider" is difficult to find or may be challenged to coach the incoming generation. In fact, the right candidate can simultaneously relieve the entrepreneur's stress and launch the family business legacy into a strong future. **MB**



## THE CONTRIBUTOR

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