Staffing a family business: going outside of the nest?

Failure to address work-related issues, like organization, is often overlooked when relatives are involved.

Erven: a good craftsman might not be a good foremean.

By James E. Guyette

■ Owners of family businesses find that it sometimes pays to look outside the family when selecting top staffers. At least according to Dr. Bernard L. Erven, professor of agricultural economics and rural sociology at Ohio State University.

The major reason third-generation businesses fail is because succeeding family members are thrust into roles that they either dislike or are simply unable to perform adequately, Erven points out. This problem also holds true for beginning family enterprises.

"We are choosing managers from too small a pool," he cautions. "They may be great kids, but they may not be landscape managers. They don't line them up at the hospital and say, 'I pick that one—he looks like a landscaper.'"

Owners of family businesses need to match the employee's talents with the job. If a match is not being made, look for alternatives, Erven urges. Don't set your relatives up to fail by putting them in a position that doesn't work.

Even those who are solidly motivated may have certain attributes that don't obviously match the management job at hand. The family business owner needs to get a handle on this and make the appropriate adjustments.

"The best craftsman will often not be the best foreman," Erven observes. A crackerjack craftsman may have little patience with non-craftsmen, and will gain no satisfaction in watching others reach success—and both of these qualities are needed in a manager. If your craftsman lacks these attitudes, have him or her remain a craftsman and hire someone else to do the bossing.

Failure to address these work-related issues can bring strife to family relations, Erven warns: "If my sister didn't marry my brother-in-law, I wouldn't have these problems, so it must be my sister's fault."

Organization is often overlooked when relatives are involved. "When you mix family and business, you bring the family problems and the business problems together and you complicate them," Erven explains, adding that these problems may not even be apparent to outsiders. Yet this can get you into trouble.

A sample family business organizational chart may look like a spider web, with no clear definition of who does what. A long-term employee may still not follow instructions issued by someone who supposedly is in charge. "He still has not accepted the son—who was 12 years old when he started working there," says Erven.

Another common family business organizational chart looks like a sunshine with rays poking out. One person is in the middle: "My way, my business." Erven points out that although the trend in today's business world is to decrease middle management, often there's way too little middle management in a family business. The test? "Do your employees stand around in the morning waiting to be told what to do? That's the 'me' approach."

If your organizational chart looks like soap bubbles, it represents things being done "our way" with nobody being in charge. Chaos reigns. Under such a circular system, employees seeking a favor will keep asking each family member until one says yes. Customers seeking answers are left frustrated and annoyed.

Erven presents five principles for a successful family business:

1) Someone must be in charge. This comes in handy even in the most smoothest operations. "A person higher in the organization handles exceptions to the usual."

2) Decentralization. "We want to push decisions down to the lowest level possible. Do you have *managed workers* or *working managers* in your business?" Erven asks. The top boss's quietest day should be on the busiest day of the business—because that boss's time will have been dedicated to planning—not putting out fires.

Most decisions should be made at lower levels, he says: "You may be saying, 'Wait a minute, Bernie, you don't know the people I have working for me.' Then we get into hiring practices..."

3) Parity principle. Authority should be equal to responsibility: "One of the major frustrations of a small business (employee) is being given responsibility without authority."

Employees need to know who's in charge, what are the rules, and will they be enforced.

4) Span of control. Supervise no more than five people in a given situation.

5) Unity principle. Nobody reports to more than one supervisor. "In family businesses this is very important," Erven stresses. "Many employees in a family business keep asking people until they get what they want."

It can cost you good workers, too, who become annoyed at the frustrations involved. "Always ask yourself, is it fun to have more than one supervisor?" The answer, Erven contends, is a resounding no. "I've had employees (of family businesses) tell me that they worked there for two weeks before they knew who their supervisors were."

A successful family business must be organized, Erven explains. Failure to do so invites strife among the workers and a negative impact to the bottom line. "Management doesn't have its house in order, and then we blame the employees because they don't know what we're thinking."

—James E. Guyette is a freelance writer specializing in the green industry. He is headquartered in South Euclid, Ohio.