

# EXECUTIVE Insights

The NAPL Newsletter for Progressive Printing Managers

## Consider Expectations Of Family Members In Your Business

**Having family members as employees is generally considered the heart and soul of most family businesses. While it can bring great strength to the printer, it can also create possible pitfalls. It helps when all family members understand the benefits and dangers.**

By Ernest A. Doud, Jr., CMC

**D**uring the quarter of a century we have worked with family businesses, we've seen hundreds of examples of the benefits family employees can offer.

Family members routinely go the extra mile to make sure the business thrives and survives. Their commitment to the family's business often means putting the interests and needs of the business ahead of their own. Committed family members routinely put in the long hours and attention to detail that produce superior product quality and customer service.

Working with relatives often produces an almost invisible, but very important, communication advantage. One client told me the following story: "My sister and I run our family's business. One day we were involved with some very important—and tough—negotiations. The outcome was crucial to the future of the business. We had grown up together and worked together most of our adult lives. We knew instinctively what each other was thinking, and that put us way ahead of the folks on the other side of the table."

When times are tough, family members frequently make personal sacrifices one would not expect—sacrifices that enable the business to stay afloat when others are floundering. You may well have seen the results of this extraordinary level of commitment in your own family business.

What drives family members to this level of dedication? It's basically a matter of pride. The family's name, reputation, and standing in the community are all rolled up in the business. Dedication to the family business protects a legacy that may go back generations, and helps secure the future for the next generation and beyond.

With competent, committed family members at the helm, in supervisory roles, and even in the 'trenches,' we believe that family businesses will out-perform non-family businesses hands down.

### Develop Policies

One would think that with all these important and significant benefits to be had, family members employed in the business would always behave in ways that are positive and productive. But they don't! The unfortunate reality is that for every positive example we have seen over the years, we've experienced two negative ones.

If you are wondering why, I can assure you it is not because some family employees wake up every morning and say to themselves, "What can I do at work today that will hurt the family business and be hard on everyone around me?" When family businesses miss out on the potential benefits of family employees, it is usually because they fail to recognize and manage some of the pitfalls built into the family/business system.

Take a minute to answer the following questions about your family business. For each question, indicate whether you have established and documented the policies/principles for family members that cover key aspects of employment and all family members are aware of them:

- **Hiring family members into the business?** Yes or No
- **Compensating family employees?** Yes or No
- **Performance management for family employees?** Yes or No
- **Career paths and succession for family employees?** Yes or No

If you answered "Yes" to all four questions, then you are way ahead of most family businesses, but if you answered "No" to all four, then you are part of the majority. If your survey responses are a mix of "Yes" and "No" answers, you are part of the way home. Work to develop, document, and communicate policies and principles in those areas where "No" was the answer.



The key to success lies in managing expectations. When family members know what to expect if and when they come to work in the family business, you have every opportunity to realize the benefits of employing family members in the business. Leaving expectations to each person's imagination is courting disaster.

#### Earned or Inherited?

Family businesses generally choose one of the following three basic policies when deciding whether to hire family members:

- **An Entitlement.** Treating employment as an *entitlement* means that the door to employment is open to virtually every family member. Adopting this principle ensures that you will be surrounded by a hoard of offspring and other relatives.

If you are lucky, all family members will be motivated and competent, and the business will be large enough to accommodate them. That is rarely the case. Moreover, if you use this principle, how do you explain a decision not to employ one or more relatives?

- **Strict Business Policies.** Using *strict business policies* suggests that you will always seek the most qualified candidate, whether or not that person is a family member. This can ensure a powerful management team, but may deny opportunities to family members who have the potential to develop into valuable employees and even become leaders for the next generation.

- **Reasoned Consideration.** The principle of *reasoned consideration* suggests that when an opening or promotion opportunity is available, special attention will be given to deserving family members who have a basic level of required skills, have real potential to develop, and are truly interested in a possible career in the family business. If you follow this principle, you might sacrifice some efficiency and effectiveness in the near term, but the long-term benefits may be worth the short-term sacrifice.

#### Privilege or Performance?

Family businesses tend to pay family members on the basis of one of these approaches:

- **Family privilege.** The *family privilege* principle is an extension of the allowance concept. Family businesses that use this principle tend to pay relatives above-market rates and, most often, pay each family member at the same rate—regardless of position or performance. Many business owners use this principle to make sure their children can afford the comfortable lifestyle they believe the children should have. In the process, they tend to deny the realities of the workplace, drain the business of needed cash, and seriously damage the morale of non-family employees (who are probably not included in the “family privilege” pay policy).

- **Family sacrifice.** The principle of *family sacrifice* results in excessively low pay for family members. The idea is that family members owe it to the family and the business to accept unreasonably low pay. After all, they are family—and

the business will be theirs some day. This typically leaves family members feeling trapped in an unacceptable situation because of their sense of loyalty and obligation to the family.

- **Market rate.** If you elect to adopt the *market rate* principle, all employees (family and non-family) are on an equal footing with respect to compensation. Pay depends on the relative “worth” of each job, and on individual performance. Family members appreciate reality and the business's compensation budget stays in line with the marketplace and the competition.

#### Confront or Avoid?

There are only two ways to go in the performance area. You either provide feedback about performance to family employees and adopt a policy for dealing with sub-standard performance (the principle of *professional personnel practices*), or you do not (the *avoid confrontation* at all costs principle).

It may seem expedient to take the “avoid confrontation” route. After all, it isn't easy to provide critical feedback to a son, daughter, sibling, niece, or nephew. And it certainly is difficult to discipline a poor performer—family or non-family.

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However, if you choose this approach, then you deny family members an important opportunity to learn and grow from their experiences. You also absolve them of responsibility and accountability for their on-the-job performance and behavior. It may seem like adopting these policies could be the hardest task you have when it comes to managing family employees—and you are probably right.

If you study the most successful family businesses you know, however, you will find that they most likely follow the “professional personnel practices” principle, putting performance management and discipline policies in place and applying them to family and non-family employees alike.

#### Careers and Succession

New employees generally consider the opportunities for career advancement as one factor that guides the decision about whether to accept a position with a new employer. Have you ever had that kind of discussion with family members looking for a job in the family business?

Do they know up front what kinds of entry jobs are available? Do they know and care what the realistic options and prospects are for the future? These are good discussions to have. And you will have them if you adopt the principle of *consider the future*.

Without that knowledge, family members can find themselves stuck in a job they think is beneath them and with no idea where it may take them. That is the *ignore the future— we're family* principle. Adopt this principle only if you are ready to hire everyone at the vice president level and are prepared to have every family employee presume that he or she will be the next CEO.

#### Avoiding the Roadblocks

These are obviously broad-brush overviews of some options in these critical areas. However, experience has shown that family businesses that have selected specific principles and policies (and have communicated them throughout the family) tend to avoid most of the roadblocks that stand between them and committed, dedicated, and effective family employees.

The easiest time to make rules is before they are needed. That simply isn't possible for most family businesses where family members are already employed.

In reality, the unwanted consequences of the lack of published policies and principles in one or more of these four key areas are already being felt to some degree. That makes setting rules difficult, but it is never too late to do so.

We find that, for most families, the best approach is to use a series of family retreats to establish the need for principles in these and other areas of the family/business relationship, and to reach consensus on them.

If you are experiencing friction or conflict, it is wise to use a competent, experienced facilitator who understands family business dynamics. And, as the family reaches agreement, commit those agreements to writing. That document can be an important part of the legacy you leave to your family's business. ■

#### The Bottom Line...families must:

- ✓ **Establish Policies**
- ✓ **Know What To Expect**
- ✓ **Set Skill Levels**
- ✓ **Offer Feedback**

#### ABOUT THE AUTHOR

**Ernie Doud** is managing partner of Doud\Hausner and Associates, a multi-disciplinary consulting firm that works exclusively with family-owned businesses. He is the co-author of a recently released book, *Hats Off to You: Balancing Roles and Creating Success in Family Business*, available through NAPL at [www.napl.org](http://www.napl.org). For more information, contact NAPL's Consulting Department at: (800) 642-6275  
Email: [consulting@napl.org](mailto:consulting@napl.org)

