

All in the Family

BY CHRIS NELSON

Is working for a family-owned business a recipe for disaster or success?

We all have witnessed the turmoil that can erupt when you mix the already stressful produce industry with potentially volatile family relationships. Even absent any internal turbulence, these closely-held businesses are often the first to fall in an era of consolidation. Recent bankruptcy filings of several third-generation family businesses are just the latest in a series that breaks the hearts of employees and onlookers alike.

On the other hand, a family-owned business can provide a close-knit, entrepreneurial environment that encourages risk-taking and growth. D'Arrigo Bros., Mann Packing, Mills Incorporated, The Nunes Company, and Tanimura & Antle represent but a few local examples of successful, innovative family businesses that have prospered well into their third generations.

Whatever your opinion, in our industry family-owned businesses are inescapable. Historically, farming always has been a family endeavor, and consequently, it's no surprise to find so many privately held, family-run produce companies. As one closeto-home example, my dad Ted Nelson worked for my grandfather, John Martin Sr.,

growing lettuce in Salinas during World War II. My dad subsequently co-founded Royal Packing with Jack Hart in 1948. Jack's brother Don joined the firm later in the 1950's. My dad served as president for over seventeen years, and then sold out in the mid 1960's.

Given the prevalence of family-owned produce companies, the probability is high that you have worked, are working, or will work for one during your produce career (in fact, I worked for my dad for five years after college at S&W Fine Foods). As a result, this article aims to help you explore such opportunities, then establish boundaries and embrace leadership in them. In a familyowned business more than any other, Henry Ford's axiom applies: "coming together is a beginning, staying together is progress, and working together is success."

First, explore the situation.

Due diligence is the first key to working successfully for a family-owned business. Thoroughly exploring the situation is vital when you consider how much of your reputation, time, energy, and future you invest in your work. At the very least, you should know whether your future work family is healthy or dysfunctional before you accept the position.

One area to investigate is the family dynamics. Do cliques, feuds, and/or infighting exist amongst the owners? Are the topics of future ownership and/or leadership unresolved and divisive? Does true nepotism exist? (All of us know that the word's connotation is negative, but did you realize that Webster's defines nepotism as "favoritism shown to relatives, especially in appointment to desirable positions?") Do family members air personal disagreements openly in the office? Do arguments between individual owners or family generations cause overall tension, miscommunication, or even crises? In general, how does the family deal with conflict and differences of opinion inside and outside the family?

A second variable to consider is the family's vision and values. Do the family members share a uniform, consistent vision for the company's future, or does the company's direction and strategy change depending on whom you ask? Are the owners' core values aligned with each other? Is there a formal strategic plan or a written mission and/or vision statement? Unless consensus exists on these basic issues, conflicts over principles and future direction might tear apart the firm at some point.

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A final aspect to weigh is how the family members envision your potential contribution as a professional manager. What role do they expect you to play, both now and in the future? Should a glass ceiling exist for non-family employees, you must know and accept this at the outset.

Second, establish boundaries.

By definition, a family business can't avoid mixing family and business to a certain extent. However, establishing boundaries between the two is critical to working and growing successfully at a family-owned business.

Ground rules must exist, whether you suggest them or the owners establish them. For instance, will the company allow family members to reprimand employees who don't officially report to them? A clear policy is critical regarding family members "honoring the organizational chart." This can short-circuit a family member from disciplining an unsuspecting employee who reports to someone else entirely.

On another front, how much commitment and passion does the family expect from outside managers? Both parties must grasp that a "hired gun" incentivized by salary and bonuses might be less willing to work the insanely long hours that a family member may who reaps the rewards of annual profits and long-term appreciation in addition to base and bonus compensation. Finally, how does the firm evaluate and reward perform-

ance? Do supervisors, be they family or not, conduct unbiased reviews of employees' performance using measurable criteria and previously agreed-upon objectives? Or do managers grade people based on who they are rather than what they have accomplished? Promoting or overpaying undeserving family members can destroy management's credibility, incite jealousy, and/or depress overall morale. Conversely, a formal appraisal process that separates relations from results will give both family and non-family workers fair, equitable, and achievable criteria for success.

Ultimately, embrace leadership.

A family business may flourish by the "seat of its parents" for a few generations, but even the best-run family company can benefit from the fresh perspective that outsiders bring. In fact, fewer than five percent of all family companies successfully complete the transition to the third generation. A closed atmosphere created by too many long-term family members as well as not adding "new blood" periodically may explain in part their eventual demise.

A recent Family Business Institute survey echoed this difficulty: family business owners cited the absence of qualified non-family executives as their number two concern. As a result, family-owned businesses must make every effort to attract, groom, and retain external "A players" who can con-

tribute positively to company leadership. Furthermore, family executives (and especially patriarchs) must make every effort to loosen their grip on the reins and to accept the good ideas that such "A players" may bring to the party. Otherwise, the firm risks an insular, inbred culture, which discourages innovation and growth, and ultimately imperils the company's long-term future.

In seeking outside leadership, family businesses face a formidable task. A nonfamily executive must be not only a strong, experienced businessperson with a successful track record, but also a tactful diplomat who can manage the challenging (and sometimes contradictory) demands of diverse family members. If this special blend of strength and softness lies outside your core competencies, let me give you one piece of advice: either revamp your interpersonal skills, or decline the position! A blunt, abrasive, egotistical, or overbearing non-family executive will find his or her tenure both extremely bumpy and often fairly short. On the other hand, suppose you are that diplomatic dynamo with lots to offer who has explored the situation and ensured that the necessary boundaries are in place. A family-owned business could be your perfect place to perform, contribute, and prosper as part of a professional management team that includes both family and non-family members. In this case, mutual success is "all in the family!" ■