

7 Family Business Secrets You'll Be Glad To Know



by Josh Patrick

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My family has a long history of being in business for themselves. My grandparents started as peddlers selling their wares door to door. My father started in the wholesale tobacco business and during his career he started and closed tons of businesses, but three of them stuck and were successful enough to overcome all of the ones that didn't work.

I started down the road of working for myself when I was 7 years old. I would buy candy from my father, and then sell it to the neighborhood kids. From there, I worked in the family business, managed the band I was in during high school and eventually went to work with my father's business and quickly ended up buying a small part of it from him.

During the 35 years or so I was involved in the family business there were several lessons I learned. Here are some of them.

Make sure the family business is your child's dream and not yours.

This is a really big deal. Too often I see parents force the family business down the throat of their children. Too often I see children being really unhappy and never reaching their potential because the children aren't in a business that brings them joy.

Jay Hughes calls this the "black hole" of the founder. Sure, it'll be wonderful if your children join your business, But, only if your child is passionate about the business. If they're not, let them find something they are passionate about and pursue that opportunity.

Realize that your method of doing things is going to be different from your other family members.

I just finished reading [Business is Business](#) by Kathy Kolbe and Amy Bruske which I highly recommend. One of the things they talked about that really stood out is the very high probability your children will have a different way of living in the world than you.

This means that your children will likely do things in a very different way than you did. It's important that you don't force your way on them. It's also important that you have measurements in place so you can monitor their performance.

There are many ways of reaching a great outcome. The way you did it is just one of them. Don't manage methods, manage outcomes. That way you'll have a better chance of not forcing your way of doing things on your children who are in business with you.

Make sure family members are fairly paid.

This was a huge bone of contention between my father and myself. I remember one summer I was filling in for vending route drivers who were on vacation and then I would work an additional six hours a day delivering sandwiches to a museum. I never could get my father to pay me for the additional work and it still bothers me to this day.

In most family businesses one of two things happens. The children are either over paid or under paid, rarely fairly paid. When over paid, I hear things like “They need the extra money or they won’t have enough to live on.” When underpaid, “Why should they get what others get. After all, they’re not paying rent for living in our house.”

Both are really bad ways of handling family members pay. You probably have a pay scale for your company. Your children should be treated like any other employee and should be paid as such. Do yourself a favor, pay your children fairly and this issue will probably never come up.

Have rules for children joining your business.

Your business is the goose that lays the golden eggs. Letting your children join your business if they're not qualified or if the job they're doing is not right for them, starts you down a very bad road.

One of my clients had three rules for joining the business. I really like them.

1. You can't join the business at a higher level than the job you had outside. If you're a janitor at your outside job, you can be a janitor in the family business.
2. You had to work outside the business and have gotten at least one promotion before joining the family business. The last thing you want to do is to have to fire your child because they're not competent. This rule helps with that issue.
3. Before joining the family business you must achieve a certain level of education. This rule could be a high school degree, an undergraduate degree or a graduate degree. Each family should make their own requirement about what level of education needs to be attained.

Keep your rules simple and make sure you follow them. I almost always see this rule broken more than any other when it comes to children joining the family business. Not following this guideline has a very high potential of causing you real pain.

Don't let your children report directly to you unless there is no choice.

Your children grew up with you as a parent first. It's very difficult, if not impossible for most children and for that matter, you to treat your children like employees and not children.

You've developed a way of communicating with your children. I can almost promise that your method of communicating with your kids is very different from the way you communicate with your other employees.

Having another manager in your company manage your children will help both of you to have a better relationship. You don't want to start dredging up things that happened when they were 7. Your managers don't have that history and won't have that problem.

Realize how many mouths the family business can feed.

If your business provides well for you, you need to ask if the same can be true for two or three of your children joining the business. You have financial needs from your business. Your children will also have financial needs.

If your business isn't successful enough to provide for all of your family members in an appropriate manner you have two choices. First, you can make the business successful enough to afford having your children involved. Second, you can not let your children join the business in the first place.

There is no right or wrong in these choices.

Well, that's my list. What have I forgotten? Why don't you send me an email at jpatrick@stage2planning.com and let me know what you think?

Find Out More

This is just the tip of the iceberg when it comes to great family businesses. To have a free 30 minute call with Josh Patrick just click on the button below. Josh guarantees that during the conversation you'll get at least one piece of take home value you can use in your business today.

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