

## GARD EXECUTIVE CONSULTING, LLC

applying  
behavioral science  
to enhance  
executive and organizational  
performance

### Family-Owned Businesses: Is There a More Difficult Type of Business To Run?

#### GOOD NEWS

Creating, building, and sustaining a family business is not only a fundamental American dream (there are over 20 million family businesses in the U.S.), but it is also a powerful dream in most other modern capitalist economies (for example, over 75% of all U.K. businesses are family owned). The benefits of family businesses are manifold, genuine, and in many cases psychologically profound.

#### Consider WIFF (What's in it for the family). A family business:

Creates a heritage for the family and serves as a medium for perpetuating a family's history, traditions, pride, and core values and beliefs.

Serves as a powerful testimonial to the success and potency of a family.

Provides the ultimate career and financial safety net to one's children and grandchildren.

Offers participating family members greater independence and control of their fate than a more traditional career path.

Establishes a very special glue (a bonding material, as it were) that can hold a family together around a common set of interests, activities, challenges, opportunities, threats, milestones, relationships, and daily schedules.

Demonstrates to an entire community that this is a family to be admired and respected.

Makes it more certain that individual family members will have the fullest opportunities as adults to "stretch" developmentally and to self-actualize.

Improves the chances that family members will be able to involve themselves in meaningful philanthropic activities and become pillars of their communities.

Makes it more likely that financial advantages and security will accrue to the family.

Provides greater stability and welfare for its employees and for the community in which it operates.

- *Average life span for an FOB is less than 25 years... which just happens to be the average tenure for a founder.*
- *Fewer than 33% of FOBs make it to the second generation.*
- *Only about 15% make it to the third generation and just 3% beyond that.*
- *Managing growth can be especially challenging in a family firm, and more and more FOBs are turning to psychologists versed not only in psychology but in business consulting because the stakes are huge in terms of passing a business along from one generation to the next.*

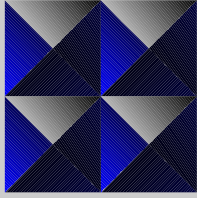
– Time, 03.17.2001

- *The four most super-charged inter-generational issues for family members in FOBs are the long-term vision; defining division of labor around management roles; money; and ownership.*

– Harvard Business School, 2001

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### **BAD NEWS**

How does the head of the family business balance and manage the needs—and, too often, quite subjective needs—of the family members in the business *and* the “outsiders” (i.e., the non-family members) who play key roles within the company? How will the family even go about making sufficient “room” for the outsiders?

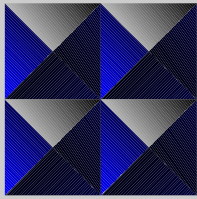
How does the founder or current family head realistically, practically, and proactively deal with *The Future* and make all the hard decisions—succession, retirement, ownership, wealth distribution, lines of authority—involved in ensuring that the FOB does not wilt on the vine?

So, as is apparent, the “opportunities” to make Solomon-like decisions are virtually endless. For example, to what degree are hiring and promotion decisions based on an offspring’s “birthright” as opposed to their competencies and true potential? Are family members brought into the business for their own security or because of how well their talents, interests, and personality fit the requirements of the business? Should we reinvest in the business *or* siphon cash out of the business to fund future retirement *or* ensure the next generation’s quality of life now? And so on.

### **Managing for Continuity: The Safest Approach**

For better or worse, many of the most fundamental challenges that confront the family business head are psychological in nature. This is not so different from what a CEO in a publicly-owned environment faces. However, the “family-owned” dimension creates a multiplier effect on the psychological challenges that confront the head of a family business.

By examining the material below, you’ll readily see why there’s a critical need for *psychological savvy*, leadership finesse, and adroit relationship management if you’re going to be successful using the ten fundamental levers required to steer a FOB.



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### **Managing for Future Generations: The Ten Levers Needed To Steer A Family Business**

**Shared Vision & Values:** Regarding strategy, relationships, work ethic, money, and success

**Shared Influence:** Across generations, among spouses, and among siblings/cousins and geared to individual capabilities

**Valued Traditions:** That are characteristic of this family and set it apart from other families

**Receptivity to Learning and Growing:** Being open to new perspectives and new approaches; embodies a critical orientation that underlies mastering change and overcoming obstacles

**Investment in Relationship Enhancement:** The most robust families have traditions and mechanisms they use to relax and enjoy one another's company; these accumulated playful experiences serve as a buffer during difficult times

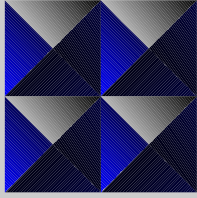
**Demonstrative Caring:** Open demonstrations of empathy for family members during good times and bad; making the clear statement, "You are important to me"

**Mutual Admiration:** Earned by building trust, based on a track record of being consistently accountable and true to your word

**Being There:** Especially at times of grief, failure, or embarrassment; how a family interacts with a distressed family member is highly correlated with long-term family harmony and business success

**Maintaining Space:** Respect for individual privacy and for the privacy of each family unit within the extended family constellation

**Circumscribed/Managed Conflicts:** Feuding members all too frequently bring in "reinforcements". The family needs to know how to keep those who are tangential to a given conflict out of the middle and then address the conflict with finesse.



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### **Our Strategy for Ensuring FOB Continuity**

Any self-preserving family-owned business should consider the aforementioned ten levers as they strive to manage for longevity. We incorporate these levers into a variety of specific initiatives we offer to FOBs, including the following:

Succession Planning and Assessment: Building Family Bench Strength and Steering Leadership Transitions

Facilitating Family Meetings and Family Councils

Conflict Resolution, Relationship Fix-Its, and Promoting Familial Harmony

Creating and Perpetuating Family/Business Vision, Mission, Core Values, and Covenants

High-Impact Coaching for a variety of purposes:

- Accelerating the development (and maturation) of key family members
- Executive and Leadership Coaching
- Addressing "Sudden Wealth Syndrome"
- Coaching for career development, satisfaction, and success
- Derailment prevention

Building a Company Culture That Creates a Satisfying, High-Performance Work Environment

Developing Productive Teams

Adopting Effective Communication Techniques and Influencing Skills