Building Concensus in the Family Business

By Don Schwerzler

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Family Business Expert suggests...
First, build a strategic plan for the family

By Don A. Schwerzler

One of the most difficult problems confronting family businesses is building a consensus about how the business should be operated, now and into the future.
In a non family business, the answer is rather simple and obvious: Develop and implement a strategic plan.

In a family business, the process is dramatically more complicated and filled with situations that can devastate both the family and the business.

A Strategic Plan for the Family
Many family business owners do not understand that before a family business can develop a successful strategic plan for the business, there must first be a strategic plan for the family.
For example, ensuring the senior generation's financial security, independent of the business, generally is a fundamental requirement of the family's strategic plan. Meeting this goal then becomes a critical objective for the strategic plan of the business.

In other words, the economic engine (the business) is being asked to reach a specific financial goal of the family, as opposed to reaching a business objective such as ROI, or other ratios or measures of profitability.

First Step Toward Consensus
One of the first steps in developing a successful process for building consensus is to clearly understand the different perspectives "between" generations (inter-generational issues) and "among" generations (intra-generational issues).
Inter-generational issues are generally easier to determine, and they are usually related to life stages. For example:

Parent Offspring
Conservative Aggressive
Risk adverse Risk taking
Security conscious Development conscious
Strategy: status quo Strategy: change/growth
Controlling Wanting control
Managing the Past Managing the Future

Intra-generational issues

Intra-generational issues are less likely to be identified and discussed. As a result, these issues tend to "fester" over long periods of time, and they frequently present themselves in an explosive and destructive manner.

Some of these Intra-generational issues include differences in compensation, perks, status, individual personal values and public recognition factors (visibility). Other problem areas are educational differences, varying levels of personal and professional sophistication, differing opinions of "value contribution," and, most importantly, spouse issues.

The Role of Facilitators

Because many of the inter- generational and intra-generational issues can be "confrontational," it is generally a wise investment to retain a "facilitator" trained and experienced in dealing with family business dynamics.

This facilitator can assist the family in organizing and prioritizing real or perceived differences among various family members. In fact, dealing with these issues can actually become the "agenda" for family retreats.

Objective Understanding of the Business

Concurrent to recognizing the inter- and intra-generational family issues, to develop consensus in an FOB, it is equally essential to gain an objective understanding of the business. From an Operations Management perspective the most difficult problem is clearly identifying the crucial operational characteristics of the business. To be successful, this process should be independently constructed and must be based on operational information, not financial information.

The Importance of Objective Measurement

Unfortunately, in most family businesses the operational characteristics of the business are never accurately or objectively described. Key decisions are based not on hard facts but on various "interpretations" of sometimes unrelated circumstances. This is not an unusual phenomenon: Family businesses tend to rely on well-intentioned people, memory, and varying degrees of managerial expertise to reach their business goals and objectives, rather than creating a sound operating system.

As an illustration, I often ask family business CEOs to question their senior managers about how much work is accomplished daily in their individual areas of responsibility. If these key managers merely are able to report results, without knowing and measuring the labor hours involved, a serious managerial discrepancy exists.

Designing a process for correcting this problem generally can be accomplished within a few days, depending on the complexity of the operation. Validating the operational characteristics of the business should be a high priority issue, one that commands immediate attention.

A Three-Legged Stool

Building consensus in a family business can be compared to the proverbial three-legged stool. There is the Senior Generation, the Succeeding Generation, and the Business. Each "leg" has different needs and issues, and each requires different kinds of expertise to ensure that those needs are met and the issues resolved.

Unless equal importance and attention is given to each group in a family business, optimum stability will never be realized. Unfortunately for many family businesses, building a harmonious consensus will always remain a dream and never become a reality.

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