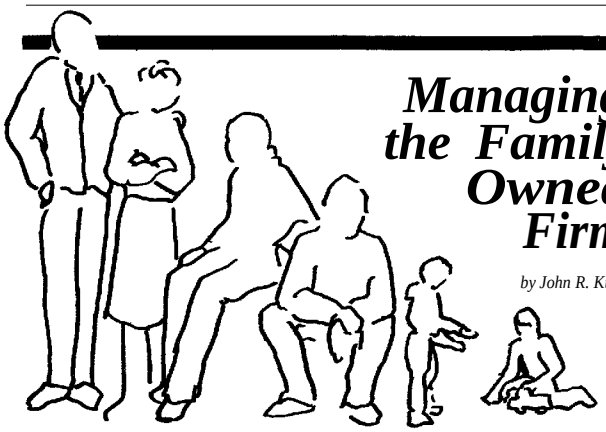

Managing the Family Owned Firm

by John R. Kubasek

The construction industry has an extraordinarily high percentage of family-owned and managed businesses. These businesses face unique growth and development problems because they are, after all, "part of the family."

Solving the problems of the family-run business is usually difficult, because emotion too often replaces common sense. No matter how objective people tell themselves they may be, most people can't segregate their personal feelings and emotions toward family members from the hard realities of business.

The tendency to judge the performance of family members not by industry standards, but by their personal assets and liabilites, is one of the biggest problems confronting the family-run firm. The first stage in creating "dead wood" occurs when excuses are made for poor or inadequate performances on the part of family members.

To help recognize and solve the many dilemmas facing family-owned and managed contracting firms, I've outlined several "pitfalls" to avoid when managing and marketing the family-owned business.

1. Don't use the marketing function as a dumping ground. If cousin Larry is a foul-up in every other job you've given him, don't make him director of marketing.

Although generally unappreciated, the marketing function is one of the most important positions in a contracting company. Because the marketing function is so misunderstood, however, the title often is given to someone who has not been able to perform in any other capacity.

The lack of marketing understanding thus gives the incompetent relative a "shield of protection," because no one really knows whether that person is or isn't doing the job properly.

2. Give your relative a salary, not an allowance. Forget the fact that someone is a relative. Give him or her a salary based on industry norms—no more and no less. If you're unsure what typical salaries are, read the classified section of your local newspaper and check with your friends in the industry.

Paying your brother who runs a bulldozer the same salary as the president of the firm is destructive, because personal growth and development are stifled, and "illusions of grandeur" are created.

3. Leave the kid alone! If you have a son in his early 20s or 30s looking to find his place in life, let him find it by himself!

While it may be disheartening for you as a parent and contractor to accept the fact that your offspring may not be a "born builder," you have no choice. No one should be pressed into the family business to "find their niche." It just doesn't work.

In addition, pressuring someone into a role in which they have no interest is *not* going to help your profits or provide your firm with the talent it needs to grow and expand.

4. Promote non-family members to responsible positions. Unless the "executive" ranks of your firm include some non-family members, attracting new talent to the company will be extremely difficult. Nothing is quite as effective in turning off experienced, skilled construction people who apply for employment.

How long do you think the best and highest-paid non-family employees will last when they keep seeing responsibility turned over to only family members—particularly if they're *inept* family members? It won't take them long to realize there will be no personal growth in the company simply because they are not part of the "clan."

5. Think of yourself as a team—not one big corporate family. In a family-owned business, both family members and hired employees know they are different—after all, the president of a contracting firm doesn't eat dinner with his employees every night—and no other illusion should be created.

If a crisis befalls a firm, family members *will* get preferential treatment, and all "happy family" illusions will go up in smoke—along with employee morale. Instead of working under this foolish, outdated philosophy, establish one standard of fairness for family members and employees alike.

People who work together are not a family, but a *team*. Team members have affection and feeling for one another, and if they are professionals they will help each other and realize that greater benefits for all rely on cooperation and team work.

Unlike a family member, however, team members trade places and retire, while a family member is a family member for good or bad.

6. When you transfer power and authority, let go. No matter where I go, the question I most often hear is: "How do you facilitate an easy and effective transfer of corporate power and authority from the founding father of a company to his son?"

I've listened to every kind of formula imaginable to minimize this traumatic situation, but there's only one correct answer:

After years of training his son, the founding father must turn in his key, clean out his desk, put the company checkbook on his son's desk, walk out the door and *never set foot in the office again*. With one possible exception, there's no other way that works.

The father of the firm must have the courage, self-confidence and assurance—both in the success he has achieved and in his offspring—to entrust the business he has built to his son.

Two common variations of this scenario seldom work: the founding father who retains office space and comes in regularly, because he usually will consciously or unconsciously start to meddle in the firm's affairs; and the father who turns complete control of everything over to his son—except the checkbook.

In the first example, even if the father does not directly participate in firm decisions, his interference—or even mere presence in the office—casts a shadow over the new management and leadership.

In the second case, without control over the company's fiscal reins, many management decisions can be mistrusted by almost anyone in the firm. Very few people question the judgement of the person who signs their paycheck.

What is the one exception to this hard and fast "let go" rule? I know of one contracting firm where the sons arranged a chauffeur-driven car for their retired father, who was taken to the various job sites every morning. After inspecting the sites and noting any problems he felt were worth reporting, he was dropped off at his favorite restaurant, where he phoned his sons to report any problems he encountered. He never set foot in the office.

This magnificent solution may seem costly, considering a chauffeur-driven car each day, but it's an idea of pure genius—and quite cheap in the long run. The cost more than paid for itself by having small problems flagged down before they become monumental losses. •

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