Enterprising Rural Families™

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This newsletter is an instrument of the *Enterprising Rural Families: Making It Work* program of the University of Wyoming Cooperative Extension Service. For further information concerning the Enterprising Rural Families program or on-line course contact *information@eRuralFamilies.org* or go to *http://eRuralFamilies.org/*.

TIP OF THE MONTH:

KEEP YOUR BUSINESS ON TRACK

1. **Have a clearly articulated mission statement.** A clear statement to deal with each issue will point everyone in the same direction. E.g., "We need to reduce the cost of shipping orders by 50% by July 1st, while ensuring that the orders are delivered promptly—100% of the time."
2. **Have a consistent understanding of the problem.** Some may not identify or see the same problem or issue. Some may resist change. Getting everyone to work on the mission statement will help forge a common vision.
3. **Make sure your problem is the most pressing to solve.** Money, time and staff limit the number of problems you can tackle at any one time. Be sure you pick the most critical first. Periodically review the list.
4. **Keep your mission statement prominently displayed.** Be sure all staff members have a copy; enlarge and post it. Remind everyone at each meeting and as often as needed.
5. **Don't be afraid to change the mission.** Situations change - change your mission statement accordingly.

(Source: *Management Musings*)

CHARACTERISTICS OF THE FAMILY BUSINESS

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(Part 2 of 2)

Last time we identified the four parts of the family business, the individual, the family, the business, and the community. We briefly depicted the interaction of these segments and how they mesh as a whole. This time we want to look more specifically at how these components of the family business affect each other.

Life Cycles

Not only do the motives and functions of individuals, families, and businesses often differ, so do their life cycles.

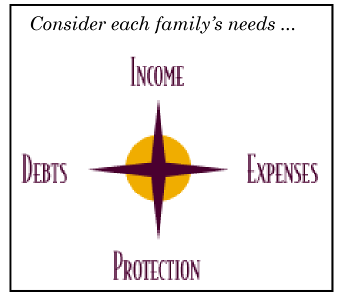
The life cycle of the individual can be summarized in the following chart:

Age	Stage	Challenge	Life Task
18-24	Transition to adulthood	Establish psychological distance from family	Establish autonomy; develop identity
25-30	Commencing adulthood	Explore occupational and interpersonal roles	Seek success and mastery
31-35	Settling in	Deepen commitment to chosen occupational and social roles; establish own family and home	Attain competency, recognition, advancement and security
36-42	Mid-life transition	Consider long term goals; productivity: children, work, friends, and marriage	Find balance between dreams and reality
43-59	Middle adulthood	More tranquil; more emphasis on reason in handling situations; create the legacy	Sustain mental and physical health while aging; reorder priorities
Age 60 and beyond	Late adulthood	Deal with approaching retirement; seek meaningful activities; find integrity in one's life	Come to terms with life; pass on authority

Davis and Tagiuri (1989) pointed out some generalizations in relationships between generations. If the age of the older generation is 40-50 and the next generation is in their early 20s the relationships tend to be problematic. The same is true if the older generation is in their 60s and the next generation is age 34-40. The most harmonious relationship is between an older generation that is 50-60 years of age while the younger generation is 24-33. These factors may have a profound affect on the functioning of a family business.

Continued from page one – *"Characteristics of the Family Business"*

While individual lives are cycling, families also go through a life cycle. Of course, each family is unique and stages may vary, but most families proceed through the following stages in order:



Stage 1: Leaving Home: Single Young Adults
(Key principle: Accepting emotional and financial self-responsibility)
separating self from family of origin
developing financial independence
developing intimate relations

Stage 2: The New Couple
(Key principle: Commitment to a new partnership)
forming a new marriage partnership
establishing relations with extended families and spouse's friends
establishing a household
developing financial skills

Stage 3: Families with Young Children
(Key principle: Accepting new members into the system)
adjusting the system to make space for child(ren)
establishing childrearing, household, and financial tasks
establishing new relations with extended family (parenting and grand parenting)

Stage 4: Families with Adolescents
(Key principle: increasing flexibility in family boundaries)
shifting parent-child relationships with adolescents
refocus of midlife marital and career issues
beginning joint caring for older generation
household expenses peak

Stage 5: Launching Children
(Key principle: Accepting exits from and entries into the family system)
developing adult to adult relationships
realigning relationships to include in-laws and grandchildren
refocus of marital system as couples
dealing with disabilities and death of parents
eliminate debts and prepare for retirement income

Stage 6: Families in Later Life
(Key principle: Accepting the shifting of generational roles)
supporting a more prominent role of adult children
maintaining couple functioning in face of physical decline
dealing with loss of spouse, siblings and peers
life review and integration (Carter & McGoldrick, 1988)

Concurrent with constant change within individuals involved and the family structure, the business is also going through changes. The stages of business maturity are:

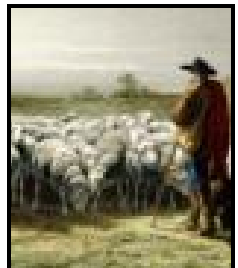
1. Founding or birth of the business
   a. The owners are primarily concerning with survival and shaving margins to stay afloat.
   b. Most other issues, including family, often take a back seat.
2. Growth and development
   a. With a growing business more responsibility must be delegated.
   b. Decision-making and power often needs to be shared.
   c. Decisions are made and traditions formed about the function of family members.
3. Maturation
   a. Growth has occurred and the business is now stabilized.
   b. Second generation family members may become full participants.
   c. Long-term questions arise including succession and inheritance.
4. Decline or renewal
   a. Changes are required—the business must adapt to the times or erode and degenerate.
   b. Will renewal occur with the next generation or new owners?
   c. Do originators have an exit strategy?

Characteristics of a Successful Family Business

Some family businesses deal well with the constant change and adaptation necessitated by the interplay of all the factors mentioned above. Unfortunately, others struggle, often culminating in the disintegration of the business, the family, or both.

Here are some common characteristics shown to exist within those family businesses that have been successful:

1. **The family has a customized family plan.** A family business needs more than a business plan, it needs a family plan. Such a plan addresses the issues that must be faced when changes in the business affect the family. How will scarce resources and time be allocated? Who will make the sacrifices and what will their compensation be? A customized family plan should address family financial management, family roles in the business, compensation, work schedules, family time separate from the business, family goals, and other key issues that pressure the family system.
2. **The family has a clear understanding of roles.** Family members are owners, managers, and workers while, at the same time, being parents, sons, daughters, and other kin. Some are bosses and some are employees and some are both. Some have authority in one role and are under authority in another. How does the family deal with a new daughter-in-law or son-in-law that comes from a different culture or work ethic and how will that affect the business? What about the sibling that has been gone with a career, who comes back and wants in on the action?
3. **Family members are involved in planning and decision making.** Family members should have a say in plans that affect them and/or the business they are part of. Healthy family businesses provide some sort of mechanism so that all family members can provide input through open communication on business and family issues. What grandpa thinks is open may not feel open at all to the grandchildren.
4. **Household budgets are separate from business budgets.** If household and business budgets are enmeshed they are a potential for conflict. The family competes with the business for cash. The business should pay participating families/family members via a pre-agreed process or schedule, then allowing families to determine the use of funds within their own household. If adjustments must be made to the payment from the business to the family members, open communication and input from all those involved is necessary.
5. **Children are allowed to make a conscious decision about leaving the family business.** Children should not be obligated to stay in the business. If they want to stay in the business, they should still be encouraged to seek education and outside work experience. Such experiences in other settings will serve to enrich and revitalize the family business when they return and make them a stronger member.
6. **Children are given authority along with responsibility.** Some family business patriarchs or matriarchs exert complete control over decision making, yet expect family members to give their all just because they are family. This weakens the business as well as the family, removing incentive for younger members and blocking the ability of the business to go through the "renewal" stage.
7. **The family has a business plan.** The business plan is a powerful tool for all employees by providing a written, structured system for running the business. Much has been written and assistance is available for small businesses in writing a business plan. Managers should write a plan, and revisit it on a regular basis.
8. **The family has a compensation plan.** This is a sensitive and complex problem in family businesses which can generate serious and long-term conflict. Common questions include: What is fair pay among family members? How are wages for family members and non-family employees determined? How are shareholders paid? How can disputes over pay be resolved? How should family assets be distributed? Answers must be grounded in the unique culture and philosophy of the particular family.



The family/business patriarch must be open to new ideas, and new generations. There just might be a better way.

The family has a succession plan. Every owner must step aside some day – either by choice or by default through death or becoming incompetent to function as manager. Business plans should make realistic provisions for a smooth transition from generation to generation or from one family member to another. Consideration should also be made concerning the possibility of no one being available or interested in taking the reins of the operation when the present management is ready to retire. If this would be the case, what is the exit plan?

Family businesses are unique and face unique challenges. Family business owners and managers must recognize these differences, embrace them, and play to their strengths to remain strong, viable, and sustainable.

Information taken from materials within the ***Enterprising Rural Families™: Making It Work*** course. For further information concerning the Enterprising Rural Families™ project go to http://eruralfamilies.org/.

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Family bonds, whether cousin, great uncle, or child, can help make a strong, successful business if …

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2. The family has a clear understanding of roles.
3. Family members are involved in planning and decision making.
4. Household budgets are separate from business budgets.
5. Children are allowed to make a conscious decision about leaving the family business.
6. Children are given authority along with responsibility.
7. The family has a business plan.
8. The family has a compensation plan.