

## Ties that Bind

# Rock Solid

BY Thomas M. Hubler

## Creating a strong family foundation on which to build your business

It's no secret that business families are successful. In addition to the fact that business families contribute more than 50 percent to the gross domestic product, and are the source of most new employment, they also outperform their Standard & Poor's publicly traded cousins. Plus, women-owned, family-owned businesses outperform their male-owned counterparts.

The question that naturally arises is what constitutes a successful business family?

The first characteristic is having strong family relationships. Ed Friedman studied families that own major sports franchisees and discovered that teams on the field had better records when the family was getting along. Recent research indicates that business families are more profitable when family relationships are solid.

The research is not as strong on the following characteristic, but is generally seen as consistent with successful business families. Having a common family vision is one of the essential ingredients to a successful business family. It becomes a super-ordinate goal that is created out of the family's values, and is a unifying force within the family. Family unity is a function of having a reciprocal commitment to each other's success. Csikszentmihalyi says in *Finding Flow*: "Only when there is harmony between the goals of the participants, when everyone is investing psychic energy into a joint goal does being together become enjoyable," (p. 113).

Regular family meetings are another resource to balance and maintain healthy business family relationships. Family meetings are not only designed to create balance, but also create a vehicle for family communication, education about family businesses, and provide an opportunity for the shareholders to learn about the business and to discuss their expectations of the company. I would be remiss if I didn't add that another reason for family meetings is to have family fun. It

is critical for business families to build the emotional equity of the family. Family meetings create an opportunity for togetherness, celebration of family rituals, and plain old good times.

All successful business families have ownership plans that specify the stock ownership transfer, an open estate plan and most impor-

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tantly, how the adult children will be treated equitably. As a part of the ownership plan, there should be a carefully crafted shareholder agreement that includes all the standard ingredients. One of the most important provisions is a clause that allows the adult children to sell their stock and "get out." Having the freedom to get out prevents many problems by relieving the pressure to stay.

Another aspect of an ownership plan is an active board of directors with outside members or, at the very least, outside advisors. All companies have legal boards, but the most successful companies, according to research, have an active board with outside members. Having the benefit of outside advisors brings fresh and often vital perspectives to business families.

Leadership succession is another area that successful business families have in place. Not only is it important to train and develop the younger generation adult children regarding their gifts for leadership and business, but equally important is creating a leadership plan for the senior generation. The senior generation does not have to leave the business, but they do need to change their job descriptions and make room for the emergence of the next generation. In addition to being the architect of the new leadership system, the senior generation leadership is also responsible for crafting a plan to collaborate with the next generation of leaders.

Every successful business family has a plan in place to deal with its success so that the money and wealth do not overcome the family and the next generation. In our hyper-consumptive world, where kids receive 3,000 advertising messages daily that encourage them to spend, the only antidote is teaching both financial and experiential philanthropy. A business family committed to philanthropy starts involving the children at a very young age so that philanthropy and gratitude are inherent to them. Philanthropy creates an environment where children are uncorrupted by money and are free to pursue purposeful lives.

No matter if you are a multi-generational business family or a new and emerging business family, these are the ingredients of success. At your next family meeting, have a discussion and share your perspective about the next steps that the family should take to strengthen your business. **MB**



## THE CONTRIBUTOR

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