

# Keeping the Family Business Running and the Business Family Happy

Running a successful business is complex per se. Adding the element of “family” to a business often creates more complexities, especially as the business grows. Lifelong family bonds and expectations can run headlong into business realities and needs. Today, we’ll share some ideas about how to keep the family business running and the business family happy.

## First, a definition

Let’s briefly define the difference between a family business and a business family.

- **Family business:** A business based on family relationships and involvement, closely connected to the family and its persona.
- **Business family:** A business (and a family) driven by performance and profitability rather than the family’s personality or reputation, in which the people and the business are focused on achieving business goals, and the fact that some are family members is secondary.

As a successful business owner, you can see how the subtle difference between these definitions can have monumental effects on how you run a business. So, how do successful family businesses thread the needle between family loyalty and business performance?

## 1. Decide What’s Important

The first step you can take is to ask yourself, “Am I making decisions based on what’s best for the business or what’s best for my family?” This stark question is hard to answer, but it’s crucial to know.

**This doesn’t imply that family interests and business performance are mutually exclusive.** However, asking this question lets you dip your toe into the idea that you may sometimes need to make tough



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decisions where family harmony and business performance are incompatible.

Consider a brief example: You have a sibling who's run your sales department since you founded the business. Sales have stagnated, and profitability has declined. You know your sibling is responsible, but your sibling also helped you get the business off the ground. How do you respond?

Knowing how you'd respond to a situation like this will help you create appropriate strategies to address the issue with the help of qualified, professional advisors.

For instance, if family harmony is non-negotiable, you may create strategies to foster that harmony while capitalizing on your hard work, such as selling to a third party and cashing out.

Likewise, if business performance is your top priority, you might create strategies that reposition family members into more appropriate roles.

## **2. Separate Business Decisions and Family Decisions**

Successful business owners maintain objectivity in terms of business performance. But it can be hard to do that when people you care about are responsible for performance.

One way to address this common issue is by setting performance guidelines that employees must abide by, regardless of their relationship with you. Creating a written standard and presenting it to all employees can help create a business that's focused on putting you in control of your business's future success.

It also has the added bonus of creating a more equitable workplace with minimal favoritism. This is important because it provides an objective basis for hiring and advancement, which could attract talent that bolsters your family business and business family.

## **3. Optimize Operations**

When businesses optimize their operations, it can support an increase in business value. When business value grows, both the family business and the business family can benefit via dividends, distributions, stock-price increases, and the like.

However, optimizing operations can lead to tough decisions regarding family harmony. Think back to the example about your sibling. You may realize that your sibling is a much better salesperson than manager. However, that sibling may view a repositioning as a demotion, which can affect family harmony.

Anticipating this kind of issue in the context of optimization can give you a head start in how you handle it. While the strategies you use to achieve your goals may vary, the key is to have the foresight to address such issues.

# Create a Balance

There's nothing wrong with having a family business that derives its strength, in part, from the goodness of the family. You don't have to give that up. But when you make decisions, it's a good idea to balance them in favor of supporting the business, because the benefits that can come back to the family when you do so are so much more valuable.

We strive to help business owners identify and prioritize their objectives with respect to their business, their employees, and their family. If you are ready to talk about your goals for the future and get insights into how you might achieve those goals, we'd be happy to sit down and talk with you. Please feel free to contact us at your convenience.

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