



Seven Habits of Highly Successful Family Businesses

by Bonni Carson DiMatteo, CMC 2008

When only 30% of family businesses survive to the second generation and 10% to the third, it begs the question: Why do family businesses die so quickly? Since 92% of businesses are family-owned, they employ a vast majority of the country's workers. The success of family-owned business affects everyone.

There are several unique challenges in running a family business. The most obvious is you can't get away from coworkers at the end of the day because they are eternally tied to your personal life. The inverse of that is equally true. What falls out between you and your sibling at Thanksgiving dinner will ultimately impact your working relationship. It is this very merger of personal and business relationship which led corporations years ago to discourage romantic relationships and nepotism in the staff.

How many pieces of the pie?

Roles and positions in family firms are not always tailored to the particular skill set. Often it is a noncompetitive recruitment initiative that designs the job around the candidate rather than vice versa. On the other hand, the collective passion of the family team can be a driving force if unproductive competitions, communications, and complacencies do not undermine the business.

Founder Charisma

A family business is a unique culture. Often it is tied to the charisma and vision of the founder. He or she creates the bonds of staff to management and the culture that often makes many of the staff feel like part of the family. Unfortunately, more often than not, it is difficult for the founder to let go until well into his 70s or 80s. By then, the entrepreneurial passion of the successor who is usually 50-60 might have significantly waned.

Succession Issues

As everyone watches the next generation grow up, the anticipation and concerns about succession abound. Unlike most public firms that typically replace CEOs five times more than family firms, the founders hold onto the culture and the knowledge, creating a knowing-doing gap with the next generation unless careful attention to progressive succession is cultivated.

What are the Seven Habits of Highly Successful Family Businesses?

We would like to suggest it is the following: respect, roles, rules, responsibility, relationship management, regeneration, and results.

Respect: Can family members treat each other with respect? Do people value different perspectives? How are differences handled? Are there established ground rules?

Roles: Are the roles clear, and are authority and responsibility compensated with the roles? Is there confusion about who does what? Are there job descriptions?

Rules: What assumptions do people make about the rules? Are there written agreements about equity, compensation, time off?

Responsibility: Is there a sense of responsibility, duty, commitment, or a sense of entitlement? What are the values and culture that are perpetuated about obligations, loyalty, and excellence in the firm? Is there a sense of servant leader?

Relationship/Management: How are relationships managed? Are conflict and communication addressed? Are there standards of behavior that are reinforced or discarded?

Results: Is there accountability around performance, follow through, focus, action plans? Is this a commitment to provide training to increase results? Are there consequences when results are not met? Are targets met? Is there a board of directors? How is incompetence managed?

Regeneration: What is the company doing to create growth? Is there a strategic plan? Is there a succession plan? Are the vision, values, and mission of the company revised and reviewed at transitions? Is there evidence throughout the company what those are, or is there alignment among corporate, department, and individual goals? Is the company committed to growing the talent pool to contribute to company regeneration? How is innovation cultivated? Has the business model or lines of business chance?

The challenge of a family firm can be mitigated by careful attention to the pitfalls and pillars suggested. Successful companies of any description can grow by keeping an eye on respect, roles, rules, responsibility, relationship management, results, and regeneration.