



From the Kitchen Table to the Board Room...Family Business

Family businesses are unique. They have opportunities and issues not found in other types of businesses:

Family dynamics, or dysfunctions, for one. Patriarchal cultures, for another. Infighting and backstabbing, for another.

But, that's only if you look at the downside.

Family businesses also have a huge upside. Longevity, financial strength,

banking relationships, community goodwill, respect of their peers, a strong and loyal customer base, long-term employees – the list is long.

In addition, each generation grew up with business talk at the kitchen table and have a sense of how the business works that is in their DNA. And, if they work in the business as adults, they will embrace it as their own and become part of the legacy.

So, why is it then that family businesses don't outlast all other companies when they have so much going for them? There are several major reasons why family businesses, in particular, don't reach sustainability after 3 generations:

1.) Family issues supersede business issues.

Parents always want to be fair in how they treat their kids, but when it comes to the business, being fair isn't the only criteria to consider.

What I have found is that, in a family business structure, sometimes what is needed is a sense of discipline rather than creativity. You have to take everyone's ideas and make it work. When you are dealing with money, there is a limitation on how creative you can be.
- Ashwin Sanghi



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We've all seen the business where the child who has no passion for the business, is lacking in leadership skills and is full of entitlement somehow manages to stay on payroll and contribute little to the growth of the business. Everyone in the company knows it's a problem, but no one does anything about it. Over time, confidence in the company's leadership erodes and the parent/child issue becomes an increasing problem. And the sibling/sibling issues are even uglier.

2.) Professional management is lacking.

When the next generation comes into the business without outside experience, the company has missed an opportunity to bring in a professional with outside eyes. Many family businesses now require family members to work elsewhere for three to five years so they

experience different leadership styles, company cultures and business models. This experience brings value to the family business and gives the new family member a different context in which to view the business.

3.) A plan for entering the business.

When a family member enters the business there needs to be a plan for them to gain experience in all areas of the business before assuming top leadership roles. Spending time in "the trenches" pays off in the long run because the work experience is authentic and credibility is built with the non-family staffers.

4.) Transitioning out of the business.

As one generation begins to transition out of the business, outside experts are important in helping all generations plan. In the case of multiple family candidates for the top leadership position, a thorough vetting of each individual is necessary and is best done with experts who are able to be more objective and collaborative with the family.

5.) Recognizing when it's time to sell versus transition.

Sometimes it's best to "facilitate the sale to a competitor or key

JEFF BLEACHER

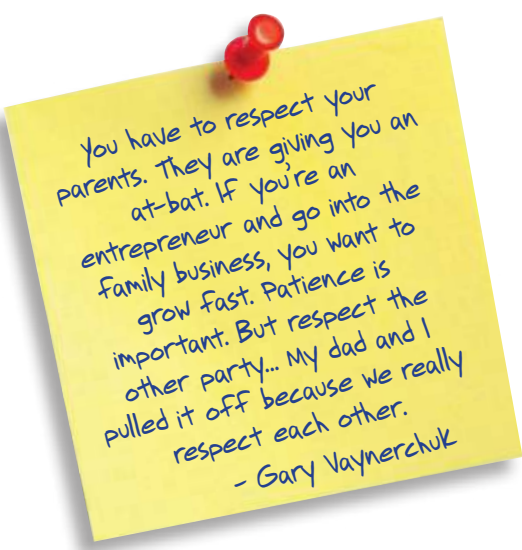


"I heard a story that B.C. Forbes, the founder of Forbes Magazine, told that stuck with me: Frank L. Baker, a prominent public utility executive, told a friend that he was going to give his young son an unusual Christmas present. "I am going to write my boy a letter telling him I am going to give him an hour of my time every day," said Mr. Baker. Alas, Mr. Baker died two weeks later. In a family business you have to remember what's important."



KEN FALK (on the right)

"Learning to understand and manage the financial controls within the family business is one of the most effective ways we help the next generation in a family business. Developing, and using, a financial dashboard can help a family business understand its true position and then can develop a plan to move forward."





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employee(s)”, notes Dan Crowley, president of Peer Business Solutions. “This allows the parent to leave a more certain legacy for their children, an annuity that can seed their dreams or improve their quality of living. Financial worry and stress may still occur, but they are no longer tied to the dynamic family business. In many cases, family relationships improve.”

Overall, family businesses are vital to the community and are important to a family’s lifestyle and legacy. But, like any business structure, the need to successfully manage all aspects of the business is critical and the skill set to do so is not a birthright: it is an earned right.

Resource for Family Businesses:

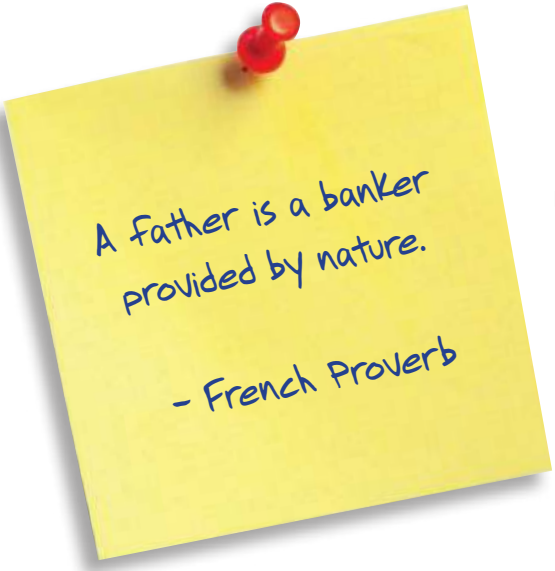


U.S. Small Business Administration

LARRY REICH



“Mutual respect and continual communication are so important in family businesses. When the next generation comes in with innovative ideas, the current generation needs to have an open mind and a listening ear. It takes a team to run a successful business and everyone needs to be on the same page.”



PATRICK GENDRUE (on the left)

“Having a profit is a way to measure the success of a family business, but there is also the metric of family togetherness. If a profitable business tears the family apart, is it really successful?”

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