

Bringing family into the business has its risks

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"I want to bring my son into the business. He runs a business of his own that is related to what my business does. I am concerned that his business doesn't make enough money to support him, and as his life progresses, a family as well. What do you suggest?"

Bringing a son or daughter into an up and running business is the dream of many parents. Unfortunately it's a dream fraught with challenges. The success rates of second-generation companies are only slightly better than those for a startup, which should really make you take pause.

Second-generation owners can be thrust into the limelight by events beyond their control. Weekends turn into summer jobs and then a temporary place to work after school is over. A parent exits the business suddenly. A gap in management needs plugging. A new business opportunity pops up. Voila! Before they know it, the second generation is playing a center stage in an established business. And then the usual challenges come along. Cash flow. Employee problems. Customer demands. Sales shortfall. Marketing budgets and results that don't fall in line. Before they know it, they're treading water in a business they didn't really want.

Your best bet is to prepare your business for the strongest, most profitable exit possible. Be willing and able to let go. At the same time, prepare your son or daughter for a lifetime of success as a person in his or her own right.

Some kids do spend years preparing to take over, working in the business summers and weekends, undertaking college and even post-graduate studies with an eye to someday running the business. However, it takes more than a business degree and weekend experience to run a successful small business. It takes vision, leadership ability, guts, perseverance and determination to succeed.

Give your children room to experiment and test themselves, inside and outside the business. Encourage them to make mistakes, learn to recover and grow. Empower them to take the lead and find their own way. And if your business is not what they want, be willing to hear that.

In order to succeed, the next generation must discover their passion and take the business forward with their vision. And that's often hard to do. Mom and dad are still hanging around, and the incoming generation has had subtle training as caretaker, which can make it hard to strike out in a new direction.

Mom and dad tend to judge the kids on how well they maintain the status quo, from keeping on dad's trusted advisers to taking care of mom's beloved customers to working with the office and field staff that was hired a generation earlier. Parents can overlook the changes needed to run a business in the 21st century.

At the same time, caretakers accept the business that is given to them. They work to maintain the success achieved by the previous generation. And that is very different from pursuing a passion. Caretaking tends to consume energy, while pursuing a passion can create energy.

What is your child's passion? Listen carefully to what your children say and do, inside and outside the

business. Do they have a passion for what your business is all about, or does their passion lie elsewhere? Empower them to pursue their dreams, rather than protecting yours.

Build a well-run, profitable, growing business that is ready to be purchased and taken over by the next owner. If your children then step in to buy the business from you, they're demonstrating their commitment to taking over. And if they want to go in another direction, you can sell the business. Build the business up so that it can provide for your retirement and have funds left over to help the next generation pursue their dreams.

Looking for a good book? "Generation to Generation: Life Cycles of the Family Business" by Kelin Gerick, John Davis, Marion McCollom Hampton, Ivan Lansberg.

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