

Family Business Status Assessment

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Whether selling groceries, running funeral homes, or operating retail or service businesses, family businesses owners have some things in common. A 2003 survey* of multi-generational family businesses suggests that families are as concerned with the quality of their familial relationships as they are with their company's bottom line. Most are eager to keep the family in the business, increase their wealth, *and* grow family leaders in each generation.

Jaffe and Braden's study reports that families succeed in keeping the family in the business by (1) having a clear and powerful vision, (2) developing entrepreneurial strengths, and (3) planning strategically to mitigate risks and maximize opportunities. Family businesses that successfully pass to succeeding generations share these governance elements:

- Structures that ensure the carrying out of the family and business purposes and values and protect family assets.
- Clear family roles and responsibilities.
- Excellent communication systems that encourage family members to develop necessary skills to succeed in the business and provide independence.
- Clear ways for family members to leave the business when the time comes.

How does your business stack up? Complete the Family Business Status Assessment© below and determine if your family company knows where it is going and whether it shares a plan for how to get there.

1. You want the business to stay in the family. YES NO
2. Family members avoid discussing family matters at work and family business at home. YES NO
3. There is a written policy that clearly states who can own stock. YES NO
4. There is a buy-sell agreement that describes how a stockholder can sell stock and owners know what should happen in case of death, divorce, or retirement. YES NO
5. There is a written management succession plan. YES NO
6. Company leaders know how you will select the next company president. YES NO
7. The company has a board of directors/advisers. YES NO
If yes,
 - a. Does the Board meet regularly?
 - b. Does the Board review policies and business plans?
8. All top managers and family members have written job descriptions, performance reviews, and clear decision making YES NO

authority.

* Jaffe and Braden, *Families in Business*, Dec. 2003

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| 9. Jobs and roles assigned to family members working in the business regardless of gender or birth order. | YES <input type="radio"/> | NO <input type="radio"/> |
| 10. The company has a written compensation policy. | YES <input type="radio"/> | NO <input type="radio"/> |
| 11. Will the senior generation enjoy lifetime financial security? <i>If yes, the family knows what that financial security entails so it can plan to provide it.</i> | YES <input type="radio"/> | NO <input type="radio"/> |
| 12. The company has identified future business challenges. <i>If yes, the company has formulated strategies to address future challenges.</i> | YES <input type="radio"/> | NO <input type="radio"/> |
| 13. The company regularly reports company finances, the outcomes of strategies, trends that may impact the company's success. | YES <input type="radio"/> | NO <input type="radio"/> |
| 14. The company conducts and documents regular business meetings with company leaders to plan and review the company's progress and challenges. | YES <input type="radio"/> | NO <input type="radio"/> |
| 15. The company would hire a qualified outsider before it hired an unqualified family member. | YES <input type="radio"/> | NO <input type="radio"/> |
| 16. Prospective successors are intentionally involved in activities and skill development to prepare them for leadership. | YES <input type="radio"/> | NO <input type="radio"/> |
| 17. The business can survive without me. | YES <input type="radio"/> | NO <input type="radio"/> |

If you answered "No" to more than 7 questions, your family business may benefit from additional planning. You don't have to do it alone. There are lots of books on family business and helpful publications. Family Business Magazine and its website offer relevant resources (www.familybusinessmagazine.com). There are also consultants experienced in working with family businesses.

Each entrepreneur is unique so no family operates its business exactly the same way. Some create a family council to oversee family interests. Others select key advisors and rely on their sage suggestions. Still others form a Board of Directors. Some closely-held companies refuse to hire family members until they have successfully completed their education, selected a career, and worked *outside* the business to give them valuable experience and confidence. Some families insure communication by scheduling regular family retreats. Others have family websites.

There is no single path to success in a family business but, whatever the business, continuous planning and exquisite communication are essential. Knowing where the business is today is critical as you decide how to get where you want the family business to go and grow.

