

Feeling at Home

By Phil Perry, Contributing Editor -- 6/1/2006

Do non-family employees feel like "outsiders" in your business? If so, it's a sure bet that their lower morale and simmering resentments are having a negative effect on your operations and are sapping your profits. It makes sense, then, to take action that will make outsiders feel right at home.

How to do that? Workplace psychologists suggest taking two steps. First, foster a business environment that communicates respect for all players. Second, make a point of uncovering festering issues before they escalate into serious morale-busting crises.

Both steps, to a large extent, require continuing improvement in communications techniques.

"Facilitating open communications can be even more important at family-run operations than at other kinds of businesses," says Jerry I. Kleiman, co-founder of Optimal Resolutions, a Manhasset, N.Y.—based firm that helps family businesses resolve relationship problems. "There are so many additional issues involved that you really need to be mindful about identifying and dealing with problems before they become critical."

Set the ground rules

Right from square one, non-family employees need to be told the ground rules in terms of their prospects. "During the hiring process, the applicants should be informed as to whether they will be essentially place holders, or whether there will be some potential for promotion," says Susan Lazar, a Minneapolis-based family business consultant. "It is important that expectations be clear."

Is your family business one of the many in which there is no possibility that a non-family member will be able to gain ownership? That's not necessarily a problem, says Lazar, as long as the non-family employees realize the restriction and are comfortable with it.

Treat people fairly

"Non-family employees realize they will not be treated in a manner equal to family ones," says Aron Pervin, president of Pervin & Co., a family advisory in Toronto, Canada. "But they do expect to be treated fairly."

Avoid any appearance that family members are benefiting unfairly from the sacrifice of others. Suppose you pull up into your parking space with a new Mercedes, and then tell everyone you can't absorb more of their health insurance premium increases. That's something that is very hard for people to take.

Confront family issues

"Family discord directly affects morale and creates a culture that is not attractive to aspiring and ambitious talent," warns Pervin. When family members are arguing with one another, or simply giving one another the cold shoulder, profitability is threatened because

family member holding the most power. And the insecure nature of such power dynamics can spark paranoia about outsiders. Adds Pervin: "High performance by a non-family employee may actually be viewed poorly, as it undermines owner-manager control."

The solution to this problem, he says, is for family members to make a commitment to open communication. Disagreements and personality conflicts must be discussed, not swept under the rug.

Non-family employees will especially resent privileged gold bricks. Any family member who receives a paycheck has to work as hard as non-family employees.

Be especially careful when your children first enter the workplace, either as part-time or full-time employees. Don't assume they know what you expect in terms of a work ethic. State explicitly that you expect them to work harder than other employees and to keep longer hours. "Young people should avoid any behavior that would lead people to the conclusion that they are demanding special treatment," says Lazar.

The second generation should also be encouraged to socialize with others, says Lazar. "Hang out with other employees at lunch time and avoid discussing personal things at work," she says. Rather than referring to parents as "Mom and Dad," use the names used by other employees. And learn to avoid discussions with other employees that question management decisions.

Finally, some experience in the outside world can also help. "I recommend that children work elsewhere before they come into the family business," says Lazar. "This will give them something to offer the business beyond a name. And they will have less to prove to employees because they have a track record."

Working's one thing; evaluation's another. And problems often arise when it appears family employees are not being judged by the same standards as non-family ones. In the real world, though, sometimes underperforming family members have to be retained in the business. "There are cases when a family member may be just not capable or competent, but the family feels a responsibility to provide the individual with a means of financial support," points out Lazar.

What to do? Lazar suggests creating a position tailored for the skills of the family member. "Your challenge here is to allow the person to feel they are achieving something," she says. "In this case, they will gain the respect of the other employees even if the person is not performing to the level of the other family members."

Show appreciation

Family businesses can help non-family employees feel valued in a variety of productive ways. Share the fruits of success in terms of bonuses, benefits packages and retirement plans. And provide less ambitious but still highly prized extras such as:

- Food baskets at Christmas;
- Summer picnics;
- Company luncheons or dinners to award individuals for length of service;
- A willingness to provide advice and guidance to individuals on problems encountered outside of the business.

It's in these little areas that family organizations can really shine.

Open the door

Family-run businesses often have open-door policies that encourage non-family employees to approach members of management to express bottled-up frustrations that

company policies, such communications can help management avoid the performance hit so often caused by stress in family businesses.

"Problems arise with non-family employees when there is a weak intersection of expectations and reality," says Paul Karofsky, principal of Transition Consulting Group in Weston, Mass. "This can lead to frustration, hostility, terminations, and even lawsuits. This stuff can get nasty. Left unchecked, it can kill morale and destroy profitability."

Taking on a Non-Family Manager

Families love to run their own businesses. Crises can occur, though, when there is a lack of sufficient management skill to grow an organization to its next level. As competition becomes more intense, a greater number of family businesses are hiring skilled non-family managers.

"Mature families often realize they do not hold all the cards needed to win the game," says Paul Karofsky, principal of Transition Consulting Group in Weston, Mass. "Hiring an outsider can be the best way to acquire needed skills."

But hiring a non-family manager must be done correctly. Karofsky says family companies must clearly define job functions to avoid resentments when a non-family manager makes decisions that may conflict with the traditional procedures and established roles of the family. He suggests writing down clear job definitions and responsibilities for the new manager and for everyone else in the organization.

Even with such job descriptions in place, warns Karofsky, conflicts can arise when the non-family manager makes decisions that family members consider foolish or even threatening to the company. Obviate such crises by drawing up a strategic business plan that calls for measurable implementations and results. Establish a regular program of communications between the manager and the family owners. This can include initial written reports, followed by formal board presentations with strict agendas, and ongoing, informal discussions along the way.

That kind of multi-layered approach distills good communications techniques into a workable management machine. It's not such a bad template for any family business looking for successful interaction with any level of non-family employee.

Pulling Rank with a Family Member

Picture yourself in this situation: Your daughter has proven her management skills at another company and you want her to take a top position at your business. But you're afraid to alienate your veteran non-family managers who may want the job.

Sound familiar? Pulling rank over seasoned employees by assigning a family member to a coveted position is not an uncommon event at many family businesses.

And no wonder people get angry: Your managers have invested years building their skills at your business. If they are now told they have to report to somebody who gets her job because she's family, they may well have an attitude problem, and may even jump ship.

You can solve this problem with a good communication strategy, says Paul Karofsky, principal of Transition Consulting Group in Weston, Mass. Karofsky suggests a three-step approach.

- Interview all the players and ascertain their feelings about the expected appointment. "Have open discussions that clarify the company's policy and your entry criteria for family members," says Karofsky. Emphasize that family

members must jump higher hurdles. "It is extremely important that family candidates be more qualified than others for a position." Such higher qualifications are necessary, says Karofsky, because family members are held to a higher standard than others. There is a greater level of expectation from them.

Give special attention to anyone you believe may be gunning for the position, suggests Karofsky. You must be particularly careful to explain to that individual how your daughter's knowledge, skills and experience are so much higher than that of other candidates.

- Demonstrate the need for the position that the daughter will fill. "If it's not a demonstrated need, you are asking for resentment," says Karofsky. Giving someone a figurehead job and a salary insults everyone.
- Break the ice by getting your daughter to work with others right away. "Create project task forces which would require the interaction of your daughter and key non-family executives to help build relationships," says Karofsky.

Bonus tip: Maintain a continuing dialogue among top managers regarding family business dynamics, emphasizing that family members are respected not for who they are but for how well they perform.

Sources of Assistance

Educational institutions are helping family businesses by organizing seminars and roundtables. Here are a few of the prominent players:

- The University of Massachusetts, Family Business Center. Sponsors presentations by experts in psychology, management, law, accounting, financial and estate planning, and banking. www.umass.edu/fambiz.
- University of Pittsburgh, Katz School of Business Family Enterprise Center. Educational programs and peer advisory activities. www.familybiz.pitt.edu.
- The Loyola University Chicago, Family Business Center sponsors research projects on family business leadership, the communication patterns of business-owning families, and the performance of family businesses compared with non-family managed counterparts. www.sba.luc.edu/centers/fbc/
- University of North Carolina at Asheville, Family Business Forum. Enhances the viability of closely held businesses in North Carolina. www.unca.edu/xbf.
- The University of San Francisco, Gellert Foundation Family Business Center. Works with family businesses to promote networking. www.usfca.edu/fbrc.
- University of Southern California, Family Business Network. A resource for families and their businesses, providing a sophisticated forum for information about management, growth, continuity and strategy. www.marshall.usc.edu/web/FamilyBusiness.cfm
- The Canadian Assn. of Family Enterprise. While not affiliated with an educational institution, this association is included because of its critical role in the Canadian family business scene, maintaining chapters throughout the nation. www.cafemembers.org.