

10 Tips for Bringing Your Children Into the Family Business



WSJ Small Business Expert Wayne Rivers says it's easy to make mistakes when bringing family members on board in your small business. *PHOTO: ISTOCK PHOTO*



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May 3, 2016 6:15 am ET

Wayne Rivers is the co-founder and president of the Family Business Institute and author of books about family and closely held business, including “The Top Nine Reasons Family Businesses Fail and The Eight Building Blocks for Creating a Sustainable Closely Held Company.”

Thinking about bringing your children into your family or small business? Beware! This can be either a blessing or a curse depending on how you do it. Experience shows there are right ways to introduce your offspring into your business and, most decidedly, wrong ways. The following are 10 tips for pursuing the former and avoiding the latter.

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1) Have them work elsewhere for at least five years. There are plenty of rationalizations for why people hire their children as soon as formal schooling has ended. “We need help right away.” “They would learn more here than they would anywhere else.” “I’m getting older, and I need my potential successors around me.” All are good reasons; however, the main reasons for having your children work elsewhere have to do with them, not you! They need time to mature, individuate and gain confidence learning and doing things as distinct human beings rather than just children of successful parents. They need to learn how to work, to be punctual, to earn their own money and to be held accountable. Everyone wins when potential successors have excellent training and gain skills and confidence outside the nuclear family.

2) Understand generational differences. Today’s young people are more to more likely to want to “work to live.” Contrast that with their parent’s “live to work” orientation. The generation gap is very much alive in family businesses; the senior generation is mystified that their children don’t want to work 80-hour work weeks. They see the live-to-work mind-set as a lack of commitment to the business, and that’s not entirely fair nor is it cognizant of their children’s – and other younger employees — desires for a different workplace experience.

3) Give them psychometric assessments to make sure their personalities and capabilities fit the jobs contemplated. Two older brothers were very frustrated with their younger sibling. He just didn’t seem capable. Assessments revealed that he was temperamentally unsuited for his role in the family firm; he was in a position that demanded amazing attention to detail and

strict deadlines, but he had much more of a big-picture, laissez-faire attitude. How had he come to be in this position? His older brothers, having entered the family business earlier, took the roles for which they were best suited. When he came along, the only management position available was this one; he was very much a square peg in a round hole. Some initial assessment for job fit would've gone a long way toward improving both business function and family harmony.

4) Hold them strictly accountable – but not to an unreasonable standard. Family members, more than any other employees, need to be held accountable for their actions. They need to have crystal-clear roles and responsibilities and regular reviews to make sure they're living up to the requirements of their job descriptions. The biggest morale killer in small businesses is underperforming or dysfunctional family members who are allowed to meander through various roles in the business with virtually no accountability and to inflict themselves on others in the organization. The opportunity costs for coddling underperforming family members are tremendous.

5) Communicate formally and regularly with a third-party facilitator. It's hard to be in a family, and it's really hard to be a member of a family business. You can take to the bank the fact that virtually every family employee thinks she works harder and contributes more than anyone else and stew over this "fact." Family businesses have a greater need for formal communication in order to resolve perceived contribution issues as well as discuss and resolve a host of other pressing family and business ones. If they could discuss these often volatile topics constructively and productively by themselves, they would. Since they usually can't, they should seek the help of a talented facilitator to get the most out of themselves and their meetings.

6) Don't assume there's interest in working in the business. In the 1995 movie "Sabrina," Harrison Ford laments to Julia Ormond, "I've been following in footsteps all my life." Don't assume that your children or grandchildren want to follow in your footsteps. And they shouldn't assume that you want them to! A family member entering your small business ought to do so intentionally of his free will. Make entry into the business formal and deliberate vs. casual and impulsive. A family hire should be treated at least as carefully and rigorously as any other hire.

7) You shouldn't hire a family member because he "needs a job." Related – don't let anyone flunk into a job. You should demand that a potential family hire be able to walk into your place of business with his head held high. He should be able to point to accomplishments in previous jobs, promotions and valuable leadership experiences. Hiring a family member who is down on his luck or who can't seem to hold a job anywhere else is a recipe for poor morale.

8) Don't pay family members the same. The default payment plan for many family businesses is to pay all next generation family members the same. After all, you love them the same, right? This is foolish. Every employee, family member or not, brings different talents, skills, attitudes, ambitions and capabilities. Family members, like everyone else, should get paid wages commensurate with what the market bears for the given position.

9) Avoid turning in-laws into outlaws. Some family businesses view in-laws with a jaded eye. Shouldn't someone with the intelligence and good sense to marry your son or daughter also be judged to have the good sense to know how to work productively in a family business context? Why does it make sense to ignore the capabilities and talents of in-laws as potential employees and even business successors?

10) Get rid of morale killers. It is sometimes necessary to prune the family tree. Several times a year we get calls from family business leaders who are wrestling with underperforming, sometimes incompetent, family members. The acid test question: "If this person were not your son, would you keep him on your payroll?" The answer almost always comes back a profound "NO!" Pruning the family tree almost always results in business productivity improvement. There are, however, usually family repercussions. See the point above about hiring a skilled facilitator to manage difficult family conversations.

Managing the intersection between family and business is quite difficult. These 10 tips will help you realize that delicate balance more effectively.