

How to Thrive as a Family in Business

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The Tuttle Farm, one of the oldest businesses in America, was established between 1635 and 1638 and is currently in its eleventh generation. In 2005, the family faces the same question that every generation has faced for the past 350 years. Will the twelfth generation want to inherit the farm and continue to run it?

In the previous issue of *Coastal Grower*, we began looking at the question: “how do business-owning families prepare for a successful transition of their business, a treasured heirloom, to the next generation?” In this issue we continue that conversation.

The two oldest continuously-operating businesses in the United States are family businesses. Three million new family businesses were started in the United States in the past five years. Of these new businesses, which will survive as a family-owned firm? What are some of the reasons, independent of market and financial conditions that some family businesses thrive and others decide to close their doors or sell outside of the family?

The dictionary definitions of “to thrive” include: *to succeed, advance, do well, prosper, flourish, grow rich, and grow vigorously*. The world’s long-lived family enterprises have thrived because they have carefully developed their business and their family. Both need to succeed, advance and grow vigorously.

The Tuttle family claims that they have lasted as long as they have because “each generation has been able to put its own mark on the business and accommodate interests.” The times and the family are always changing and family businesses that thrive are always looking ahead, preparing for both the troubles and successes that will inevitably come.

Red flags for family business

Families that thrive are realistic about the fact that family conflicts will arise and they get ready for the inevitable “red flag” times. Following are some family business events that may lead to problems and how to prepare for them:

► Hiring and firing relatives

Establish clear, mutually agreed-upon family personnel policies and employment contracts outlining criteria and financial conditions for employment, advancement and dismissal.

► The unexpected

Have finances covered and management plans in order “just in case” the “unthinkable” ever happens.

► Rivalries

Sibling rivalries and rivalries among multiple owning family groups will arise. So talk, talk, talk about succession plans, values and mission.

► Family members wanting out

Shareholder agreements need to be in place, including procedures for buying one another out and procedures that both secure the business and respect individual desires.

► Family members feeling left out and slighted

Expect personal hurts and wounds and have procedures for addressing interpersonal conflict.

► Secrets

Have a family policy of NO secrets and NO lies. They undermine trust, promote doubt and suspiciousness.

Work toward reconciliation

Conflict arises without exception in every business and in every human relationship. Conflict is not bad. In fact, it is normal and can actually produce growth and maturity. What is important is the way people go about resolving their conflicts and how quickly individuals recover from their feelings and hurt.

All families and individuals have different discord-tolerance levels. Some fragment over seemingly small matters, while others remain on speaking terms and continue working together after large violations. Interpersonal conflict arises quickly in family business where emotions, relationships, power, control and money all intersect. Family members, because of their history together, perceive injustice whether or not it has actually occurred. Easy triggers for personal hurts and conflict include: slights against one’s self-worth and self-image; a sense that other family members are standing in the way of personal needs being met; or someone’s words or deeds confronting another family member’s long-held belief.

In one example, a daughter-in law felt devalued because “enough” attention was not paid to her children and her family didn’t live in as “great” a house as the co-owning brother and his family. In another example, passive family owners felt that the company CEO was re-investing “too much” into the company and therefore they couldn’t have the vacation and new house they were wanting. Finally, conflict arose when a son who expected to take over management of his father’s real estate investments found out that his sister had been chosen to do the job.

People and families also respond to conflict in different ways. Some face it head-on and fight, others withdraw and quietly burn while procrastinating or sabotaging, and still others court favor and stir the pot in manipulative ways. It is important to recognize the signs of conflict and to deal with them quickly, constructively and sensitively.

Business-owning families that survive have conflict resolution processes in place for those times when interpersonal ruptures occur and the inevitable red flags pop up. Families that thrive, whatever their chosen mechanism for resolving interpersonal conflict, focus on reconciling family relationships. Reconciliation occurs when, after a period of alienation, family members make a commitment to work out their differences and create a shared future.

Reconciliation processes include:

- ▶ Making the problem the rupture in the relationship, rather than any one person.
- ▶ Requiring all family members to take relevant responsibility for resolving the conflict.
- ▶ Protecting family members from shame and damaging personal exposure.
- ▶ Showing equal respect for all.
- Striving for a resolution that everyone can embrace.
- ▶ Calling in qualified professionals when problems are not resolved quickly and easily.

Establish family governance

Business-owning families thrive when they develop structures that keep the family connected and aid in achieving the general purpose of maintaining the business and the family over the generations.

The Family Council is an extremely important governance body for achieving generations of success. In smaller families, everyone who chooses can be a Family Council member, while in larger families representatives to the Family Council are usually elected. The focus of the Family Council is on balancing individual, family and business interests.

Family Council members collaborate to define the mission, vision, values and principles of the family's business. In collaboration with legal and other outside advisors they establish shareholder agreements such as personnel policies, buy-sell contracts and conflict resolution processes. Family Councils are the link between the family and the business. They connect the past to the present and secure the future of the family and the business.

Successful family businesses make happy people

Recent psychological research has focused on the "conditions that enable people to flourish." Interestingly enough, some of the findings have a direct relationship to family business. Two of these important findings are: "strong ties to friends and family and commitment to spending time with them." These are the best indicators of high levels of happiness and low levels of depression, and a big part of lasting happiness is to figure out one's strengths and find new ways to deploy them.

Family businesses that thrive are a fertile field for the production of happiness. When families work to bring out the best in every family member, passionately develop individual core capabilities, foster positive family

connections, use family as a helping community and respect individual dreams and freedoms, they cultivate happiness and bring success to their family endeavors. Thriving family businesses protect and develop their biggest asset: the human capital of their family.




The research on happiness points out that being grateful is a significant happiness booster. People who are grateful see the good in situations. They look for what is going right and hold onto the kindness and advantages that have come their way.

The older generation of a thriving family

business treats the next generation with charity and kindness when they pass along the opportunities and wealth of the business. Each new generation that receives the gifts of a business benefits from others' actions, courage and foresight. Being grateful is recognizing that your family members have chosen to give you something of value just because you are you and a member of the family.

Gratitude keeps individuals, families, and businesses healthy, so express it often. Consider keeping a gratitude journal, making a gratitude visit and doing acts of interperson-

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al kindness. Gratitude is built into the Tuttle family succession plan. By tradition, the farm goes to the youngest son. Why? Because he is seen to have the best chance for a long life and therefore will be around longer to support the older generations. When your family gets together, whether for a business meeting or a holiday meal, consider an experiment. Start the gathering with each person telling a brief story of something they are grateful for.

Finally, says Evan Hourihan, the youngest Tuttle family son, "I'm really torn. I'm in college, and there are so many opportunities. But I feel such a strong connection to this place. I would never want to see the tradition pass out of the family." ■

For more information please contact us at: Carmel Institute for Family Business, phone: (831) 626-1143 or check our website: www.carmelfamilybusiness.com.

Sources

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