



BEST PRACTICES

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Family business transitions

If you've ever been involved in a family enterprise, you know it can be a bumpy ride.

When it comes to leadership transitions, the process can be particularly difficult if internal conflicts, feuding and personal rivalries obstruct a seamless transition.

Data show that 70 percent of family businesses do not survive the transition from founder to second generation; only about 10 percent are planned and executed through to the third generation.

To ensure the viability of your business and ease the generational transition, a succession plan is essential. It not only will prioritize business needs over family desires, but it also will serve to clarify potential squabbling, put guidelines around awkward communication topics such as finances and mortality, and establish protocols around legal, tax and other asset valuation complexities.

We all know and have seen many cases of dysfunction in the family business. This is often caused by muddled involvement of sons and daughters brought into the business in a less than successful manner.

Avoiding politics & nepotism

Employees often think the owners' children get preference, which they often do. Attracting and retaining high-performing, non-family employees is often made more difficult by the perception that preference is given to family members when it comes to career advancement.

Throughout my career either owning a family business, working in a family business and now consulting with family businesses, I've observed and studied its idiosyncrasies. Experience has taught me that the following work best when bringing your children into the company.

1. Let your children make their own choices.

Give them opportunities to do odd jobs around the company appropriate to their interest and skill sets and allow their interests and passion to develop organically.

2. Starting them at the bottom works best.

Coach them on how other employees will watch them and set higher expectations for their performance because of who they are. Establish clearly defined compensation structures based on merit and abilities, not familial relationships. Reward them for sweat equity and call them out on arrogance. Do not tolerate condescending behavior. Roles and responsibilities must be clearly defined.

3. Formal education and on-the-job learning/training go hand in hand. Require them to develop professional skills through college horticultural or business programs, in combination with working in the business.

4. Encourage them to work for another landscaping company. Either during college or upon graduation, allow them to work somewhere else. It can be a really valuable building block for creating a well-rounded experience base from which to build.

5. Establish criteria for job performance. Use good management practices to keep standards high. Keep a balance between holding your family member to a high standard for performance and being too demanding and never satisfied. The other employees are already holding them to a higher standard. Avoid making it a no-win for your children to share in your business. Make the process personally rewarding.

6. Change your thinking from your son or daughter "replacing" you to "complementing" you. Some of the more successful transitions occur when the second-generation family member brings special talents to the leadership mix that adds value to or augments the owner's capabilities, making him or her more of a partner in the business than a threat. For example, if, as the owner, you're operationally focused, your family member might have talents in technology, finance or marketing/sales.

Despite some of the above difficulties, some companies make smooth generational transitions. In fact, sometimes the next generation leader takes the company to higher levels.