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# *Stress reduction for running a family-owned business*

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Working with family members in a business context is twice as stressful as working with complete strangers. In any business, a perceptible amount of tension is generated in daily workplace relationships. Family relationships in the workplace often create special challenges.

All business owners experience the pressures of meeting goals, managing people, and controlling expenses. This produces a natural cauldron of fermenting problems and potential conflicts that every manager must learn to handle if the business is to run effectively. Families are groups of imperfect people who occasionally sustain a certain level of interpersonal tension based upon historical factors, i.e. parent-child relationship, sibling rivalry and other assorted conflicts, jealousies and affronts. When family members work together, there is a potential for double trouble that must be overcome through patience and a commitment to the success of the business and to family harmony.

During nearly 30 years of succession planning, I have observed firsthand the most likely circumstance under which submerged tensions will be revealed in a family business – the planned or emergency retirement of the primary shareholder/CEO/parent. Nearly twenty years ago a study of closely-held business was conducted by a national business organization to determine the effects of the sudden departure of the head of the company. The study revealed two startling facts:

- Two years after the sudden departure (due to disability or death) of the historical leader, nearly two-thirds of the businesses studied no longer existed.
- The primary reason given for the failure of the companies to survive was "unresolved family conflict"

How can a family business avoid this outcome? Many families have decided to prepare ahead of time for the eventual retirement of the owner/manager, keeping in mind that due to the untimely death or disability of the owner (or their spouse) the plan may need to be put into effect much sooner than expected, and, on short notice. What are the most important factors that lead to a smooth transition from one generation to the next?

## Share Strategic Information

Every business owner has a wealth of information about key contacts, historical precedent, and special tricks of the trade that have probably never been reduced to writing and may not be known to another living soul. Some of our clients have actually "interviewed" the owner over a quiet lunch and taken notes. Some owners have created a written outline of critical information for the future success of the company. One highly organized client with a new computer prepared a 40-page booklet to share with upper management in the company. The medium is not important, the message is.

## Prepare Successor Management

Building into people for their growth and advancement is always a good management style. Strategically preparing top management for the ultimate responsibility of taking over is crucial to the successful transition necessary for an owner to retire. Where owners' children are working in the company as potential successors, the common wisdom holds true. Give them a chance to work in each of the different areas of the company long enough to learn what goes on and actually do the work. Don't treat them differently than the other people in the department, neither with more gentleness nor with more harshness. They will get to know the people who may ultimately work for them, and can prove that they are actually capable of helping the company some day.

## Establish A Timeline

An owner eventually reaches a decision as to the desired time frame for retirement. It is reached either by analysis of options, intuitive feelings of a deadline, or external factors such as availability of retirement income sources. Once a general deadline is decided upon, the best advice is: Don't keep it a secret. A timeline can be developed that gives everyone involved a clear sense of the learning curve needed to prepare for the day when the boss doesn't show up. It should be flexible, can be general, but should be communicated to potential successor management at the earliest opportunity.

## Anoint A Successor

Most owners are reluctant to leave their company until they feel that it will be in good hands. If there are adult children in the company, they may be unwilling to admit that one of them is better qualified or better equipped to run the company. Failure to identify the most likely candidate, however, leads only to confusion and bitterness when the time comes. This extends to the control of ownership in the company also. A good strategic plan identifies the likely successor and provides for the company ownership to be structured in the way that best allows this individual to take over. Sometimes the best successor is likely to be a combination of two or more individuals in specific jobs. That's fine, but someone has to be CEO, it is difficult to run a company by committee.

## When you Leave, Go Away

It's hard to let go – of anything. It's particularly hard if what you're letting go was your baby, your vision, and your reason for existence for the past thirty years or so. Many business owners retire but don't quit. They come by every day "just to see how things are going." More likely, they want to make sure that nothing has changed. Many retiring owners wisely arrange for a period after the transfer of the title to remain available for counsel, support, and to facilitate a smooth transition. Beyond that, however, it is good to arrange for an extended cruise, a vacation home in another state, or some device that make it easy to move on to the retirement phase of life.

Conflict is a normal part of human relationships, and family businesses are not immune. Good planning can create an environment where a conflict is brief, constructive, and leads to a positive outcome.

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