

Ask SCORE

How to Manage a Family Business

A popular American tradition is the family business. It gives spouses, parents, children, and others a chance to share a dream that can continue to grow and prosper generation after generation.

But without proper planning and management, family businesses can also be the source of contention, acrimony, and even irreparable harm to once-loving relationships. That's why it's important for aspiring entrepreneurs to fully understand the pros and cons of going into business with relatives and in-laws. The needs of the business may not always be compatible with family harmony, resulting in a situation that handled improperly, can jeopardize the survival of both.

When bringing family members into a business for the first time, especially as investors or in a startup situation, you should consider putting the business relationship in writing. Family members sometimes buy into the excitement of a business startup without a clear idea of their role once the business is underway.

In an ongoing family business, it's important to treat family members fairly. While some experts advise against hiring family members, that sacrifices one of the great benefits of a family business. Countless small companies would never have survived without dedicated family members. But avoid favoritism. Pay scales, promotions, work schedules, criticism and praise should be evenhanded between family and non-family employees.

Don't become the employer of last resort for every distant relation who calls. Base employment on the skills or knowledge they can bring to the business. If your kids will be joining the business, make them get at least three to five years business experience elsewhere first to help them gain perspective of how the business world works outside of a family setting.

Problems and differences of opinion are common in a family business, so it's important to keep lines of communication clear. Weekly meetings to assess progress, air differences and resolve disputes work well for many family firms.

Just as solo entrepreneurs and non-related partners need to separate their business and personal lives, owners of family businesses need to prevent work-related issues from dominating family activities. While it may be difficult to totally confine shop-talk to the workplace, make it a standing rule not to discuss work and business issues at social gatherings or at designated "family times" where the focus should be on other things.

To learn more about operating a successful family business, contact America's free and confidential source of small business mentoring and coaching. SCORE is a nonprofit association of more than 12,000 business experts who volunteer as mentors. SCORE provides free and confidential mentoring to individuals who want to start their own businesses and to current business owners who want to find ways to grow their business and increase profits. All SCORE Volunteers are experienced business professionals. Contact the Norfolk SCORE Chapter to schedule an appointment or, if you are interested in becoming a SCORE Volunteer, contact us at 455-9338. Visit our website at www.scorehr.org, or email us at scorehr60@whro.net.