

# Keep It In the Family

Family businesses can have an easier time riding out recessions. But before you hire relatives, learn to manage family dynamics.

**I**N A BAD ECONOMY, THERE MAY BE MORE temptation than ever to turn a small business into a family business. Maybe your brother-in-law needs a job. Or Mom and Dad have cat food in the cupboard and don't own a cat. Personally, the thought of hiring members of my family gives me indigestion. But a family company can be an all-around winner—provided you learn how to manage the “family” part.

Of the 6 million small businesses that employ 100 or fewer workers, 20 percent involve two or more family members. It turns out that some of the traits associated with these family-owned animals put them in better stead to survive and prosper in these leaner, credit-crippled years than conventionally owned firms. For starters, family businesses tend to be patient capitalists—building conservatively over years and turning a deaf ear to the siren song of debt, says Matthew Brady, head of the wealth-advisory group at Barclays. And money isn't the only altar at which they worship; they're more likely to focus on issues like legacy and commitment to community, and thus be that much more averse to foolish bets.

The offshoot is enviable, asset-rich balance sheets. Case in point: Boardroom Inc., a family-run publishing company in Stamford, Conn. Martin Edelston, 80, started the company in 1972 and now employs his wife, three children and—he hopes someday—grandchildren. Because the company is comfortably profitable on sales in excess of \$100 million and has zero debt, it's in an awesome position to ride out the recession. “I highly recommend it,” Edelston enthuses.

On the flip side, working with your kin can be a bite of hell sandwich when it doesn't work.

When octogenarian Viacom founder and chairman Sumner Redstone had a falling out a few years ago with his daughter, Shari, a company executive once considered heir apparent, the world learned about it. And even though we're talking about two unsympathetically richer-than-God characters, it isn't jolly for anyone to have a circus-like family drama that simultaneously pollutes the company. Plus, organizations that are seen as nepotistic can be hamstrung in hiring top talent, if potential hires see kinfolk blocking the path to the top. Given the nettlesome issues of succession and governance, it's not surprising that few family-owned businesses survive to the next generation—only 30 percent, according to the Family Firm Institute, a trade group and research association.

Ultimately, mixing family with work requires certain precautions and constant maintenance. “Use your brain, not your heart” when thinking about hiring your kin, says Don Schwerzler, the founder of Family Business Institute, in Atlanta. Compassion for someone who has lost his job is not a good reason. Make sure there's a real job waiting for him and spell out your expectations for his duties, hours, vacation, compensation and equity opportunity. Harder still but just as necessary: Spell out what will happen if he screws up and fails. Those difficult talks can be easier if you involve an advisory board in both hiring and firing. Should your new employee become your worst nightmare, it's a relief to be able to say, “The

board and I decided that a brick could do better work.”

The founder's family doesn't have to march in lockstep with the founder's vision. It's actually smarter if the family members hold varying points of view, learning to embrace those differences and extract the best ideas without temper tantrums. “In great family businesses, there is a surprising amount of disagreement when new ideas

## Kin At Work

- **Set defined roles.**

Spell out your expectations for a family member's duties, pay and chances for growth.

- **Tolerate dissent.**

Asking for lockstep agreement with the boss will just increase tensions.

- **Get help.**

Outside consultants and advisers can keep disputes from getting personal.



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## Smart Ideas

are first being discussed,” says Schwerzler. For Glenn Mutchler of Harrington Park, N.J.’s Mutchler Inc., a specialty chemical company with \$28 million in annual sales, horizontal management is what works. He tries to create an environment where family members and the other 24 employees feel free to speak up. “We are all committed communicators,” says Mutchler, who works with his brother, wife and daughter in the firm his father founded. Many family enterprises break down because the putative leader must always be right, observes Mutchler. “I’ve been able to let go of that,” he says. “Even Erica, my 26-year-old daughter, will occasionally read me the riot act, and I’ll listen.”

### Managers trying to uphold a family legacy are more likely to steer clear of heavy debt and rash decisions.

The upshot is that, in a family-owned company, strict lines of authority and organizational charts—conventional management’s best friends—have no teeth. But successful family-run companies still need ways to keep the family professionally focused. Boardroom Inc., for example, is a heavy user of a “family business adviser,” who meets with the family members every month. One of the adviser’s jobs, says Edelston, “is to look for sources of friction—principally with me.” In each meeting, Edelston’s kids must report on their jobs. If someone is found exhibiting less than ideal behavior, he’s fined \$20. “Not a lot, but it still stings,” says Edelston. Such family referees are a specialty unto their own and can be found affiliated with business schools across the country. The Family Firm Institute’s membership now includes 1,500 consultants and educators working in this field, an increase of 50 percent over the past six years.

With or without an outside observer, the closest of families will have spats—particularly when one of the employees

is a teenage know-it-all. The Old Greenwich, Conn.-based Miss O and Friends is a Web-entertainment and retail business aimed at hip tween girls—“too old for Barbie, and too young for Britney,” says the founder, Juliette Brindak. Now a sophomore at Washington University in St. Louis, Brindak first designed characters for the Web site in 2000, when she was 10.

As the business grew, her entire family became immersed. Paul Brindak, 51, who has a marketing and IT background, had to learn to tread carefully between his roles as dad and CEO. “Pulling rank just won’t work,” says Paul, who says it’s useful having a division of church and state when it comes to creative and business operations. “If

I put my dad hat on in a creative meeting,” he says, “I’m told: ‘Dad, stay out,’ which I accept.” If,

on the other hand, a family employee like Olivia, 14, acts as though she’s calling the shots, Paul falls back on moral suasion rather than dad-autocracy. “I explain that, unless she’s willing to crunch numbers and do spreadsheets, she is not running the whole company,” he says.

In all the navigating of family dynamics, there’s one key issue to attend to—making sure the family member you hire doesn’t feel taken advantage of. It’s tempting to underpay a relative; after all, it’s not like you have to compete for his loyalty. Jaime Mautz, of Pacific Ink, in San Diego, recently hired her father for a warehouse-management job, for a slightly lower salary than she would have had to pay someone else. Because he works fewer hours, says Mautz, the arrangement is fair for her dad. But saving money was always a bonus, not the point. More important, ultimately, was having an employee she could trust. “We know the animal,” she says. **S**

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