



THE NETWORK OF FAMILY BUSINESSES

FORMALIZE THE LOVE: PART ONE

By: **Tom Hubler**

You have likely heard poet Robert Frost's proverb, "Good fences make good neighbors" from his 1914 poem, *Mending Wall*. When it comes to family business, I suggest that "formal structure supports family love." Here's an example taken from one of my clients I'll call Jones Construction.

In 2008, a dad and his son started Jones Construction. You remember 2008. The "great recession" was challenging all businesses, especially construction. Yet, Jones Construction experienced wonderful financial success, growing from \$0 revenue to \$7 million annually in 2012 with \$500,000 profit. On the outside Jones Construction looked like a business with remarkable prospects and a great future.

But ...

The family was unhappy. The dad and his wife (the son's stepmother), and the son's wife were all engaged in the business. The stepmom was the estimator and the daughter-in-law was the bookkeeper. And they weren't speaking to each other. This strained the relationship between

the dad and son who had founded the company. They wondered, what happened? More importantly, they needed to do something to restore family relationships and maintain the company's success.

It's not unusual for family businesses to put off dealing with issues as a way to maintain family unity. Of course, what happens when issues are not discussed and resolved is that more issues arise and this inadvertently creates the very problem that they are trying to avoid. As you would expect, the Jones family was no exception and had a long series of issues that needed to be discussed.

In my experience, family members in business generally love and care about each other. They try to do what's best for their company and avoid fights. Especially in start-up companies, each working family member operates more independently with little official structure or formal communication. This creates communication voids. Individuals make assumptions without a shared understanding. Small differences fester unresolved until they became painful and unmanageable.

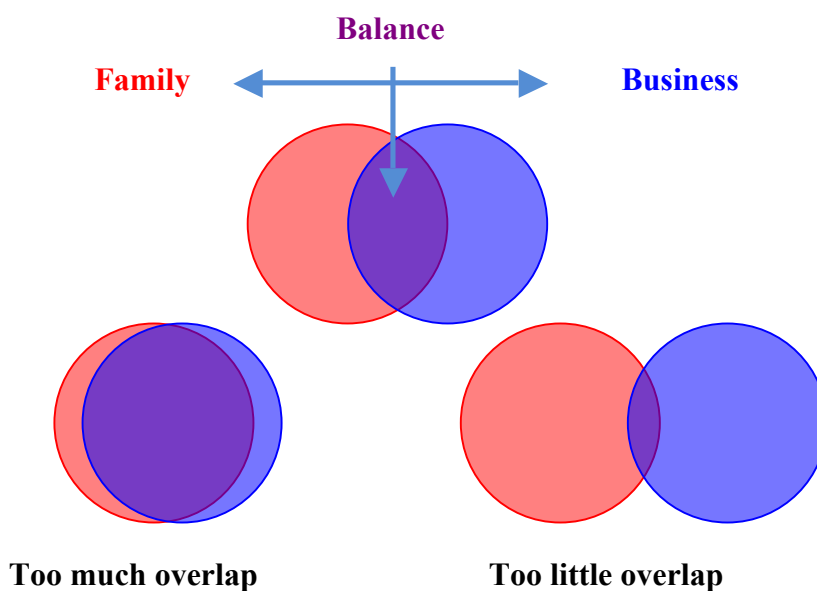
Jones Construction was operating without a hand on the tiller. Many administrative decisions were made by the bookkeeper without recognizing how they affected other parts of the company. Feelings were hurt. Complaints became personal. That's when I was called in; when feelings were raw and people weren't talking. The son was no longer going to family celebrations.

Believe it or not, this is not unusual. I might even say they can be expected in family businesses that run "on their own," business and family issues overlap without oversight, and family

entanglements upset business functions. Even “normal” business and financial differences can erode family relationships. That’s because two separate systems—family and business—have become too intertwined. Business activities erode family relationships, and family relationships put stress on the business.

Find the balance

Jones Construction needed to find, define, and develop the balance. This is necessary so that a business family can be both a business and a family without one overly influencing the other.



When there is too much overlap the business is vulnerable to family issues and entanglements that are normal in all of our families. In addition, business differences often erode family relationships.

On the other hand, when there is too little overlap, it robs the business of all the positive qualities of the family culture. It’s these positive qualities that contribute to family businesses out

performing the Standard & Poors 500. Family businesses are the source of most new employment and are also a major contributor to the gross domestic product.

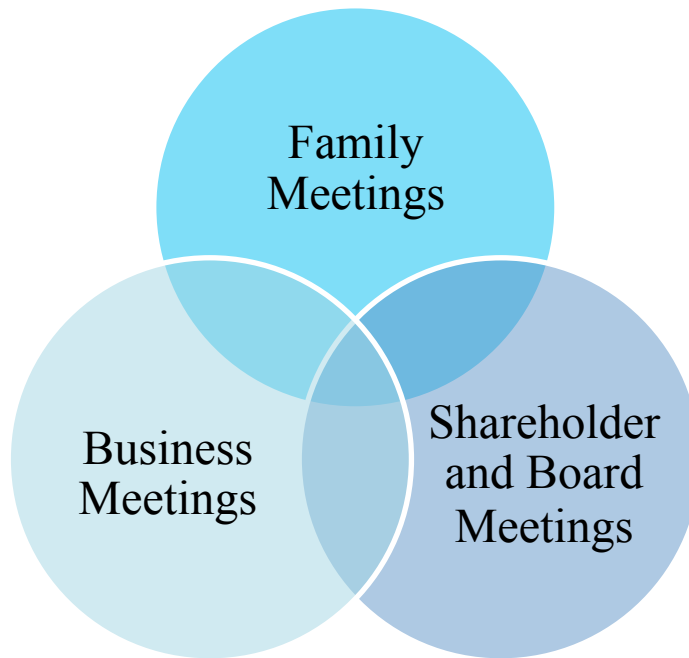
The way to create balance between the two systems is to have structure and formality—something that Jones Construction needed to create. Typically when I suggest this, the client’s response is, “We don’t need all that corporate stuff because we love each other.” My response is, “It’s because you love each other that you need this stuff.”

Start by sharing

I believe a family business needs three types of meetings to formalize expectations for the company.

1. **Family meetings.** These begin first so that the family can discuss the expectations and operations of the company and the family’s approach to it. It is also a way to manage the boundary between business and family. Everyone in the family is invited to family meetings, even those who may not be working in the company but are affected by its decisions. A lot can be accomplished in these meetings to bring understanding and healing and power to individuals as well the entire family. Family meetings are one of the ways to create structure, formality and balance between the two systems. Family meetings are also the place where family members formulate their expectations for the company and communicate them to the board.
2. **Business meetings.** These meetings are where the employees implement what the board has created in terms of the family’s expectations for the business. Only company employees attend these meetings.

3. **Shareholder and Board Meetings.** These meetings monitor and discuss the company's performance. This assumes that the company has specific, measurable processes and goals and that the board has real influence and governance. Only board members attend these meetings.



So you can see that family meetings are the heart of what continues into the business. They are the base for the business. Below is a summary of what I think Family Meetings are all about. I encourage anyone who has a family business to use this template as an opportunity to begin meaningful communications and catch little irritations before they become big fights.

Functions of Family Meetings

• Create balance between the family and business system	• Opportunities to build the emotional equity of the company
• Creation of a Common Vision to unite the family	• Shareholder Education
• Family Unity	• Celebration and renewal of family rituals
• Transparency	• Creation of a Family Participation Plan/Code of Conduct (employment policy)
• Creation of expectations for the performance of the company (ROI)	• Succession Planning Discussions
• Communication	• Estate Planning Discussions
• Career Planning (purpose)	• Wealth Preparation Planning
• Management of Differences	• Philanthropy

Benefits of Family Meetings

• Family Harmony	• As a family, living in gratitude
• Business Success	• Identify family values regarding wealth, philanthropy and service
• Transparency	• Successful Succession Plan
• Successful Adult Children	• Have a strong sense of purpose (Spiritual)

Family Skills

(Behaviors Necessary for Successful Family Meeting Communication and Management of Differences Skills)

• Talking Skills (sharing)	• Management of Differences (problem-solving)
• Listening (understanding)	• Forgiveness (reconciliation)

FORMALIZE THE LOVE: PART TWO

By: Tom Hubler

Jones Construction was in trouble when I was asked to help. The stepmother and her daughter-in-law were not talking; the son was not joining in on family celebrations and the dad felt isolated. The company was successful and profitable, but the family was in turmoil and it was beginning to affect the business.

Address the issues

We began with an initial family meeting to find some common ground. We talked about the issues, concerns, and challenges that the business and family faced. In follow-up meetings we developed an action plan to address the issues that were identified. Here are a few of them:

- Updating and producing a well-constructed buy-sell agreement
- Preparing a Common Vision to unite the family
- Developing a financial exit strategy
- Discussing and determining who will lead the company and who will produce a business plan
- Leveraging contributions to the 401(k) plan
- Getting everyone talking!

They had a lot of work to do. The family meetings started by creating the first-ever Jones Family Common Vision. Each family member wrote their own individual vision and shared the family values most important to them—so important that they wanted to see them perpetuated in

the company. This helps balance the critical zone where family values and business requirements come together.

Create a Family Vision

An ideal common family vision should unite the family around their shared values. Each family member should aspire to achieve their vision realizing that no one will ever get 100% of what they want. However, **each person is called to make a contribution to the common good out of their generosity, love, sense of abundance, and the trust that “if I make a contribution now, other family members will do the same when their turn comes.”**

I think it’s so important that I encourage the family to recite their common family vision every day. As both a promise and rallying cry, it continually reinforces the reciprocal commitment family members have made each other’s success in the team.

Jones Common Family Vision

The strength of our family business is our dedication to one another, our employees, and the quality of our work.

We create a legacy of integrity that is committed to acceptance, kindness and respect for each other that allows us all to grow, have fun, and enjoy our work

Strengthen communication skills

Once the Jones family had written their coming vision, they started having regular family meetings to strengthen the family’s communication skills. I introduced them to the Collaborative

Team Skills process to make it easier. The Collaborative Team Skills is a practical, skill-building program about communication styles, talking skills, listening skills and problem-solving. It starts with a simple, yet highly effective thought: “Say it is so when it is so.” This helped irritations from accumulating and terrifically improved the communication skills of all four core members. Each worked diligently to improve their communication, and it worked. Just learning how to share feelings made a huge difference to resolve issues. They learned to share a hurt feeling instead of acting out the hurt. It may sound like a play on words, but in action it was a game changer for the family.

With improved communication skills, the family used their meetings to discuss expectations. All relationships are bilateral which means we need each other to carry out our roles at work or in the family. It’s the same idea as stardom: a movie star cannot be a star unless there’s a supporting cast. This is true in all of our relationships. In a movie the cast knows what to say and do. But in life and work those actions are ambiguous or assumed. Yet each of us has expectations about what a good co-owner, spouse, sister-in-law, father or son does. We need to discuss that so everyone knows. And when they talked about it, began to understand and respond, everything improved.

Understand each other’s wants

The dad and his wife were able to share what they needed from each other in order to thrive. For instance, dad needed the space and time to do things the way he wanted rather how his wife wanted. On the other side, the wife wanted to be heard and respected for her opinion.

The stepmom and daughter-in-law worked hard to learn how to negotiate their expectations. They shared what they needed to thrive and learned how to make appropriate adjustments. For example, each of them agreed to check out their assumptions and give the other the benefit of the doubt before just assuming the other was trying to hurt them.

The dad and son also learned to comfortably share what they expected from each other in order to thrive, communicate respect, and show their love. I was honored to witness when they renewed their commitment to each other. They continued on to comfortably work as a team to face and resolve succession planning and other issues the company. Here are a few examples to demonstrate how significantly dad and son brought things into balance:

- They hired an operations manager consultant to guide them in reorganizing the company. In that process they clarified their roles, developed a business plan and are considering hiring a general manager to run the company.
- The dad is working with a new company accountant to develop his financial exit strategy and how his son will acquire that half of the business.
- Both dad and son are working with their new company attorney to revise and update the buy-sell agreement.
- The dad and son are working with their new 401(k) vendor to correct previous errors so that all recipients achieve maximum benefits.

Make relationship commitments

Jones' Construction is a small family business that made family meetings a pathway to a whole new sense of family and business. The family will hold two family meetings a year as a way to maintain progress. They tell me that every day they recite their common vision and reciprocal commitment to each other's success. They will use the communication skills they learned in the Collaborative Team Skills to efficiently manage their differences efficiently.

Large or small, complex or simple, start-up or generational, in my opinion, business families enjoy life, family, relationships and business much more when they take the time to formalize the love.

To Contact Tom Hubler:

Email: tomh@thehublergroup.com

Phone: 612.375.0640