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Perls of Wisdom

THE FAMILY BUSINESS

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The similarity between the functioning of a **family** and the group dynamics of a management team are striking. We do tend to manage people in the same ways that we parent our children. Staff meetings often have the flavor, if not the cuisine, of a **family** gathering at the dinner table.

As an organizational psychologist consulting with **business** and industry on issues of conflict resolution, team building, and strategic planning, my approaches are often analogous to those of **family** counseling. When managers share ties of blood or marriage, as well as the keys to the executive washroom, the ambiguity of roles can cause great stress. Also under pressure are the "outside" executives or managers who not only lack the ties that bind, but may miss the significance of the rites and rituals that are a common part of a **family's** culture. Here are some of the more frequent dilemmas.

[Mom and Pop](#)

Traditional husband-wife businesses in the past tended to mirror the same roles that existed in the **family**. The emergence of women's right to have careers and the increase in two-paycheck **families** has changed that. Mom may become the entrepreneur and ask Pop to take a supporting role in her enterprise.

Lack of clearly defined roles is a huge source of conflict in organizations. Similarly, the stresses and strains of a two-career **family** place great pressure on husbands and wives to develop creative ways to accommodate the needs of both. When these are combined as in a **family business**, the potential for problems escalates.

Hardly anyone would argue with the notion that men and women seem to have originated from different planets. We, Martians, tend to define ourselves in terms of the work we do, while our Venusian mates are far more relationship-oriented. Spouses who join their beloveds in **business** find themselves dealing with a whole universe of territorial issues. The assumption that marital roles will easily transfer to **business**

roles is erroneous.

Once upon a time, my wife and I owned a travel agency. She managed it, and I did the bookkeeping. Because of my consulting practice, my number-crunching took place evenings and weekends. One afternoon, I had a few free hours and moseyed over to the agency to do the books. The icy look I got from my spouse quickly alerted me to the fact that I had made a mistake. This was her turf. I retreated promptly and went back to my day job, a lesson learned and not soon forgotten.

And baby makes three

The greatest source of conflict in **family** businesses is when there is incongruity between roles. This lesson was taught to me by the founder of a highly **successful** manufacturer of laboratory equipment. He appointed his son the president and himself the executive vice president. "Son," he said, "Two things will make this work. First, I will continue to live 3,000 miles from the plant. Second, I will never attend your staff meetings. Of course, I will continue to be available for consultation or a sales call on a major customer."

Few sons or daughters have such a father. The history of succession to thrones and boardrooms is rife with swordplay and back stabbing. Founding fathers get bought out, fought out, and thrown out. Few have the skill and sensitivity to pass on the crown in an orderly way. The Grim Reaper and an intelligent will have done more to continue dynasties than all the plans and promises made to aspiring children. We are never ready for our kids to drive, date, or depart. Why should we be any different when it comes to directing the **family** enterprise?

Ninety percent of all businesses in the Western World are **family** owned. **Family** firms produce half of our Gross National Product. And they employ half of our nation's work force. Yet, the average life cycle of a **successful family business** is 55 years--about one adult life span.

In the United States, fewer than one in seven **family** businesses are successfully passed on to the next generation. The biggest barrier seems to be the current generation's unwillingness to withdraw. It's ironic that succession and success are both derived from the Latin *succedere*.

I once worked with a company that was run by two brothers who balked at joining their father's \$2-million enterprise until he provided a process for them to buy the **business**. The boys, who took the company to \$20 million in sales, were now faced with bringing their own sons into the operation. These kids wanted the same kind of deal Grandpa made. "This is different," the brothers lamented.

"Perhaps you are afraid they will take it to \$200 million," I suggested. Which, happily, they are well on their way to doing as the new owners.

To understand all of this is to be grounded in the fundamentals of **business** psychology. Most entrepreneurs started companies because of a strong need to exercise power over others. They may perceive relinquishing that power as the first step toward losing control over their lives. Letting go may awaken dormant issues about their sense of self-worth. Most **successful** entrepreneurs are in love with their **business**. It is their life's work. The thought of moving out of their day-to-day work life and into the vacuum of retirement is seen as equivalent to death. An answer is to create a succession plan that provides both transition and control. We call it the "succession waltz," with one generation taking a step forward into executive positions and the other a step back into a consulting role.

My advice to sons and daughters who want to own the store is to arrange for a leveraged buy-out as soon as they feel competent to run the show. If Mom and Pop won't take back a note, it is unlikely the kids will ever have real control. On the other hand, if the kids are unwilling to take the financial risk, perhaps they would be better served to accept their role as employee.

Foster care

Working for a **family business** can be a joy. Since most are privately held, there are often many creative and lucrative opportunities to share in the growth and development of the operation. There may be much less bureaucracy, and top management tends to be readily accessible.

When there are interpersonal problems, however, it is easy to find yourself between a rock and a hard place. In the book and movie, *The Godfather*, Tom is taken in by the **family** and raised as its own. But he is not ever considered for the throne.

That seat is reserved for blood kin. Such is the script most often written for professional managers who join a **family** firm. They become the forgotten children when **families** find themselves fighting for control. As any seasoned police officer will tell you, the most dangerous place to walk is into a **family** dispute.

Rites of passage

There is no more difficult process in human enterprise than succession. The only true test of a person's ability to run the show is to run the show. Bench-sitting as a developmental activity is greatly overrated by fathers, mothers, coaches, and corporate chieftains.

Families do not really expect children to develop full independence until they move out of the house. In Australia, young tribesmen are sent out into the wilderness in what is called a "walkabout." When they return, their possessions have been moved into a hut separate from their parents. Corporations send their best managers into the field to run plants, branches, divisions, and subsidiaries of the mother organization. All are rites of passage that facilitate the succession to power.

As a case in point, I once worked with a hardware chain that added a store each time one of the founder's children showed an interest and aptitude for managing the **business**. Four sons ran four stores. The fifth child, a daughter, owned a fifth store which her husband ran. Grandpa understood all the ingredients for a **successful** rite of passage. Before he passed on, one of his sons smoothly took over corporate control. The problem they faced now was how to pass ownership to the grandchildren, some of whom worked in the **business** and some who did not. My job as consultant was made much easier by the founder's skill and insight. Indeed, I told them that all I needed to do was teach them Grandpa's lessons in **family-business** leadership. I presented his wisdom as if on a stone tablet...

Grandpa's Ten Commandments

1. Share your vision of the future with the **family**.
2. Promise continuity to all--that **family** ownership will continue forever.
3. Differentiate between ownership and inheritance.
4. Develop structure --a clear, workable organization made visible on a chart.
5. Make it a learning organization where everyone is dedicated to gaining knowledge.
6. Operate with an open book so performance data is available to everyone.
7. Create a council of competent advisers.
8. Choose a successor.
9. Train your successor.
10. Retire and promote your successor with full power in your lifetime.

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By Michael R. Perlson, Contributing writer

Michael R. Perlson, Ph.D. is an industrial psychologist and president of Perlson Associates, a human-resource consulting firm located in Rochester, N.Y.

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