PITFALLS OF THE FAMILY BUSINESS

–By Greg Cox

The family business is as old as commerce itself. The first businesses were family businesses, and the great majority of businesses throughout history have been family businesses. Today, 92% of businesses are family-owned and 60% of the U.S. workforce is employed in a family-owned business. During the 11 decades that Dale Carnegie has worked with businesses, family business has been part of that mix. We see a distinction in the specific challenges that a family business faces when it reaches a certain size.

While all businesses face certain challenges, it is when a family business seeks to become an "organization" that they face challenges that are unique. Becoming an "organization" means developing into an expanded and more complex company that must leverage the efforts of family as well as non-family members in order to avoid stagnation and, instead, grow.

The lifecycle of a business begins with a founder that has a vision and a passion or recognizes an opportunity to provide a sustainable source of income. As the founder gains traction they hire other people (often family members) to share in the workload. The founder most likely will stay heavily involved and continue to be a significant doer of the work. But then something happens. The founder can't be everywhere at once and must now get results through others. All of a sudden the founder needs a completely different set of skills to keep the business growing. These skills are more about getting results through others than doing the actual work that got them to this point. This is where the founder must beware the pitfalls. Some businesses successfully navigate these pitfalls through the first generation, and the second or third generation succumbs to them (often because these pitfalls became more difficult to avoid). At Dale Carnegie - Chicago this is what we have found those family business pitfalls to be:

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Pitfall #1 - Informality

Sometimes getting "formal" on things can be very uncomfortable for a family business. Formality might include:

a. *A compelling, published and shared vision*
b. *Clear, written policies*
c. *A clear reporting structure*
d. *Clear, written responsibilities for each person involved*
e. *A formal, written business plan*

Family business leaders often avoid formality in order to keep feelings from being hurt, to attempt to "keep the peace" by avoiding conflict, and by trying to keep the family dynamic in the forefront (which can often undermine the pursuit of the desired business results). One of the reasons family businesses report for not getting more formal is, "We have done just fine up to this point without doing that." The words of author Marshall Goldsmith, "What got you here, won't get you there," apply in this case. When we get formal, we get clear. When we get clear, things are easier to do over and over again. It makes it easier to get people around what we want them to know. It makes things less subjective and easier to measure. When we get clear, we arrive where we want to go intentionally and by design.

Pitfall #2 - Isolationism

Family businesses can often be inwardly focused. There can sometimes be a feeling that innovation, ideas, and strategy should come from the family gene-pool if they are going to be relevant or successful. This has the business miss out on significant insight that could save them a great deal of time, resources, and energy. Sometimes isolationism can happen within the founder themselves. They can undermine their legacy by believing (sometimes secretly) that there is no one worthy to carry it on. A family business must seek wise counsel. They must get outside input and expertise from a wide variety of trusted sources in a variety of critical areas. Some of the wise council may really challenge us and be hard to hear. That might end up being some of the very best wise council we will get.

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Pitfall #3 - Lack of Collaboration
(between family and non-family members)

At some point a growing family business is going to need to rely heavily on a non-family member or members. It is critical that family and non-family members collaborate. This does not mean that they "simply work together as a team," but truly leverage each other's strengths to move the organization forward. This means that we work together in a way that benefits everyone (the organization) rather than individuals. It needs to be about "the right and most strategic thing to do" versus "whose mouth is this idea coming out of?" Healthy collaboration will have us build off each other's ideas so that our solutions reflect multiple, relevant perspectives (as well as ideas and input from family and non-family).

Pitfall #4 - Family Relationships Trump Client Relationships

When family businesses put their relationships with each other ahead of the clients that they serve (or even in front of the non-family relationships in the business), trouble starts to brew. This is often in the family member's blind spot. A family business must work together to serve clients first rather than serve each other. This is where the great paradox of the family business lies. The successful family business needs to leverage the connection they have with each other to create an even stronger relationship with the client. This is when the phrase "Family-Owned and Operated Since…" really means something special.

Pitfall #5 - Emotional Baggage Rules

There is always "history" in a family business. When it gets dredged up, it has much more negative impact than regular old run-of-the-mill gossip. Family members in a family business have to compartmentalize, control their emotions, and keep attitudes in check. A family needs to clearly separate business time and family time despite the emotions that can be present. Challenges happen along the way in any business. When attitudes are not controlled, evenings, weekends, holidays, and other special occasions can suffer. This is, of course, on top of the business losing focus and results being compromised.

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Pitfall #6 - Generational Conflict

Generational conflict has always been present in family businesses. When you have someone with a great deal of experience and a legacy point of view working with a younger person who sees things with a fresh set of eyes and wants to be a catalyst for change, there is bound to be some conflict. (This is also a situation which has great potential.) It is our opinion that this generational conflict is very different in current times than it has been over the last several hundred years. The reason is the amount of change that has taken place over the last thirty years. This new generation is very different than any preceding, if for no other reason than the prolific role that technology has played in their lives. Antiquated models, processes, and methods are things they will ignore or reject (whether they are truly and completely antiquated or not). Senior family members must be open to new ways of doing things, instead of trying to transfer all knowledge that has been amassed. This engages the up-and-coming family members and allows the organization to tap into next generation ingenuity. It is often forgotten that the people in an organization that are considered "young'ns" are quite possibly the best people to attract their generational counterparts in the marketplace. Those, of course, are the people who will make up your organization's future decision makers and clients.

Pitfall #7 - Ignoring the Gorilla

We have often heard the expression, "ignore the 800 lb. gorilla in the room". This happens in businesses where family members have positions solely based on their status as a family member vs. their talent and ability. It becomes tricky because the organization starts to play a game of "let's pretend" together or at least with the company's president or other person in power. It can mean the end of your career at certain organizations to not play along in this game. You might remember the story of "The Emperor's New Clothes" where a pair of charlatans posing as tailors convince a ruler that they have made him the finest garment ever created (that the Emperor can't see, because it in fact does not exist). The Emperor's court plays along so that they don't offend the Emperor, "Oh, your majesty, what a lovely robe!", "Your Majesty, you look so majestic wearing that!", etc. The Emperor ends up walking through the streets completely naked.

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Ignoring the Gorilla (cont.)

This game gets complicated in a family business because people are not allowed to give authentic feedback and this creates what Patrick Lecioni calls "Artificial Harmony" in his book "The 5 Dysfunctions of a Team". The pitfall can also come from ignoring feedback or issues that are brought up and need to be addressed. Some family members (often parents) make a mistake in assuming that "just because someone is your seed, they will succeed". We need to be open to feedback that is difficult to hear. We need to go looking for feedback and create a culture where people feel safe to share what they really think.

At the same time, certain family members who are capable, passionate, intelligent, and talented will receive unfair and undeserved criticism. Up-and-coming family members must double their effort in not appearing that they feel their future is guaranteed. Family leaders must double their effort to make sure that their successors are extremely well-trained and have sharp skills (even more so than in any non-family owned company). Everybody is watching them. It's just the way it is.

What to do?

Maybe as you read through these pitfalls, one, two, or even three or more of them really hit home and has reared their ugly faces in your business. Don't be discouraged. Family businesses (or any organization for that matter) are made up of imperfect people. It is guaranteed we are going to have significant people-challenges along the path. The key will always be to control what you can control. Make sure you have a plan in place to not only address any pitfalls that have become evident, but proactively take the initiative to prevent them from getting a foothold. One of the most practical ways to keep your organizational healthy is to invest in your people. One of the most practical investments you can make is in your people's leadership, communication, and people skills. People skills are going to go a long way in avoiding any of the aforementioned pitfalls and, instead, accelerate your organization's growth and improve its culture.

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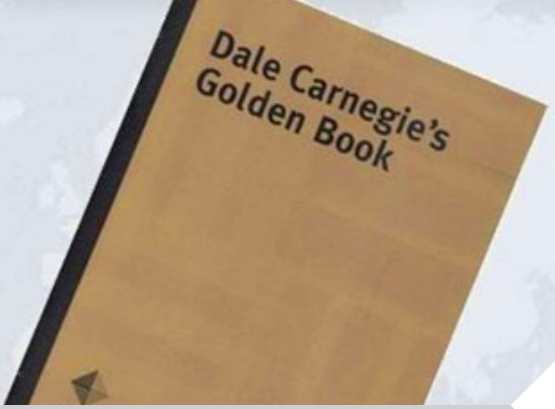

What to do? (cont.)

Jeff Miller, President of Miller, Inc. (and long time Dale Carnegie Client), runs a third-generation family business that started as an Ace Hardware Store and transformed over the years into a more specialized business that sells to and supports contractors. Jeff says that the key to his organization continuing to build momentum into the third generation has been making sure that they "have a family business culture where even non-family members feel like family". Jeff stresses "open communication where people are free to communicate honestly". As a leader, he admits that he is not perfect and has made deliberate effort to build trust and to be others-focused.

After many years working with all types of organizations, we at Dale Carnegie - Chicago are certain of a couple of things:

1. *Common sense is not that common.*
2. *Continued success does not happen by accident.*

We want to be your Trusted Partner. We have a number of tools that can have tremendous impact on your organization, particularly in a family business where these pitfalls exist. This is one of the reasons we have been in business for 100+ years and are in 85 countries. We have tools that work in 35 languages (just think about that!). Call us and we will talk about where you are and where you want to go. We will also be able to craft a plan that will support you in reaching your desired future state. It is an exciting conversation indeed!

Let's talk!

Greg Cox is the President and Chief Operating Officer of Dale Carnegie - Chicago

Throughout his career, Greg has been recognized as an outstanding leader and coach. Before coming to Dale Carnegie - Chicago, Greg spent 14 years with Canon Business Solutions. It was there that he learned to thrive in an ultra-competitive and fast-paced environment. As a facilitator, Greg is known for his humor and his ability to connect with a variety of different people. He has a passion for coaching people to greater performance by better leveraging their strengths (including the ones that they may not realize they have!). Greg resides in Wheaton, Illinois where he enjoys movies, reading, fishing and spending time with his wife and two children.

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