

The Family Business

Fun or dysFUNCTIONal?

By DR. LARRY COLE

Looking back on 2017, I found it was an interesting consulting year.

Family issues sabotaging effective business practices came at me from many directions. Let me share with you many of the family issues I observed.

- Parents who struggle making business decisions because it may interfere with family dynamics.
- Parents who want their children to do what is right without the proper structure.
- Mom and dad have different agendas for the business.
- A laissez faire dad who won't make the hard decisions that are best for the business vs. family issues.
- Parents and/or children who talk about dysfunctional family relationships with other store employees.
- Relatives spreading rumors about other relatives working in the dealership.
- Children who are placed into leadership positions without being properly prepared and make major leadership faux pas when working with people.
- Lack of an exit strategy for the parents to turn the business over to the heir apparent.
- Siblings fighting with each other and sometimes publicly.
- In-laws sticking their noses into the business causing consternation.
- A mom who generally wants everyone to just be happy and get along with each other.
- Children whose personal lifestyles adversely affects the business.



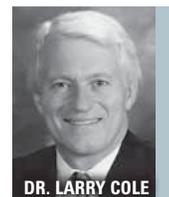
And the list goes on.

There is a way to quantify the costs of inefficiencies caused by family issues, but it is laborious and most folks won't do it. But for just a moment consider the fact that research shows a "normal" business loses 25 – 30 percent of its operational efficiencies. Calculate the per hour cost to operate your dealership and then do the math and see if you like the numbers.

Now let's add family dysfunction to that equation. In one instance, a management team estimated (we didn't do an audit) that wasted time increased to 45 percent. I hope you're sitting down when you do the math with this number.

The sad part is that it is accepted. Yes, the prevalent attitude is that we're making money without any consideration for the money that's being lost. The effect upon employee morale can be devastating and when morale goes to hell you know what happens to production and customer service delivery. Worse yet, I've seen families torn apart due to the family members' interactions with the business. No business is worth that.

The bottom line is that it makes no sense to continue the drama associated with family dysfunctions. While I'm not going to solve the previously mentioned list of family problems in this article, I will provide some useful tips.



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Fire the children

I wanted to get your attention because even the thought of firing an offspring is painful and causes parental heartburn. The point is there are numerous examples of successful family owned businesses. But success just doesn't happen, it must be structured. So, let's address that structure.

First, establish a business governance process.

The rule is to run your company like a business. That could require a board of directors consisting of family members as well as other key employees. Once the board is established, conduct regularly scheduled meetings as a business to review company analytics, make operational decisions, etc.

Second, complete the necessary management meetings to run the business.

It is so disheartening to hear "Oh, we just meet with each other when we need to." All I'm going to say about that is that it's a terrible communication/coordination system. The meetings, especially how they're conducted, typically are the major culprit to be dealt with. I don't have the space to deal with this subject in depth but I encourage you to Google how to conduct meetings. Many people think they know, but...

Third, refrain from discussing business at family functions.

Dads, I'm going to make a point that you may find uncomfortable since you're generally the guilty parties. I frequently hear that "Dad just doesn't shut down." That is, every family event becomes a business one. I'm being redundant to make a point, but the rule is "no business at family events." You can also incorporate a peer-to-peer accountability process to hold each other accountable to follow the rule. Another idea is to fine any offender and donate the money to your coffee fund.

Fourth, children need to understand the microscope under which they are working.

There is a lot of pressure for them to perform instead of taking advantage of their last name. Children need to hold themselves accountable to a higher standard than their employees. This is an agenda item for the board meeting.

Consider this family example. The father wanted his two sons to lead different aspects of the family business. Some of the dynamics that had to be dealt with were:

- The boys showed up late for work and often left early. You can imagine the morale issues caused by this lackadaisical attitude.
- Lunch hours became social events with friends.
- The boys wanted to be empowered to run their businesses, but their dad didn't trust them to do so.
- The boys thought their dad micromanaged.

Let's fast forward 18 months. The challenges were met and the boys are now exhibiting the capabilities to run their businesses. Their dad oversees finances at the quarterly board meetings. Keep your fingers crossed that all is well. I will know by the time this article is published.

Fifth, I suggest developing a *Family Code of Ethics* that could include some of the following:

- Understand that business decisions are made to promote the business.
- Family members are held accountable to perform just like other employees.
- Family members support each other in public.
- Discuss family issues that have an effect on business at your board meetings (not at the dinner table).
- Feuding children will be held accountable to adhere to business ethics. The degree that feuding children don't hold themselves accountable is the degree that a family member is telling you they don't want to be in the business. Let them go.
- Refrain from talking with employees about any "perks" family members receive.
- Adhere to your formal line of communications within the dealership as opposed to an employee being a mole to "tell" a family member about an issue that needs to be addressed.
- Develop and execute a plan for children to learn the business.

I hope you found this article beneficial and provided you with ideas to turn your family business from dysFUNCTIONal to fun. **WED**

WRITER'S NOTE: Even before this article went to press, I was asked to address how employees can survive working in a toxic family environment. That subject is being teed up for the next issue.

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