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Avoid Family Business Sins

Laying the foundation of success over multiple generations requires you to right these five wrongs.

LANCE WOODBURY

In 590 AD, Pope Gregory I identified the seven deadly sins and urged good Christians to avoid practicing them. These sins are lust, gluttony, greed, sloth, wrath, envy and pride. In 2016, consider these five "sins" that cause harm to the family business and relationships.

1. AVOIDING CRUCIAL ISSUES. Owning a family business brings challenges. A host of difficult-to-answer questions emerge as your business and relationships mature. Who will inherit the business? Should it be given or sold to the next generation? When will they take over? What if they are not qualified? It sometimes feels easier, in the short run, to avoid those tough conversations. If you wait too long, however, people begin making assumptions about the answers. In the absence of a plan, they begin to make their own plan—which may not align with yours. Avoidance leads to uncertainty and has a tangible cost if you create legal battles or miss important tax or estate-planning opportunities.

2. FOCUSING ON EQUALITY OVER FAIRNESS. In family life, equality is essential. You love your children alike even though they are unique. Similarly, you care for your siblings despite their different choices. You love your parents even though your relationship with each is different. But in a business, distinction rules the day. People don't perform equally; some are better than others. Some deserve higher pay or more opportunity. Some returned to the business, while others pursued careers elsewhere. The conflict between our desires as family and our instincts in business can set up a tremendous conflict that tears families apart. The oft-quoted phrase "fair is not equal" offers good guidance: Approach business and asset decisions with a goal to be fair, not equal, and explain your reasoning so people understand your logic.

3. SURPRISING FAMILY MEMBERS. Family businesses uniquely combine four elements: one's career, one's closest family relationships, one's financial livelihood and security, and one's legacy. Participants in a family business spend a lot of time thinking, dreaming and planning for these four components. So a surprise in any one of these areas usually has significant emotional impact. Even when the news is difficult, create a climate where there are few surprises. Let people know your goals, decisions, thoughts and plans.

4. KEEPING SILENT. There are plenty of times in life and business where one should, as the old saying goes, "say less to say more." But there are also times when silence creates gaps in relationships by not acknowledging a family member's positive effort or intent. At best, silence leaves people making assumptions about what you think. At worst, it leaves people feeling that they've been taken for granted. When you see good work by family members or key employees, recognize it. When you consider what your parents have done to pass on financial assets or family values, acknowledge them. When you receive a gift or help from a family member, say thanks. Don't let your appreciation go unmentioned.

5. REFUSING TO RELINQUISH CONTROL. I've met many people who took over their family business at a young age. Now in their 60s and 70s, with heirs in their 30s and 40s, they think their children "aren't quite ready" to take control. In many cases, I see parents hang on too long. They undercut operational decisions, keep control of the checkbook or don't transition important relationships. Not only does this frustrate the younger generation, it delays the necessary psychological ownership of key decisions on the farm or ranch.

Good behavior in life, or in family business, isn't always easy, but by avoiding the five family business sins, you can lay the foundation for success over multiple generations.

Write Lance Woodbury at Family Business Matters, 2204 Lakeshore Dr., Suite 415, Birmingham, AL 35209, or email lance@agprogress.com