

Strategies For Family Business Success

Forbes

Coaches
Council

Janine Schindler, MCC Forbes Councils Member

Forbes Coaches Council

[Leadership](#)

POST WRITTEN BY

Janine Schindler, MCC

Leadership Coach & Facilitator For The Left-Brained Analytical Leader & Founder of [JAS Leadership](#).



According to Joseph Astrachan, as cited by Family Business Alliance, only 30% of all family-owned businesses make the transition into the second generation, only 12% make it into the third generation and only 3% survive at or beyond the fourth generation.

If you are involved in the operation of a family business, those numbers are sobering. Since the majority of businesses are family businesses (some estimate that as many as 90% of American businesses are family-owned or -controlled), what are the reasons for this sharp drop off after the first founding generation?

Unfortunately, there is no one, easy answer — most often, it is an amalgamation of reasons that combine to create a crippling downward spiral. If, as a family business owner, founder or successive generation operator you take the time to study the commonalities involved in either business failure or business success, you are much more likely to engineer a successful environment that is conducive to leading your company through the pitfalls that line the path of the startup or maintenance of your family business.

One of the most important factors for success is communication. It is imperative to establish clear and regular methods of communication in your company.

Communication must be open, frequent and honest. Also, there should be policies in place that ensure that each member of the group can submit ideas and feel that their suggestions are valued and duly considered.

There must be a shared sense of purpose to rally the troops. If Aunt Dorothy believes the company should be providing service to one specific sector of the population and Cousin Fred thinks that they should be providing service to a different sector, their infighting will only serve to disrupt the actual mission, which may be to provide service to all sectors. If the company vision is not made clear, management can become locked in a tug-of-war with no winners.

When It Comes To Readiness, The Fundamentals Still Matter

I clearly remember a previously successful family business I consulted with that by the second generation was beginning to unravel. The founders had neglected to prepare their children for taking the helm of the company. They had not involved the children in family discussions about the business, they had not required the next generation to participate in any planning or decision-making and their children, as a result, had very little understanding of what the business was truly about. They had only been waiting for the old folks to retire so they could claim the positions (and salaries) of their predecessors.

Another important factor to keep in mind as a family business leader is although you must treat your company like a family-owned and -operated business, there comes a point in the growth cycle that begs some outside input. Feedback and contribution from business experts become more and more necessary as the business develops into a larger, perhaps global, entity.

In his book *Innovation in the Family Business: Succeeding Through Generations*, Joe Schmieder explains, "In most cases, family members are owners *and* operating leaders of the business until it grows to a size and complexity best served by a blend of family ownership and professional executive leadership. Thus, the business's success correlates directly to the family's well-being, and the family's economic well-being correlates directly to the business's success."

I always advise that a family business must be sensitive to interrelationships between not only family members but also outside advisors. Business relationships should be clarified in writing. Roles and responsibilities should be divided and defined so owners and other employees don't find themselves in a position of confusion, which can cause crossing of management lines. For example, just because you are a management executive from the founding family doesn't mean you can randomly discipline employees who aren't your direct reports. That only leads to resentment by both the employee and the actual manager of the employee.

A successful strategy for many family businesses is to require that children and grandchildren who wish to join the business get outside business experience first. This gives the potential family employee the benefit of knowledge in another environment, which shows them alternative ways of working, managing and producing products and services. Without that world know-how, they may fall into the trap of doing things the way they've always been done at their family company.

Unfortunately, despite the best intentions, many family companies ultimately fail. The reasons they fail tend to fall into two main categories: family reasons and business

reasons. These both weaken successful first-generation leaders and the continued succession by future generations of the founders.

According to George A. Isaac in his book, ***Your Business, Your Family, Your Legacy: Building a Multigenerational Family Business That Lasts***,

"Business reasons included excessive risk acceptance, outdated business strategies, and poor management of the business. Family reasons included problematic family dynamics, inadequate succession planning, and unaligned shareholder objectives."

When it comes to a successful family venture, it is important to set boundaries with both family and outside employees. Treating them all fairly is another imperative facet. Above all, don't be tempted to provide "sympathy" job positions to relatives who are not qualified for the work the company requires. In the end, it doesn't help anyone.

If you want to run a successful family business that you can pass down to the next generation (and hopefully the generation after that), develop a sound succession plan, listen to all the generations at the table and realize that family unity is as important as, or more important than, profit.

Source: <https://www.forbes.com/sites/forbescoachescouncil/2020/03/18/strategies-for-family-business-success/#e76e6c371c71>