

# Rites of Passage

Setting expectations and criteria for next generation leaders is essential

BY TOM HUBLER

**F**amily businesses are all about the family, yet major heartaches can occur when next generation adult children enter the business. The next generation often begin as teens working part-time and eventually evolve into full-time positions. Expectations for performance might be ambiguous. They are made more complicated by father-son or father-daughter tensions. If the company employs several family members, sibling rivalries can make it even worse.

Here are three quick examples from my own experience.

**EXAMPLE ONE.** The youngest of three brothers had just graduated from college. When he arrived for work he was told, "Take this 'SOB' division and do something with it." The kid had been handed a job description: "do something." Imagine the anxiety and confusion that caused.

**EXAMPLE TWO.** A competitive father brought his son into the business without clearly defining required performance. With no direction, the son floundered and soon left the company. Even highly successful companies are not immune to these problems. Not long ago, Robert Murdock's son left their legendary business in a huff.

**EXAMPLE THREE.** Three brothers owned a construction company. Each had high aspirations for his son (daughters were automatically excluded because of their gender).

Each brother was so enthusiastic about his own son that he overlooked his son's mistakes and training errors. Everything was ambiguous: performance standards, roles, responsibilities, mentoring approach, criteria for selecting leaders. The brothers became defensive about feedback on their son's poor performance. It also produced problems between the uncles and nephews. In spite of their talents and successes, the brothers had not prepared for family participation. Formal guidelines are critical when family members enter the business.

Here is my tried-and-true checklist developed over the years.

- ▶ Employment eligibility—Who can be employed? What about spouses?
- ▶ Entry—What is the criteria for joining the company? Education? Work outside the company? Promotions?
- ▶ Summer employment—What are the expectations for summer employment? Compensation standards? Protocol and behavior standards?
- ▶ Intern program—Will the company offer intern programs to family members in college? What are the guidelines?
- ▶ Full-time employees—What are the expectations of full-time employment (eligibility, entry and compensation, career and leadership planning)?
- ▶ Career planning—Will career planning be offered to family members in the company as well as family members not active in the company? (I recommend that all family members, even those not active in the company, receive the opportunity for career

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planning. What is the plan to mentor, coach and select who in the next generation will be in leadership positions?

▶ Conduct and protocol—Family members often establish guidelines for conduct expected of all family, i.e., work harder and be role models.

▶ Poor performance and termination—What are the criteria for family behavior in the company. What is cause for termination?

▶ Non-family managers—What is expected of non-family managers? What are the limits of their authority and accountability? (I usually recommend an employment agreement that gives non-family managers the security they need to effectively train and manage "the boss's" children.)

▶ Compensation—Is the father out of the equation? (I suggest using an outside board member to recommend a salary, incentives and bonuses for all family members working in the company.)

Family businesses that invest the time to develop these guidelines can avoid problems and be more successful as both a business and a family. Research shows that it directly improves the bottom line.

What is your plan to support family participation and better profits? If it isn't written down—and in detail—it doesn't exist. ☐

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