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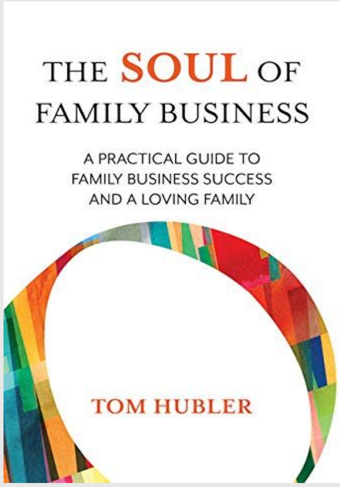

The Soul of Family Business

A Practical Guide to Family Business Success and a Loving Family

Tom Hubler
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234 pages

Rating

8

8 Applicability
6 Innovation
7 Style

Focus

Leadership & Management
Strategy
Sales & Marketing
Finance
Human Resources
IT, Production & Logistics
Career & Self-Development
Small Business
Economics & Politics
Industries
Global Business
Concepts & Trends

Take-Aways

- In most family businesses, family members don’t sufficiently express love and appreciation for one another.
- For a family firm to succeed, the relatives involved should set clear rules to separate “family time” from “business time.”
- The more family meetings you hold, the more successful your family firm will be.
- Families must calmly and candidly discuss business disagreements.
- Healthy, harmonious families and family businesses depend on “flexibility, togetherness and communication.”
- Family members’ unexamined expectations about their roles in the business can hurt the firm and the family.
- Betrayal is a primary wrecker of family businesses.
- Unpleasantness at work results when family members can’t forgive one another for affronts and slights.
- A family business can’t succeed if the family is unhappy.
- Planning for succession is crucial, though it often leads to family and business conflicts.

Relevance

What You Will Learn

In this summary, you will learn: 1) What 10 common problems plague relatives in family firms; 2) What five best practices family firms should follow; and 3) Why family businesses need happy families, a "Common Family Vision" and frequent family meetings.

Recommendation

Family firms face issues and hazards that nonfamily firms never face. At the same time, family businesses can realize special opportunities that nonfamily firms can't achieve. Tom Hubler, who has decades of experience as a therapist in family business consulting, details the practices that make these companies work. Though his manual is informative and useful, his repetitiveness and tendency to name business concepts after himself – Hubler's Legacy Model, Hubler's Speck of Dust Theory and Hubler's Checklist – somewhat dull his worthwhile advice and practical insights. He does provide smart, proven conflict-resolution techniques to keep family members working together in harmony. And, he writes movingly of the importance of "heart and soul" in a family business. Relatives and nonfamily members in family firms will gain insight and understanding from his advice.

Summary

Family Firms

Relatives who work together in a family business face a singular challenge: They must successfully run their business while maintaining harmonious relationships with one another. Family members who are in business together but who don't get along on the domestic side still must find a way to work together on the commercial side.

"When sovereignty issues arise in your family business or within the family, don't wait for them to escalate into a problem or misunderstanding. Reach out. Gather the family or those involved to discuss the matter."

Common Problems

Ten common problems plague family members working in family firms:

1. **"Lack of appreciation and recognition"** – Nothing causes more internal tension and bad feelings than relatives who don't show one another respect and approval. Family members need to recognize the importance of the "emotional bottom line," which is as crucial as the financial bottom line.
2. **"Lack of forgiveness**" – Being willing to forgive sustains family connections and family firms. A lack of forgiveness among relatives means strained, unhappy working conditions. One route to learning to forgive is for family members to access their religious heritages. Most religions include a "philosophy of forgiveness."
3. **"Control"** – Many entrepreneurs go into business so they can be in charge. Control issues often develop when multiple family members become involved in an entrepreneur's firm. The founder may find it hard to give up power when the time comes to retire. At this stage, family members or counselors can help the entrepreneur develop a plan that looks ahead to activities other than the business that now engages all of his or her interest and attention.
4. **The belief that others should change** – Many family members working together believe anything that goes wrong in the company is someone else's fault, so that person must change his or her behavior. Everyone in a family firm must learn – perhaps with the aid of a therapist or counselor – how to accept personal responsibility.
5. **"History"** – Most relatives involved in a family firm want to create a positive future for

"Part of what can happen in family-owned businesses is that there are two systems – the family system and the business system – and the overlap that can exist between the two systems can cause conflict."

it. Knowing their family history fuels connection and a sense of legacy. Family members should examine the positive and negative aspects of their shared history. The "paradox of change" reveals that when you welcome – and don't deny – the unpleasant aspects of your family's shared history, you are better able to move positively into the future.

6. **"Scarcity"** – Families can suffer from the "insidious" belief that their company never has enough funds, jobs and power to go around. This manifests in two ways – in the financial bottom line and in the emotional bottom line. "Emotional scarcity" happens when family members fail to express adequate love, recognition and appreciation for each other and each other's efforts. Relatives can overcome this sense of scarcity by devoting themselves to serving the firm's clients, thus coming to realize "the abundance that exists in the world" for everyone.
7. **"Entitlement"** – Younger members of a family business often exhibit a sense of entitlement. They use their status as relatives to prevail over nonfamily employees. Entitlement can be a problem for older family members, too. Because they may occupy positions of corporate leadership, they try to exercise their at-work authority over younger family members outside work. Establishing a "Common Family Vision" can help relatives deal responsibly with entitlement issues.
8. **"Indirect communication"** – Problems develop when individual family members can't communicate honestly and directly – or, in the worst case, can't communicate at all. Family members need to learn – perhaps with outside help – how to speak candidly with one another.
9. **"Differences are seen as a liability rather than an asset"** – Differences add color and verve to life. In a family business, disagreements can translate to hurtful misunderstandings, especially when people take business personally. Family members can use the Myers-Briggs Type Inventory to demonstrate how differences among individuals can be a positive factor in seeking new and better interpersonal strategies.
10. **"Poor expression of feelings and wants"** – Family members may have difficulty speaking from the heart about what they want and how they feel both at home and within the family business. Professional communication training is often the best way around this common obstacle.

"Family members inadvertently create the very problem they're trying to avoid by not discussing business and financial differences."

"In many family businesses, the family does not have the capability, experience or confidence to be able to express their feelings and wants around the other daunting obstacles that follow."

"The Soul of Family Business"

Family businesses represent 80% to 90% of all North American companies. But in most of these businesses, family involvement becomes unsustainable over time. By the second generation, families manage only about 30% of these firms, and family management persists into the third generation in only 10% of family firms.

"Family meetings build the emotional equity of the family… while simultaneously building the equity of the business."

Families that sustain corporate control through multiple generations succeed because they connect to the soul of their enterprises. The *Oxford English Dictionary* defines "soul" as something's "essence or embodiment." For a family business, a sense of soul stems from the family's "values, love and heritage."

A family firm whose leaders understand the emotional core of their business generates more revenue and has happier workers. Involved family members achieve greater career satisfaction. This can happen if the relatives in the firm and the nonfamily employees all handle company business as business, not emotion.

"Timely expressions of gratitude, however brief, can do wonders for any family or family business relationship – or for any business."

Healthy, happy family companies require healthy, happy families, but what do healthy, happy families require? Family researcher David Olson says that maintaining a healthy, harmonious family depends on "flexibility, togetherness and communication." The most important communication skill is listening – the conduit for understanding. Sustaining a happy family also requires having fun together, sharing celebratory rituals, creating a Common Family Vision, praising people's achievements and being mindful.

The Common Family Vision

The best way to deal with the problems that are common to family-run businesses is to prevent them from occurring in the first place. To accomplish this, begin by creating a Common Family Vision. All relevant family members should participate in developing a mission statement. With consideration and understanding, relatives should negotiate to create a comprehensive Common Family Vision statement everyone can accept. Each family member should contribute in a spirit of love and trust.

"Nothing else in our culture can create the support that families offer."

This statement should reflect the family's values – the ideals that family members consider most important to internalize in their business. The vision serves as an inspirational rallying cry to unite the family and define the purpose of its business in enlightened, elevated terms. The Common Family Vision is a hallowed promise that family members make to each other about their shared values and their highest aspirations for their company. The vision should be no more than a single carefully constructed paragraph.

"Parenting never ends – at least the urges don't – whether your child is two or 42 years old."

One family-owned construction company's vision statement says, "The strength of our family business is our dedication to one another, our employees and the quality of our work. We create a legacy of integrity that is committed to acceptance, kindness and respect for one another that allows us all to grow, have fun and enjoy our work."

Best Practices

Family companies should pursue five best practices:

1. **"Minimize potential conflict" by having a board of directors** – Boards made up of external advisers provide family firms with objective recommendations and business counsel. Boards provide another advantage for family firms: Younger family members can report to the board instead of to the firm's older family members. This buffer helps eliminate internal tension and conflict. Boards provide valuable advice and stability when dealing with succession issues.
2. **"Embrace structure with regular family meetings"** – Family firms must successfully manage both the "family system" and the "business system." Synchronizing them can be problematic. Smooth management of both requires "structure and formality" exercised in carefully planned, well organized meetings.
3. **"Create a family-participation plan"** – Focus your plan specifically on how the family will manage the business. This calls for having a code of conduct or ground rules for the family business. Consider what conditions family members should meet to join the firm. What education and work experience will relatives need? How will the firm compensate family members and help them develop their careers?
4. **"Work on their communication and conflict management skills"** – Family members must learn to "express their feelings, wants and actions" candidly and without hostility. They must learn to work out disagreements and establish a course of action.
5. **"Create – and adapt – their family vision"** – Ensure that your one-paragraph vision statement encompasses your family's values and shared goals.

"Set aside some quiet time…so that everyone can share their expectations of one another as a member of the family and the family business."

"When betrayal occurs among family members engaged in a family business, the loss can be unimaginable."

Types of Meetings

As with all other companies, meetings are essential for family firms. Family firms need regular meetings in which relatives can discuss important issues that affect the firm. All family businesses need to conduct three types of meetings on a regular basis:

1. **Family meetings** – These meetings enable relatives to outline their expectations for their family's firm and discuss operating plans. Nail down expectations in advance, not only for the family members, but for all outside advisers and board members as well. Whether or not every relative plans to work within the company, all family members should participate in these meetings. Spouses and other siblings should also attend. Family meetings enable relatives to unite in discussing how the family's core values translate to their firm's commercial operations.
2. **Business meetings** – These meetings are strictly for employees – not the individual family members – that the family hires. During these meetings, employees can discuss how to implement the board's plans based on family members' previously stated expectations.
3. **Shareholder and board meetings** – These meetings enable shareholders and board members to monitor the firm's performance.

"A healthy family is good for the family members and good for the business. In fact, the health of a family can be measured by the bottom line of its family business."

Core Values

A family's core values are "the heart and soul" of a family business and provide a unique competitive advantage for family firms. Relatives should always ask what family values they "would like to see perpetuated" in their company. Any family firm's core values derive from multiple sources, including "family history, religious values, hardship and adversity, and the value of hard work and determination." Relatives who work inside their family's company must nurture the heart and soul aspect of their operation, as well as its business needs. Several elements promote this nurturing process:

"Succession planning is crucial in family business because it helps you avoid the emotional tripwires and makes the rational path more visible."

- **The Common Family Vision** – This states the family's shared mission.
- **Regular family meetings** – As a matter of routine, family members discuss their firm's most important issues, concerns and challenges.
- **Amass "emotional equity"** – Strengthening family ties improves how relatives work together and enhances the firm's bottom line.
- **"Family *kything*"** – The Scottish word "kything" translates as "connecting at a spiritual level." This requires honesty, trust and candor among family members.
- **"Collaborative communication" among family members in the firm** – Communication expert Sherod Miller teaches a system for this type of communication as part of his Collaborative Team Skills program. Mastering these techniques can make you a more effective communicator.

"Everyone must leave something behind when he dies." (Ray Bradbury, in his novel Fahrenheit 451)

Interference

Relatives often get in each other's way, interfere with each other and get under each other's skin. These are common problems for people who spend a lot of time together, and they can result in resentment and internal anger that will fester if family members don't deal with hurt feelings. This is why forgiveness matters so much. Other virtues that need to be at work in a family company include love, compassion, acceptance and gratitude. Relatives who embrace these attributes in their family firm will generate harmony at home and at work.

About the Author

Business consultant **Thomas Hubler** specializes in US family-owned businesses. He is a founding member and fellow of the Family Firm Institute in Boston.