

Professionalizing The Family Business

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Family business expert discusses the difficult and emotionally destructive problems confronted

In the 30 years I have been working as a family business consultant, the most difficult and emotionally destructive problems I confront in the "business" element of a family business occur during the transitional phase where the client company is moving from a founder / owner- managed business environment to a professionally managed business environment.

It should be noted that "professional" management does not equate to "better" management, but more to a change in management "style." It is mainly a contrast between "content" (professional matter expertise) and "process" (interpersonal relationships and interventions).

Evolutionary Process

Professionalization is an evolutionary process that effects every family business. Successful family businesses actively and aggressively manage this transition process. When the transition process is ignored or not carefully managed, it can result in chaos within the business or severe conflict within the family. Or both!

The first step in gaining a better or fundamental understanding of the professionalization process is to examine the stereotypic perceptions between the founder/ owner and the professional manager. While these differences in individual characteristics are generally clear and predictable, they also translate into the culture of the organization and the types of people hired and the way things are done!

In other words, professionalization can not just be accomplished by hiring a high priced executive from outside the organization. The basic philosophy, values, goals / objectives, basic work routines and the expectations of customers, vendors and other business relationships need to be re-evaluated as well.

In fact, without addressing all of these relevant issues, hiring an experienced and successful executive from outside the business, as a strategy to professionalize the business, will almost always end as failed strategy, a very expensive failed strategy.

Because of the complexities, the professionalization process is best accomplished over a protracted period of time, It should be an evolution and not a revolution. Unfortunately for many family businesses, the professionalization process must occur rapidly because it is an "event" triggered by the death or incapacitation of the founder / owner.

Element of Succession Planning

The professionalization of the business should be considered as one of the most crucial elements of a successful succession plan. The sooner the professionalization process is recognized as a strategic objective for the family business, the better the odds are for successful generational transition for the family business.

For example, my personal experience indicates that family business founders / owners are generally much better than professional managers in dealing with the problems associated with risk and growth because they are the stakeholder - it is their money being spent.

The founder/owner also tends to be more intuitive about business decisions because he/ she personally knows the vendors and customers and more humanistic because they tend to personally know the individual employees as well as the personal situations of the employees.

As the business organization grows and matures, the founder/owner typically becomes less visible and less involved in the day to day workings of the business. The usual trend is toward involving more "professional managers" (these can be family members or non family employees) who generally tend to be more bureaucratic and less personal in the management style. As a result, individual members or factions of the management team functionally polarize between "personal" and "rational" approaches to solving even the most simple management issues.

For the family business owner, these differences can become a crisis issue involving basic family goals and business objectives: Are we a "business first" family or a "family first" business?

Outside Advice Sought

It is generally at this point when the founder/owner seeks the objective advice of an "outsider" because the founder/owner is unable to get resolution of this dilemma from within the family and within the business organization.

Without resolution, management consensus will not be attained, and, as a result, the business will produce a lot of expensive "commotion" but very little "locomotion" towards the happiness of the family and the growth and prosperity of the business.

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