

Common Challenges for Family Businesses

A family business can be a very rewarding---and challenging---enterprise. Family businesses are a major contributor to the overall economy, employing over 60% of the U.S. workforce, according to the Family Firm Institute. But they also face unique problems that are unknown at other companies. If you are involved in a family business or plan to start one, **Peter Deng & Associates** offer these tips to overcome some of these issues.

Decide Who's in Charge

In most companies, it's clear who has the authority to make decisions in various departments and for the entire business. In a family business, the lines can be blurred, with parents sometimes overruling a child's decision or siblings second guessing each other. This lack of structure can lead to hard feelings and disruptions to the company's operations.

The best way to avoid such problems is for a company to set up formal lines of responsibility and stick to them. In this way, parents can communicate to family members their wishes and expectations and maintain family harmony. Employees should treat each other with the same respect that staff in any business would expect from one another.

Make room for Outsiders

Family members bring a unique dedication to their business, but they often can't provide all the experience and knowledge that the company needs. A business cannot survive unless it chooses the very best person for each position, and sometime that person may be an outsider. That's why it's important to hire outside the family as necessary and to accord these professionals the same respect, compensation and opportunities given to a relative in the same position.

Follow an Exit Plan

It can be very satisfying for a young person to learn the ropes of the family business, taking on more responsibility over the years, until finally he or she reaches executive status. In many family businesses, however, the company founder is often both the CEO and the parent of many top managers. Those roles may become so intertwined that it can be difficult for him or her to retire gracefully and let the next generation take over.

That's a bad move, however. Younger family members can become so frustrated with their failure to advance that they may decide to leave the company, despite their devotion to the business and years of experience. While family relationships last a lifetime, the chief executive's role should not. The company leader should commit to a certain date for retirement. That makes preparing for an orderly transition possible and reassures younger managers that advancement is possible.

Create a Succession Plan

To formalize your company's future, it's a good idea to create a written succession plan, describing how the transition to the next generation of leaders will be handled.

The company leader should of course also have a will that sets forth who inherits his or her share of the enterprise, as well as other assets.

About 30% of family businesses last long enough to be taken over by a second generation, and only 12% make it to the fourth generation. Help is available to improve your company's chances of a successful future. **Peter Deng & Associates**, a leading tax, accounting, and business consulting firm in twin cities to serve minority businesses, has years of experience working with small companies, including family businesses. Please consult us for all your business concerns, including your questions about the best way to address the unique needs of a family business.