Successfully Manage Your Family Business
Henry Hutcheson, Family Business Carolina

Family businesses form the backbone of the economy in North and South Carolina, the U.S. and virtually every country of the world. It is estimated that more than 70 percent of all businesses are family businesses. And when it comes to retailers the percentage may be even higher. Moreover, family businesses have historically accounted for the largest portion of new jobs created; this is important to note as our country fights to regain its economic health.

I have a soft spot in my heart for the family business retailer as my family's business, Olan Mills, was a nationwide retailer of family, church, and school portraits. We had our share of family and retailing challenges. Certainly there can be no greater joy than working with the people you love the most. Indeed, many studies have shown that family businesses generally outperform non-family businesses! One might think this is due to more effort being put forth as it is your name on the front door, and you would be correct. Additionally, family businesses have a longer-term perspective than quarterly-driven, publically-held, nonfamily businesses. (Of course being able to use your kids as slave labor doesn't hurt!)

But the top factor that enables family businesses to rise to the top is the level of trust that can exist. Each member of the family knows every other member is doing his best to move the company forward. No double-checking required. Unfortunately, there is also another, more sobering statistic: more than 66 percent of family businesses do not survive into the next generation. Interestingly this percentage stays fairly steady from one generation to the next – less than 4 percent make it to the 4th generation. These are not good betting odds.

The reasons for failure are many: the next generation is not willing or able, the current generation is unable to let go of the reins, business myopia, inter- and intra-generational conflict, liquidity demands from non-active shareholders, lack of preparation, entitlement, enablement of unprofessional behavior, etc. - the list is endless.

There are no quick fixes, and every family business is different. Nonetheless, allow me to highlight here some key points of successfully managing your family business:

Try to establish common goals. Pulling in opposite directions will cause conflict in the family and stagnation in the business. Aiming for the same goals makes success easier when everyone is rowing in the same direction.

Understand that a family business is a system. A family business is a system among A) family members, B) those who work in the business, C) those who are owners, and D) all of the intersections of A, B and C. As a system, any change in one area can impact completely different areas.

I had a client where one of the siblings (not in the business) decided to ask her mother to allow her to open a new branch of the business. The reverberations were felt among all the family members, employees, and outside investors.

Governance is key. Hold regularly scheduled meetings, develop a family employment policy, and ensure appropriate agreements and policies are in place.

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Family businesses are typically founded by someone who had an idea to make some money. They struggle to make it work and make it successful, and what they know about running the business was 100 percent on-the-job training. However, years later, running a business by the seat of your pants no longer suffices, especially when working with siblings or cousins.

Communication is fundamental. Business is tough. Working with family is tougher. Without good, open and regular communication, conflicts and animosity can build, affecting the harmony of the family and the performance of the business.

I attended the North Carolina CEO Forum a few years ago where I asked a panel that included Steve Forbes, McKay Belk, and Frank Holding Jr. - all leaders of significant family businesses - what was the secret to the success of their family business. All concurred that good communication was the bedrock.

Don't force an unwilling successor into the business. And don't allow them to rise above their level of competency.

One of my clients was working hard to prepare/force his son into the leadership role. And while the son was quite adept at the business, he lit up when describing how he played the guitar at night in a band. Moreover, his dream was to get his PhD in Philosophy. He had tried to tell his parents he really wanted to pursue his own life dreams, but they would not hear it.

For successors to gain the leadership role, the owner needs to make space for them. Many current family business owners and founders become emotionally dependent on the business and are reluctant to make space. Yes Dad, you may be the issue.

Working in a family business can certainly be a joy. However, too much family can be hard to take. Too much family at the workplace can be fraught with landmines. And with the unique challenges facing retailers, the family needs to all be working together well to succeed. Being aware of the issues facing family businesses and taking proactive steps manage them can make for a harmonious family and a successful business for generations to come.

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