

# Outside the Box: A few thoughts on the family business

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The family business is both wonderful and maddening. At the heart of the family business is the intersection of three systems: the family circle, the business management circle and the ownership circle.

People can hold a position in one or

all of the circles, and their relationships to one another are further complicated by their various life stages. At any one time in a family business, people may be involved who, by virtue of their age and level of maturity, have vastly different perspectives relative to risk tolerance,

a desire for control and authority, and lifestyle. Finally, multigenerational businesses are also challenged with the task of incorporating new faces into the social fabric of the family via marriage.

Several key characteristics are required of the people involved in an effective family ranch: patience, persistence, understanding, courage, conviction, a sense of humor and forgiveness. The establishment of trust is paramount to the sustained success of a family-owned business. The foundation of trust is the ability to communicate within the family and to develop a deep understanding of the needs, abilities and limitations of others.

Perhaps the most difficult task is keeping the business on track using the keen mind of a strategist and the purposeful heart of the entrepreneur while nurturing individuals with the loving heart of a parent and spouse and the mind-set of a leader who views individuals as having worth beyond the business circle.

Planning, communicating and training all come home to roost in the family business. If sufficient time and attention are not given to these processes, then the success and harmony of the family-owned enterprise is likely to be significantly diminished.

One family business expert lists seven primary factors as potentially devastating to a family business: lack of clear objectives, conflict between family and business systems, disharmony due to differences in stage of life cycle, lack of commitment by participants, power struggles, financial stress, and failure to recognize the value and effect of key nonfamily employees. While there are no recipes for ensuring harmony in the family-owned enterprise, it is important that a process is in place to assure that conflicts and disagreements can be resolved before they become destructive.

Toni Zimmerman and Robert Fetsch, researchers in the Department of Human Development and Family Studies at Colorado State University, have developed a consensus-building model that is both pragmatic and effective. There are six steps in their approach:

1. Establish family rules and a shared vision.
2. Improve family communication and conduct business meetings.
3. Create departments within the business and appoint managers.
4. Develop task lists that are prioritized. Assign resources and establish deadlines.
5. Maintain and communicate monthly activity calendars.
6. Resolve equality issues.

## **Build a consensus**

The need for a mission statement, objectives and mutually-agreed upon goals is critical. Implementing the family business meeting (employees included) is a crucial step toward improving

communication, allocating resources and focusing on achievement. These meetings should be conducted regularly at neutral sites (not at Mom's table), an agenda should be used to promote focus, and the approach should be professional. A recorder should write down and distribute the decisions that were reached in the meeting. The primary goal of these efforts should be to help determine priority tasks, delegate responsibility for specific jobs, schedule and allocate resources, and clarify issues.

The creation of departments and appointment of various family members and employees to achieve the objectives of each division allows people the opportunity for autonomy, professional growth, and a deeper sense of ownership and control. This also allows the family to allocate tasks according to the skills, expertise and experience of different people within the organization. Each department manager is responsible for establishing the process, resources and timeline needed to achieve the goals associated with their department. By sharing the needs and priorities of each department, resources can be more effectively shared, and communication stays focused on achievement.

The advantage of this system is that it facilitates planning, makes it easier for departments to share resources, promotes communication and reduces conflict. Furthermore, each manager develops a better understanding of his or her department's role in the total enterprise. Trust is established that important tasks will get done, and individuals can better anticipate their schedules.

The process is further enhanced when a monthly calendar of activities is maintained. This effort allows the communication of time commitments that are both related to business issues and family or personal commitments. By referring to the calendar, people can anticipate time commitments, improve flexibility, and better balance the demands of work and family life.

### **Seek professional expertise**

Equality issues may be rooted in family history, sibling rivalry, inability of parents and children to move into a partnership relationship, and integration of new spouses into

business and family systems. These issues frequently manifest themselves as struggles over decision-making, compensation, accountability, vacations, housing and level of ownership. In many cases, families will be best served by utilizing the expertise of professional estate planners, business management consultants, family counselors or others trained in mediation. The important task

in resolving these equality issues is to clearly communicate expectations, rules and time lines.

Addressing these issues can sometimes be frustrating and painful. However, if these issues are not addressed, the likelihood of the business transferring to the next generation is severely lessened.



**Editor's Note:** Tom Field is a professor at the Colorado State University (CSU) Department of Animal Sciences, where he is responsible for the seedstock cattle breeding program of the university teaching herd. He directs the Seedstock Merchandising Team and teaches Food Animal Sciences, Beef Production and Family Ranching. He is a contributor to the research efforts of the CSU Beef-Tec program. Field is also a partner in his family's commercial cow-calf enterprise, which uses Angus as an important genetic component.

### **Key characteristics required of people involved in an effective family ranch**

- patience
- persistence
- understanding
- courage
- conviction
- sense of humor
- forgiveness