

Managing family relationships in a family business

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Abstract. When considering entering a business relationship with family, one of the many key questions to be asked is “how do we communicate, particularly about difficult issues?” Most humans struggle at some level with some changes and most of us struggle to confidently communicate not only our thoughts, but our underlying feelings. This paper outlines a model for change that can be used to assist those in family businesses, and highlights the importance for communication.

Model for change

It is interesting to think of Discontent as the first element of the change process (Fig. 1) and it is often difficult to accept that if you are experiencing discontent, then you need to initiate or make a change. Communication is vital at all levels of change:

- Discontent
- Vision
- Plan
- Capability

At each of these levels, there may be many difficult conversations that need to be had.

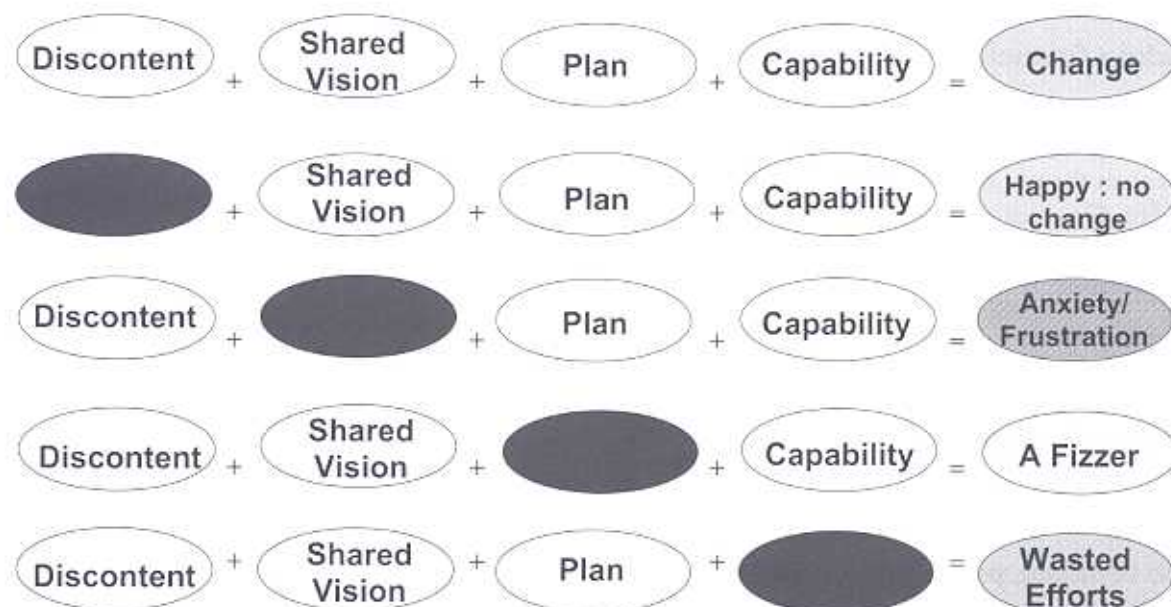
Let’s look at Discontent. In my work, I have had the opportunity to see some real patterns emerge about the cause of discontent in a family business. With good communication, Visions and Plans, I believe much of the discontent at a human level could be avoided.

Three steps to ‘getting it right’

Money

Families in business need to look realistically and long term when negotiating how people will be paid and what creative ways can be implemented to deal with both current, but more significantly, some of the long term implications of peoples efforts being inadequately remunerated. Some of the issues are:

Figure 1. A model for change. Reproduced from the Target 10 Dairy Business *Focus Workshop Notes* © 1998 Victorian department of natural resources and Environment.



- Who gets paid?
- How much?
- How often?
- How will extra effort be acknowledged?

Housing

This is one of the biggest causes of discontent in a family business and again has huge implications, both short and long term. Issues to be considered include:

- Who lives where?
- How long will they live there?
- How much is budget for annual maintenance?
- Separate driveways?
- Separate mail boxes?
- How far are houses from each other?
- Who pays for electricity, phone etc? (is there a limit?)
- Extensions?
- Who owns the land the houses are on?

Work hours and holidays

- Hours worked per day?
- Days worked per week?
- Holidays/when/how often/ who goes/how is it paid for?

The ability to communicate and negotiate even these 3 basic issues requires considerable levels of skill. Failure to do may lead to the ultimate disaster for family and business – divorce.

Binding financial agreements

One of the potentially encouraging opportunities for negotiating the above issues and many others may come with the use of binding financial agreements (Binding Financial Agreements Act, 2000). I have listed below some of their potential advantages and disadvantages.

Advantages

1. It is a written document.
2. Independent legal advice is sought to arrange the agreement.
3. They involve full disclosure of financial resources.
4. To be binding, points 1-3 above must occur.
5. Provide opportunity to be creative.

6. Can have a set timeframe (this may need to be updated just like your will).
7. Excludes the family court.
8. Promotes discussion and early clarity of where everyone stands.
9. Not limited to pre-nuptial.
10. Increases shared understanding.

Disadvantages

1. Cost (Solicitor's fees of about \$1000).
2. Lawyers are not relationship consultants.
3. May not have a set time.
4. Excludes family court.
5. Potential to be negative.
6. Potential to be pressured.
7. May have problem finding a lawyer as need to provide advice on prudence.

When a business expands to include a new family member, it is an opportune time to step back, review and plan for the future. One thing families can do to secure the ongoing success of the family and business is to develop a Communication Strategy for the family business. This strategy should clarify how:

- Decisions are made?
- Conflicts will be resolved?
- Discontent will be managed?
- Change will be managed?
- New entrants to the business will be negotiated?
- Exits from the business will be managed?
- How do you celebrate success?

Conclusions

Like most things in life, you have got a better chance to get it right if you (all) know where you are going (Vision), know how you will get there (Plan), know if you can do it (Capability).

If you don't take the time to plan how to manage the family in your family business, then you had best allow a lot of time later for repair work.

The best way to ensure success of your family and business is to be generous with our encouragement and your affirmations of each other and allow time for fun! Life's too short!