

Ann Arbor Chamber B2B – Published April, 2006
GUEST COLUMN: FAMILY BUSINESS

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Ten Rules for Success in a Family Business

Even if you have an MBA from a prestigious business school – you’re probably totally unprepared for the unique challenges of running a family-owned business. How would you handle some of these situations?

- “My two sons argue constantly. It’s driving everybody crazy. There’s no way I could leave the business to them.”
- “I’m the president and my father just fired our best sales person – without even discussing it with me. Then he tells me he doesn’t like my haircut! It’s time for me to get out of this business.”
- “My husband tells me our son isn’t capable of running the business, so the business should be sold. Then my son complains to me about Dad being overbearing. I toss and turn all night worried about what will happen to my son and his family.”
- “I can’t believe how greedy my sister and brother are. Their salaries and perks are just ripping off the rest of us who are shareholders.”

Family businesses don’t need to wait until trouble arises. If you practice the following “rules”, you’ll increase the likelihood of your family business lasting for generations.

The Ten Rules

1. Conduct regularly scheduled family meetings to share hopes and concerns, and to discuss difficult issues related to control, influence, and money.
2. Agree to a family mission and values. Is the family committed to individual growth? To helping the next generation to grow? Am I willing to subordinate my own goals for the sake of my extended family?
3. Agree to family policies regarding: qualifications for entering the business; compensation; ownership; voting; marriage contracts; etc.
4. Develop a formal process for addressing and resolving conflicts.
5. Establish a plan to prepare the next generation for management and ownership. “Growing up in the business” is not adequate preparation for today’s business environment.
6. Develop a clearly understood process for selecting future leaders and for transferring authority.

7. Create a plan for transferring ownership of the business, and of other assets, to the next generation while minimizing taxes and not inadvertently creating sibling conflict. Solicit input from the succeeding generation as you develop this plan.
8. Determine what role the senior generation will play in the future. Will they continue to lead the company? Offer guidance as requested? Engage in other pursuits and remain separate from the business?
9. Pay special attention to non-family employees and managers so that they don't feel "left out".
10. Make sure that your external advisors – both your professionals such as accountants, attorneys, and financial/insurance planners as well as your board of directors or board of advisors – have special expertise in and experience with family-owned businesses.

Your Family Business Could Succeed for Generations

Only 30 percent of family businesses survive into the second generation, and only 12 percent continue into the third generation. With proper planning and guidance, your family business can provide value and satisfaction for your family, your employees, and your community for many years to come.

As one of the area's leading family business consultants, Donald Levitt, Ph.D. helps family businesses with succession planning, building family teams, communication, strategic planning, and individual coaching. For more information, call (734) 214-0881 or visit www.LevittConsulting.com for additional articles on family business issues.