



THE ALTERNATIVE BOARD®

*Change Perspective.
Improve Business.
Enjoy Life.*

Consulting to Family Business Can Be Challenging, Profitable and Fun!

Jason P. Zickerman
President & COO
The Alternative Board®



About Me

- Second generation leader of The Alternative Board®
- Know the challenges
- Use these 9 elements to lead to success
- My company has become the world's largest franchisor of peer advice and coaching
- Real world, not theory
- Thousands of business owners worldwide benefiting from the same formula

THE ALTERNATIVE BOARD™

Change Perspective.
Improve Business.
Enjoy Life.



THE ALTERNATIVE BOARD™

Change Perspective.
Improve Business.
Enjoy Life.

What is a Family Business?

- Has at least two full-time family member employees
- Many different relationships exist
 - Most common and complex: spouses working together in the business
 - Others include parent/child, in-laws, siblings, extended family



THE ALTERNATIVE BOARD™

Added Degree of Complexity

- Same issues of management and leadership as all privately-owned businesses
- PLUS a higher level of complexity with the added responsibility to consider family dynamics and issues
- Business decisions often made based upon what is best for the family, even if it may be bad for business

*Change Perspective.
Improve Business.
Enjoy Life.*



THE ALTERNATIVE BOARD™

Change Perspective.
Improve Business.
Enjoy Life.

Added Degree of Complexity

- Families are social units while businesses are economic units
- Attributes of a happy, healthy family can be fundamentally opposed to the characteristics of a profitable, effective business
- Parent-child emotional baggage can become magnified by the additional complication of working together in an environment controlled by the parent

It's Their Choice

- A bad working relationship can bring misery and aggravation to the entire family
- A good working relationship with family member employees can bring great happiness and joy



THE ALTERNATIVE BOARD™

*Change Perspective.
Improve Business.
Enjoy Life.*



THE ALTERNATIVE BOARD™

*Change Perspective.
Improve Business.
Enjoy Life.*

**Now Let's Look at the 9 Elements
of the Formula!**





THE ALTERNATIVE BOARD

9 Elements of TAB's Formula for Family Business Success

1. Create and Share Personal Vision Statements
2. Hiring and Firing Family Members
3. Family Member Compensation
4. Selecting the Family Member Successor
5. Developing Your Family Member Successor
6. Family Culture
7. Spouses and Other Special Family Relationship Challenges
8. Recruiting, Retaining and Inspiring Non-Family Employees in a Family Business
9. Transitioning Ownership to Family Members

*Change Perspective.
Improve Business.
Enjoy Life.*



THE ALTERNATIVE BOARD™

*Change Perspective.
Improve Business.
Enjoy Life.*

1st Element

Create and Share Personal Vision Statements





THE ALTERNATIVE BOARD™

Develop Family Business Leader's Personal Vision

- Five to ten years in future
- Vision for finances
- Vision for family involvement
- Vision for exit strategy
- Pocket Vision

*Change Perspective.
Improve Business.
Enjoy Life.*

Pocket Vision

- Family Business Leader's Pocket Vision may include plans for family members' future within the business
- This may not be shared with:
 - Other family members to avoid family friction
 - Top non-family talent to avoid departures
- Stories:
 - Sell the Business
 - A Marketing Company



THE ALTERNATIVE BOARD™

Change Perspective.
Improve Business.
Enjoy Life.



THE ALTERNATIVE BOARD™

Pocket Vision

The more family business owners can share, the more they:

- Reinforce trust
- Inspire people to follow
- Reduce distrust from Pocket Vision information that leaks out

*Change Perspective.
Improve Business.
Enjoy Life.*

Alignment of Personal Visions

- Develop a written Vision for each family member employee
 - How their career embraces their passion
 - What the future could hold for them
 - How this path helps them reach their dreams
- Check compatibility of their Visions with Family Business Leader's Personal Vision
- Story: Different Visions for risk-taking



THE ALTERNATIVE BOARD™

Change Perspective.
Improve Business.
Enjoy Life.



THE ALTERNATIVE BOARD™

Time to Ponder Personal Visions

Write down one to three areas where non-alignment may arise between Family Business Leaders and Family Member Employees? Have you had to deal with any of these situations before with your consulting clients? If so, how have you handled them?

*Change Perspective.
Improve Business.
Enjoy Life.*




THE ALTERNATIVE BOARD™

*Change Perspective.
Improve Business.
Enjoy Life.*

2nd Element

Hiring and Firing Family Members





THE ALTERNATIVE BOARD™

Eligibility to be New Family Member Employee

- Minimum education
- Minimum years of outside experience
 - Importance of gaining experience outside of family business

Change Perspective.
Improve Business.
Enjoy Life.



THE ALTERNATIVE BOARD

Perspective New Family Member Employee Considerations

- Encourage them to follow their passion whether within or outside the family business
- Internships in family business to understand dynamics
- Communication style of Family Business Leader
- Resentment from non-family member employees and clients/customers

Change Perspective.
Improve Business.
Enjoy Life.

Prospective Family Member's Personal SWOT

What is a Personal SWOT?

- Strengths
- Weaknesses
- Opportunities
- Threats



THE ALTERNATIVE BOARD™

Strengths and Weaknesses

- Strength examples
 - Talks to people easily
 - Good negotiating skills
 - Good with numbers
- Weakness examples
 - Avoids conflicts
 - Poor computer skills
 - Time management/organization challenged

Change Perspective.
Improve Business.
Enjoy Life.

Hiring and Firing Family Members

- Discuss SWOT among family to gain feedback on accuracy
- Revise SWOT statements to mutual agreement and acceptance
- Capitalize on personal strengths and talents of individuals
- Is there a job match where they can contribute the greatest value to the business? (***“the greatest” seems odd here – what exactly saying?***)



THE ALTERNATIVE BOARD™

Change Perspective.
Improve Business.
Enjoy Life.



THE ALTERNATIVE BOARD™

A Look in the Mirror

- Use assessment instruments
 - Behavioral styles
 - Motivations
 - Skills
 - Leadership attributes
 - Conflict resolution approaches
- Being flesh and blood doesn't mean they have the right skills or leadership for the business

*Change Perspective.
Improve Business.
Enjoy Life.*



THE ALTERNATIVE BOARD™

Change Perspective.
Improve Business.
Enjoy Life.

Firing Family Member Employees

- Establish a probationary period with a clear end point
- No free ride...even more responsibility!
- Communicate dismissal reasons to:
 - Other family members
 - Remaining employees
- Engage/pay for outplacement firm

Time to Ponder Hiring and Firing Family Members

What experience have you seen Family Business Leaders expect from prospective family member employees before they could join the family business?



THE ALTERNATIVE BOARD™

*Change Perspective.
Improve Business.
Enjoy Life.*

3rd Element

Family Member Compensation





THE ALTERNATIVE BOARD™

Change Perspective.
Improve Business.
Enjoy Life.

Family Employee Compensation

- Base salary and bonus opportunity
- Expense accounts
- Cars
- Vacation and business trips
- Otherwise known as “total family benefits”

Written Compensation Policies

Clarify differences of various roles:

- Family role
- Business role
- Ownership interest in family business role

Written Compensation Policies

- Likely differences in compensation philosophy among Family Business Leaders during different stages of family business evolution:
 - Founder
 - Second Reign
 - Dynasty
- Market compensation range for position



THE ALTERNATIVE BOARD™

Change Perspective.
Improve Business.
Enjoy Life.

Investor Family Members (Not Family Member Employees)

- Investor (stock-owning) family members
- Keep perks reasonable
- Be able to justify Family Member Employees' compensation is fair
- Investor family members view the family business as an investment

Time to Ponder Family Member Compensation

Write down what you consider to be key issues you will need to deal with in regards to family member compensation. Are you ready to handle this or do you need more self-development?



THE ALTERNATIVE BOARD™

*Change Perspective.
Improve Business.
Enjoy Life.*

4th Element

Selecting a Successor





THE ALTERNATIVE BOARD™

Change Perspective.
Improve Business.
Enjoy Life.

Selection Points to Consider

- Family Business Leaders need to create a succession plan
- They can't procrastinate in picking successor
- CSFs for their Family Member Employee to be a successful Family Business Leader
- Are any of their family members capable of running the business?



THE ALTERNATIVE BOARD™

*Change Perspective.
Improve Business.
Enjoy Life.*

Selection Points to Consider

- Independent evaluations
- Timing of Family Business Leader transition
- Burning desire to be the next leader of the company
- Best succession choice may be a family member who is not currently a Family Member Employee



THE ALTERNATIVE BOARD

Succession Support from other Family Member Employees

- Change can be scary to both family members and non-family member employees
- Family members can divide and lobby against a change
- Potential successor can back out

Change Perspective.
Improve Business.
Enjoy Life.



THE ALTERNATIVE BOARD™

Change Perspective.
Improve Business.
Enjoy Life.

Dealing with Gaps in Succession

There may be a short-term gap that cannot be filled with a permanent employee

- Consider “temporary” leader relationship
- Provide stability and leadership to the company
- Comfort to successor, heirs and employees



THE ALTERNATIVE BOARD™

Time to Ponder Selecting a Successor

What tools and/or capabilities do you currently have that you could use to assist a Family Business Leader identify the qualities needed of a (potentially) successful successor?

*Change Perspective.
Improve Business.
Enjoy Life.*



THE ALTERNATIVE BOARD™

*Change Perspective.
Improve Business.
Enjoy Life.*

5th Element

Developing Family Members





THE ALTERNATIVE BOARD™

Family Member Employee Developmental Plans

- Identify personal Critical Success Factors
- Capitalize on personal strengths
- Mitigate impact of personal weaknesses
- Take advantage of personal opportunities
- Reduce risk of personal threats

*Change Perspective.
Improve Business.
Enjoy Life.*

What are Family Member Employees' CSFs?

- Priorities that **MUST** happen for Family Member Employees to feel fulfilled
- Examples:
 - Must be around people
 - Can't be bogged down with details
 - Must involve travel
 - Must have time to take care of personal health
 - Must have quality time with family



THE ALTERNATIVE BOARD

Change Perspective.
Improve Business.
Enjoy Life.

Developing Family Member Employees

Identify training and development needs for family members in business:

- On the job training
- Management & leadership training
- Entrepreneurship degree program



THE ALTERNATIVE BOARD™

Developing the Future Successor

- Identify the training and development the successor needs to be future Family Business Leader
- Family Business Leader must give successor responsibility
 - Means accepting that mistakes are likely for successor to grow

Change Perspective.
Improve Business.
Enjoy Life.



THE ALTERNATIVE BOARD™

Time to Ponder Developing Family Members

How can you go about working with a family business' current Family Business Leader to help him/her let go of control of the business and hand it over, as appropriate, to his/her successor?

*Change Perspective.
Improve Business.
Enjoy Life.*



THE ALTERNATIVE BOARD™

*Change Perspective.
Improve Business.
Enjoy Life.*

6th Element

Family Culture





THE ALTERNATIVE BOARD™

*Change Perspective.
Improve Business.
Enjoy Life.*

A Clear Up Front Contract

- Create rules of engagement including confidentiality
- Deal with issues before they become problems
- Develop written policies
- Understand roles and responsibilities
- Have independent consultant facilitate family business-related meetings

Culture Factors

- Communication style of Family Business Leader
- Family Business Leader not respecting Family Member Employees' ideas
- Communication style of Family Member Employees with each other
- Business must satisfy desires of Family Business Leader
- Work ethic culture



THE ALTERNATIVE BOARD™

Change Perspective.
Improve Business.
Enjoy Life.

TABenos™

- Displays of armor or defense mechanisms
- Causes of armor or defense mechanisms to appear
- Benefits of reducing armor
- Story: The Vrettos Clan

(do you want to talk about communication strategies of which TABenos is one or just TABenos here?)

Family Culture

- Define vision and values of the family business
- Write a statement of family members' rights and responsibilities
- Create policies about how important decisions will be made
- Develop criteria for hiring, evaluating, promoting and firing family members

Time to Ponder Family Business Culture

Identify two or three tools/skills you would feel comfortable using right now with family business leaders to help them define and maintain their family business culture.



THE ALTERNATIVE BOARD™

*Change Perspective.
Improve Business.
Enjoy Life.*

7th Element

Special Family Relationship Challenges



Spouses Working Together

- Identify different responsibilities (***areas of responsibility?***) to avoid conflicts
- Discuss them having separate offices, if possible
- Help them create clear delineation between business and personal lives



THE ALTERNATIVE BOARD™

Change Perspective.
Improve Business.
Enjoy Life.



THE ALTERNATIVE BOARD™

Sibling Rivalry

- Sometimes what seems like a business dispute is actually sibling rivalry
- Bring sibling rivalry into the open with an honest discussion

Change Perspective.
Improve Business.
Enjoy Life.



THE ALTERNATIVE BOARD™

Parents and Children

- Story: Daughter overly sensitive to criticism
 - Created a reward incentive based upon company performance rather than her individual performance
- The relationship sometimes brings about role confusion for the daughter
- ***(this slide verbiage is unclear)***

Change Perspective.
Improve Business.
Enjoy Life.



THE ALTERNATIVE BOARD™

Solving Conflicts Before They Become Out of Control

- The strong personalities and wills that make family businesses successful are also the roots of family conflicts
- Alternative dispute resolution approaches should be considered when dealing with family

*Change Perspective.
Improve Business.
Enjoy Life.*



Time to Ponder Special Family Relationships

What experience do you have in bringing out and handling conflicts that cross lines between family and business?



THE ALTERNATIVE BOARD™

*Change Perspective.
Improve Business.
Enjoy Life.*

8th Element

Recruiting, Retaining and Inspiring Non-Family Employees in a Family Business

Attracting and Retaining Non-Family Member Executives

- < 3% of family businesses give true equity to non-family members
- Creative retention arrangements:
 - Percentage of operating profits or growth
 - Reward exceeding some benchmark year's results
 - Phantom stock
 - Equity in outside ventures or affiliated companies
 - Ownership in a building leased by the company



THE ALTERNATIVE BOARD

Change Perspective.
Improve Business.
Enjoy Life.

Setting Expectations with Non-Family Employees

- Determine role they will perform
- Communicate the role family member employees have
- Be honest about their future growth
- Decide how non-family members can raise issues about family members



THE ALTERNATIVE BOARD

*Change Perspective.
Improve Business.
Enjoy Life.*

Setting Expectations with Non-Family Employees

- Keep boundaries clear
- Avoid having non-family employees getting caught up in family issues
- If needed, make it clear that “you are not family”
- Create a culture statement that addresses non-family employees



THE ALTERNATIVE BOARD

Family Member Employee Reporting to a Non-Family Manager

Keys to Success

- Avoid no-win situations for non-family managers
- Make it clear what is expected of the manager
- Have written job descriptions for family members
- Clarify handling of disagreements with a family member's boss

Change Perspective.
Improve Business.
Enjoy Life.



THE ALTERNATIVE BOARD™

Time to Ponder Recruiting, Retaining and Motivating Non- Family Employees

What would be important to include in a culture statement to non-family employees regarding the culture of the business and their role in it?

*Change Perspective.
Improve Business.
Enjoy Life.*



THE ALTERNATIVE BOARD™

*Change Perspective.
Improve Business.
Enjoy Life.*

9th Element

Transitioning Business Ownership to Family Members



New Role and Purpose of Owner

- The owner needs to identify a new role after transition that would make him/her happy
 - Without day-to-day involvement
 - No involvement with the business of any nature
- What is the owner's purpose in life after retirement?
- Story: Retired Aspen business owner
- ***(FBL versus Owner?)***



THE ALTERNATIVE BOARD™

Change Perspective.
Improve Business.
Enjoy Life.



THE ALTERNATIVE BOARD™

Planning for Transitioning Ownership

- Who will be involved and who will not be involved
- Gifts versus sale considerations
- Work with a good tax attorney—don't cut corners

*Change Perspective.
Improve Business.
Enjoy Life.*



THE ALTERNATIVE BOARD™

Plans for Exit Strategy

- Selling business versus keeping it in the family
- Timing of ownership transition
- Seller financing

*Change Perspective.
Improve Business.
Enjoy Life.*

Transitioning Ownership

- Siblings: 50/50 ownership can make decision making difficult
- Voting stock versus non-voting stock



THE ALTERNATIVE BOARD™

Ongoing Income of Selling Family Business Leader

- Buy-out agreement
- Compensation: Sale price, revenue stream, terms
- Ensure retirement income
- Story: Father inactive in business and sons resent his ongoing income

*Change Perspective.
Improve Business.
Enjoy Life.*

Time to Ponder Transitioning Ownership

How comfortable are you consulting with clients about transitioning ownership of a business, especially in regards to a family business? What is one of your strengths in this area and what is one of your weaknesses?



THE ALTERNATIVE BOARD™

I Assure You That...

Using the 9 Elements will make:

- Your family business consulting services more successful
- Your family business clients' relationships with their family business employees more enjoyable

Change Perspective.
Improve Business.
Enjoy Life.



THE ALTERNATIVE BOARD®

*Change Perspective.
Improve Business.
Enjoy Life.*

Thank You

