

Reading

The Family Business: Problems and Solutions

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Family businesses face complex problems that limit their development. In this article, dear reader, I will discuss some of the most representative and significant problems, and propose solutions. I hope this information is useful in bringing about good results from your family business.

1

Problem: Being “family-bound” (nepotism)

Solution: Hire trained professionals

Essentially, the business is defined by the people who work in it. Under this premise, a company should hire only valuable people, meaning only those capable of adding value to the organization. A family-bound business is one that includes ineffective relatives, generally with the idea of employing as many family members as possible, without taking into consideration that the weak performance of some hurts the business as a whole. As in any other case, the capacities, attitudes and values of family members who want to hold a position within the company should be assessed, in order to estimate the contribution they might make. Qualified professionals should be hired, from within the family if they are available, and if not, the company should seek outside the family for such talent.

2

Problem: Confusing Business and Family

Solution: Correctly Separating Business and Family

Although it seems obvious, we must always remember the business should be treated as a business and family as family. Let me explain. A family business can be conceived as the union of two subsystems: Business and Family. Imagine two intersecting circles: one of them corresponds to the Business and the other to the Family. The zone where they intersect, the union of the two of them, is called the conflict zone. The further apart the two circles are, the smaller this zone of conflict. This idea has important practical implications, because if we want to reduce the potential for conflict (intersection between the circles) we must treat both subsystems appropriately, and this means separating them. Assign positions in the company based on capacities, rather than the role the person plays in the family. Determine salaries in keeping with the logic of the business, not as a generous allowance from a parent to a child. Demand professional results rather than tolerate an insufficient contribution by a family member. Finally, when the family is together, avoid talking about work and commenting on business matters. I am sure, dear reader, that you will find many situations where you can successfully separate Business from Family.

3

Problem: Too many family members in the business (rivalry)

Solution: Hire the most valuable

The family outgrows the business. This statement is to some extent true in most cases, and if ignored, it can result in serious confrontations between family members. How many family members fit in this business? This is a very important question. Sometimes there are a number of family members that can make a significant contribution to an organization, so in principle, the idea of including them in the business is attractive, but it may be that the business is not big enough for all of them, and this sets off a battle for the resources and control of the business. This is not a minor issue, although in the early phases the problems can pass unnoticed. But as time goes by, the demands of each family member grow and differences widen. With courage and sensitivity, we must move in advance of the situations and propose various scenarios for the advancement of each family member and choose those most suitable to the individuals and the organization.

4

Problem: Resentment, emotional conflicts

Solution: Properly channeling emotions (Forgiveness)

In a family business, the family has a tremendous influence on the business, which is why we recognize that they are emotional organizations. This emotional nature stems from the family dimension and must be appropriately channeled. It is said that a family is emotional while a business is rational. Frequently, conflict and resentment within these organizations arise from family situations in the past that were never correctly resolved. These feelings can literally paralyze the business and set members against each other, shareholder against shareholder, director against director, brother against sister. If they can identify the origin of their disagreement and deal appropriately with the situation, it becomes much easier to build a better future for them. I am convinced that many of these situations require forgiveness, an astonishingly effective mechanism to heal wounds and return the focus to the future.

5

Problem: Prisoners

Solution: Developing life and career plans

It is my view that there are more prisoners in family businesses than in the penitentiaries. They are prisoners of comfort, of a lack of capacity, and impetuosity. They are prisoners in a gilded cage, that prevents them from developing their full potential. This is wonderfully explained in the parable of the talents described in the Bible, where among other teachings, we learn about a fearful person who buried the talent he was given instead of putting it to work. I don't wish to be misinterpreted: I don't mean to say that people who decide to join the company that their parents founded are wrong or have done so out of fear. I think that in all cases, they will have made the right decision if it responds

to their life's calling, the force that drives us to develop our human potential. It is even possible that they are actually making a generous sacrifice for their family members by deciding to join the family business.

The development of life and career plans can facilitate professional decision-making and clarify the course that must be followed. I recommend that those who wish to join their parents' business do so only after carefully analyzing all their professional options. They should ensure that if they want to participate in their parents' business, that they do not enter as prisoners.

6

Problem: Unprofessional organization

Solution: Professionalism

Increased professionalism is an inescapable path for an organization's survival. Family businesses that are not prepared to make the changes demanded by their environment, as it becomes increasingly complicated and competitive, reduce their possibilities of survival. As in sports, an organization can be amateur or professional. A business that wants to go from being an amateur to being a professional must make a tremendous effort. But the benefits of the change are worth the sacrifice. A good start toward increased professionalism is the creation of a professional Board of Directors, that meets on a regular basis, made up of board members capable of contributing value to the business.

Other actions must also be taken, including designing a professional organizational structure that includes a description of jobs and duties consistent with the interests of the organization. The family will benefit indirectly, by reaping the fruits of a successful business, rather than squeezing it dry, as unfortunately happens in a great number of cases.